

## **Republic of Mozambique**

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**Artisanal Fisheries Promotion Project (ProPESCA) –  
IFAD Loan 822-MZ**

**Coastal HIV/AIDS Prevention and Nutrition Improvement  
Project (CHAPANI) – Grant BG-48-MZ-CHAPANI**

**Strengthening Artisanal Fishers' Resource Rights  
Project (PRODIRPA) – Grant BE-49-MZ-PRODIRPA**

**Supervision report**

Main report, appendices and annexes

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## Abbreviations and acronyms

AMPCM	<i>Associação Mocambicana de Promoção de Cooperativismo Moderno</i>
AMODER	<i>Associação Moçambicana Para o Desenvolvimento Rural</i>
ANE	National Roads Authority
CCP	Community Fishing Council ( <i>Conselho Comunidade das Pescas</i> ) or co-management committee
COSOP	Country Strategic Opportunities Paper
ADNAP	National Fisheries Administration
DPOPH	Provincial Directorates of Public Works and Housing
EDM	<i>Electricidade de Moçambique</i>
FFP	Fisheries Development Fund ( <i>Fundo de Fomento Pesqueiro</i> )
FFPI	Small Industry Development Fund ( <i>Fundo de Fomento de Pequena Industria</i> )
GAPI	<i>Sociedade de Gestão e Financiamento para a Promoção de Pequenos Projectos de Investimentos sarl</i>
HQ	Headquarters
IDPPE	Institute for Development of Small-Scale (Artisanal) Fisheries ( <i>Instituto de Desenvolvimento da Pesca de Pequena Escala</i> )
INIP	National Institute for Fisheries Inspection
IIP	Institute of Fisheries Research ( <i>Instituto de Investigação Pesqueira</i> )
M&E	Monitoring and Evaluation
MFI	Microfinance institution
MoU	Memorandum of Understanding
NGO	Non-governmental organization
PAG	Public Audit Group
PARPA	National Action Plan for Reduction of Absolute Poverty
PCCG	Project Consultative and Coordination Group
PCR	Rotating savings and credit groups ( <i>Poupança e Crédito Rotativo</i> )
PCU	Project Coordination Unit
PESPA	Strategic Plan for the Artisanal Fisheries Sub-Sector
PPABAS	Sofala Bank Artisanal Fisheries Project
PPAGI	Fisheries Project for Gaza and Inhambane
PROAGRI	National Programme for Agricultural Development
PRODIRPA	Strengthening Artisanal Fishers' Resource Rights Project ( <i>Projeto de Reforço dos Direitos de Acesso aos Recursos Pelos Pescadores Artesanais</i> )
PRONEA	National Programme for Agricultural Extension
PY	Project year
RFA	Revolving saving and credit association ( <i>Poupança e Crédito Rotativo</i> )
RFSP	Rural Finance Support Programme
RIMS	Results and impact management system
RMF	Risk Mitigation Fund
TA	Technical Assistance



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

1. The ProPESCA development goal is to improve incomes and livelihoods of households involved in artisanal fisheries in Mozambique. Its purpose is to increase the volume of high value fish on a sustainable basis and increase the returns obtained from traded fish. It will invest USD 58.3 million over seven years on the whole coastline, with IFAD financing USD 21.1 million, the EU USD 16.3 million and OFID USD 13.5 million, with injections of counterpart funding from the Government. The Project will focus on some 30 growth poles in seven provinces along the coast line. ProPESCA was approved by the IFAD Executive Board in December 2010, and declared effective in March 2011. The OFID loan was declared effective in January 2012.

2. The project is making various types of investments in the fish value chains at the participating growth poles. These will include strengthening fisher capacity, development of fish markets and related infrastructure, improving financial services and input supply in the fishing communities, as well as strengthening national and district government capacities to manage artisanal fisheries sustainably. There are four components – Supporting Development of Higher Value Fish; Improving Economic Infrastructures; Developing Financial Services; and Institutional Strengthening, Policy Initiatives and Project Management.

3. This mission was the second full implementation support and supervision mission to ProPESCA. The mission covered also the operations of two grant-related projects that are linked to ProPESCA. Firstly, IFAD administers a grant from the Belgian Fund for Food Security (BFFS) for the Coastal HIV/Aids Prevention and Nutrition Improvement Project (CHAPANI), effective from May 2012, with the overall goal to improve food security and livelihoods of households involved in artisanal fisheries. Secondly, a new grant, "Projeto de Reforço dos Direitos de Acesso aos Recursos Pelos Pescadores Artesanais" (PRODIRPA) is a three year project expected to start early next year that will complement ProPESCA and CHAPANI and will be implemented by IDPPE in the area previously covered by PPABAS. Its aim is to strengthen artisanal fishing communities' security over, and management of, natural resources – both sea and land based.

4. The mission met extensively with implementing agents and other project partners in Maputo and visited ProPESCA and CHAPANI activities in the provinces of Zambezia, Maputo and Nampula. The team members are grateful for the professional support they received during the conduct of their duties in Maputo and in the field.

5. This Aide Mémoire was discussed and approved at a wrap-up meeting in Maputo chaired by Mr. Tome Capece, Director, IDPPE, on 20 September 2013.

## **B. Overall assessment of project implementation**

6. Two different development trends can be observed in the fisheries sector in the past two years in Mozambique. Industrial and semi-industrial fisheries have experienced a severe decline in their catches of prawns, with the annual drop in the total catch reported to be as high as 70%-75%. At the same time artisanal fisheries report a significant increase in their total catch. In the visited Zambezia province, the increase from the previous year to the current one is reported to be around 50%, despite a major decline in by-catch collection. This positive production trend encourages ProPESCA to continue in pro-active manner to further develop artisanal fishing in Mozambique.

7. With various delays in field implementation continuing to adversely affect the progress of ProPESCA, the project can be still considered to be at a preparatory stage. Taking into account the total project budget, ProPESCA has utilised only 4% of funds available while over 35% of its implementation period has already elapsed. Most of the funds have been spent under Component 4, much of it on project management.

8. The process of community consultations has been finalized in all Growth Poles (GPs) and came out with a comprehensive Action Plan for each GP, from which Annual Work Plans will be

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<sup>1</sup> Mission composition: The mission consisted of Custodio Mucavele, Team Leader/IFAD Country Officer Project Management Expert; Jorma Ruotsi, Rural Finance Expert and Co-Team Leader; Harold Liversage, PRODIRPA; Oussama Hassani, Financial Management Expert; Bernard Adrien, Fisheries Development Expert; Raquel Fernandes, Monitoring and Evaluation and Knowledge Management Expert; and Raul Varela, CHAPANI. Logistics and other support to the mission were provided by Ana Cipriano Zandamela, Administrative Assistant, IFAD Country Office.

elaborated. As part of the general assessment, detailed quantitative and qualitative information regarding the value chain in all areas has been gathered and compiled, so as to identify priority actions for operations in the coming years.

9. ProPESCA is now well placed to commence full implementation of the planned activities. Thorough consultation and planning work has been conducted in all Growth Poles and Action Plans have been drafted. The challenge is now to define and prioritise the activities to be included in the AWPBs and especially to get the field operations started in each of the ProPESCA components. The remaining months of 2013 are likely to be decisive when aiming at accelerating the project implementation and in getting the planned services actually delivered to the field. This calls for a strongly pro-active approach by IDPPE management and other Government offices. It is particularly important to avoid any further delays in the contracting of implementation partners for the different field activities, to be able to finalise the 2014 AWPB in time and to fully proceed with a comprehensive field implementation programme right from the beginning of 2014.

### **C. Outputs and outcomes**

10. As most of the activities of ProPESCA are still at a preparatory or planning stage, the results and impacts on the planned beneficiaries, the fisheries communities still largely remain to materialise. This situation is expected to change in 2014, with major results of ProPESCA activities on the target population expected particularly from the adoption of new fishing technologies, improved physical infrastructure in fishing communities, better functioning markets and institutions as well as increased financial inclusion and improved financial services.

### **D. Programme implementation progress**

#### **Component 1 – Supporting Development of Higher Value Fish. Fisheries Technology**

11. The component has the support of two technical experts, one for fishing and one for value chain/business development, who have been in their posts for about one year. The recruitment of a Fisheries Extension Consultant, to assess all the work carried out in fisheries technology (specifically fishing) and to come up with a proposal of actions, is not yet finalised. Following a request for Expression of Interest and elaboration of a short list, selected candidates were invited to submit proposals but none responded. The recruitment process needs to be completed urgently, so that the outcome of the consultancy is available by March 2014. In the event the recruitment is still unsuccessful, the plan is to use internal IDPPE resources for the planned tasks. In order to prepare this consultancy, various preliminary studies are being carried out on the extension work conducted over the last ten years and will be finalised by Oct. 2013. A programme for the use of ice on board, essential to improve value addition, is being implemented in Zambezia province. Programmes to improve boat building (in Gaza and Sofala) and engine maintenance and repair (in Zambezia) are underway and will be completed by end of 2013.

12. A training course on fish quality and marketing was carried out in May 2013 in partnership with the Faculty of Marine and Coastal Science of the UEM at the national level, with a revision of some of the existing training materials and improved interaction with institutions linked to the fish value chain. It is being replicated through five provincial courses (training of new trainers of the intermediate level, i.e. IDPPE extensionists, health and district staff and INIP technicians), and will be completed by end of 2013. Subsequently, these trainees will train community members, in 12 local courses which will be completed by March 2014.

13. **Development of Cooperatives.** The formalization of partnership with the Associacao Mocambicana de Promocao do Cooperativismo Moderno (AMPCM) will be through a contract for which an IFAD no-objection has been requested and the process is expected to be finalised by October 2013. The first phase of the work (diagnosis and elaboration of a proposal for technical assistance) should be completed by the end of 2013. It is then anticipated that the actual implementation of the programme could start by mid-2014.

14. **Fish Markets.** The fish markets supported by ProPESCA reflect a complex and diversified situation in terms of infrastructures, equipment and operationalization. Overall, the situation has significantly improved over the last year, with more markets becoming operational. The outputs of a



study, carried out in 2011 to define the modalities of market management, a special IFAD support mission on markets in April 2013 and a recent national training course on value chain operations in Quelimane, have proven to be tools extensively used at the province and district level. They still need to be systematically implemented. As of September 2013, of the total of 27 markets, four markets of first sale are in operation as well as five retail markets. Therefore, about one third of the supported markets are presently being used.

15. However, the operational markets still need structural improvements to fully meet the acceptable standards (best practices in hygiene and processing). In addition, the remaining markets, which are not yet operational, have to undergo structural improvements, too. All bids for civil works (except Nampula) have been launched and it is expected that they should be finalised in October 2013, so that all civil works should be completed by the end of the 1<sup>st</sup> semester 2014. In order to improve the structure and operation of future markets, models are under development (for markets of first sale), with the support of a consultant who is to be recruited shortly. The outcome of this work should be ready by the 1<sup>st</sup> quarter of 2014. The situation in Nampula is particularly worrying, since the Municipality is planning to relocate the fish market built with the support of the fisheries sector.

16. The stipulated Memorandum of Agreement between the Provincial Fisheries Department and the concerned local authorities and subsequently, the Implementation Contract between the local authority and the Market Management Committee (MMC) has been signed for about half of the markets. In nearly all markets, a MMC has been established. Some of them are demotivated, mainly due to the delays in getting the markets to become operational. At the same time it is quite clear that in those markets which are working, the commissions do their best to fulfil their duties. It was agreed that once prerequisites are fulfilled (empowerment and training of the MMC), the markets be put into operation as soon as possible, without necessarily waiting for all infrastructures and equipment to be completed. In each case, a meeting should be organised for all stakeholders to decide on the conditions on which the market should open.

17. A number of positive points were observed during the visits to operating markets: good partnership between the local administration, the MMC and the private operator; internal regulations in place; some register on activities; and actual income earned covering the operating expenses. Points for improvement relate essentially to procedures that are not properly followed. In general terms, there is an urgent need to implement market management guidelines in markets which are in operation, and properly supervise their implementation on a continuous basis.

18. **Ice Plants and Other Cold Facilities.** Momentum is being gained in terms of the operationalization of ice plants. Out of the 25 markets, 15 are equipped with an ice plant, out of which six are in operation, with a contract for operations signed between the MMC and the private operator. Four markets have additional cold facilities. All remaining ice plants should be installed and in operation by mid-2014 and all other cold equipment operational by end of 2013. Technical services for installation and maintenance/repair of cold equipment have chronically been a major constraint, resulting in few ice plants being in operation. The implementation of the contract between IDPPE and a supplier has turned out to be a major constraint. It is recommended that an alternative solution be urgently found to solve this issue, and an efficient maintenance programme be put in place.

19. **Proper Use and Operation of the Facilities and Equipment.** In this area, a series of activities have been developed over the last year. One essential line of action is to finalise “best practice” market/vendor operations: two sessions were organised involving technical staff from Maputo, Gaza and Inhambane, with good results. From the experiences gained, the objective is to complete three standards for fresh products, ready for dissemination on fish markets, by March 2014.

20. **Input Supply.** During the previous fisheries programmes, problems in the supply of fishing equipment and other inputs have been successfully solved through active co-operation between IDPPE and the leading input supply companies in the private sector. Now that ProPESCA covers the whole coast line, it was agreed in 2012 that the same partnership approach will be applied also in all ProPESCA Growth Poles. Such an operation, visited by the mission in Mulai village near Pebane, clearly shows the benefits to the local community from being able to buy fishing gear from the local village shops, with increased earnings also to the shopkeepers. The potential to expand similar operations to fishing villages around ProPESCA Growth Poles is clearly very large. It was agreed that IDPPE will in the coming years pro-actively support this type of expansion of input supply networks, principally by connecting the local shopkeepers to quality suppliers of fishing gear and providing them with lists of items that would locally be in high demand.

Agreed action	Responsibility	Agreed date
1. Carry out the consultancy on fisheries extension	IDPPE with consultant	April 2014
2. Finalise programmes on ice on board, boat building and engine repair/maintenance	IDPPE	Dec. 2013
3. Finalise training on fish quality	IDPPE	Dec. 2013 (provincial); March 2014 (local)
4. Implement AMPCM Technical Assistance Programme	AMPCM with IDPPE	By Mid 2014
5. Complete works on market facilities developed under PPABAS, ProPAPA and PPANNCD	IDPPE with district and provincial teams	End June 2014
6. Complete review of market operating models	IDPPE team with district and provincial teams	March 2014 (April 2013)
7. Complete installation and operationalization of all ice plants and cold equipment	IDPPE with district and provincial teams	Mid 2014 (ice plants); End 2013 (other equipment)
8. Promote a programme of technical assistance partnership for market equipment at provincial level	IDPPE in collaboration with local governments	March 2014
9. Complete the formalization process between the fisheries sector, the local governments and the MMC	IDPPE Delegations	End 2013
10. Finalise "best practice" market/ vendor operations for dissemination	IDPPE	March 2014
11. Implement market management guidelines in markets which are in operation	IDPPE with AMPCM	End 2013
12. Promote pro-actively fisheries input supply through village shops	IDPPE	Continuous

## Component 2 – Improving Economic Infrastructure

21. The initial assessment of the first phase "Alternative Energy Pilot Scheme" (upgrading and relocation of the existing units, if needed, in Mucoroge, Sangage, Chinde and Chiloane) and the design of the second phase (installation in three new sites: Quirimba, Maziane, Ilha de Idugo) were presented to the mission. Technical specifications and costing will be prepared by FUNAE and will form the basis for the tendering for the installation of photovoltaic systems. Based on the results of the first phase and FUNAE's own experience, a management model will be defined so as to ensure viability of the system.

22. Works to connect the grid to markets in Zalala and Chiconjo are on-going. Assessments have been done and works will start in Macomia, Montepuez, Tanganhane, Sangaje, Mulai, Muntanhana, Mabuluco. An evaluation was carried out for longer lines for which, however, ProPESCA resources are not sufficient and it was found that additional resources will be mobilised. An initial list of investments for expanding electricity grid lines has been prepared and sent to the Ministry of Energy. Confirmation of availability of additional resources is necessary in order to fully address the remaining financing needs.

23. After consultation with ANE and the Road Fund, the mission was informed that part of the resources allocated for the position of the Roads Design Consultant will be kept to address the designs of complex structures, whereas the remaining balance will be used for civil works. A detailed quantification of works for access roads was completed in all provinces except Maputo. ANE carried out a technical survey including technical specifications of the works and IFAD no objection for EOI was granted. The evaluation and selection of the contractors is on-going under ANE's leadership. As this step also requires an IFAD no objection, and with the rainy season approaching, it was agreed that the evaluation/selection will be finalised by ANE and the Road Fund and sent to IFAD for no objection by 30 September 2013. This will allow the works to start this second semester as planned.

24. Other on-going activities in this component include (i) the review of the overall component plan (ii) the investigation on supplementary funding for electrification for co-financing under the next year's

programme; (ii) adoption of a simple selection criteria for economic infrastructure projects and (iii) preparations for the initial training for contractors and staff from respective SDPIs.

Agreed action	Responsibility	Agreed date
13. Finalise design of Alternative Energy Pilot Scheme <ul style="list-style-type: none"> <li>Completion of installation of 1<sup>st</sup> phase</li> <li>Decision on future steps</li> </ul>	FUNAE FUNAE-IDPPE	June 2014 End 2013
14. Complete the rehabilitation of 25 roads (1 <sup>st</sup> lot)	ANE	Sep. 2014
15. Complete of the rehabilitation of 21 roads (2nd lot)	ANE	Sep. 2014
16. Present a proposal to provide initial training for 50 contractors and 34 staff from respective SDPIs	ANE and Road Fund	End 2013

### Component 3 – Developing Financial Services

25. The ProPESCA budget includes a comprehensive package to support financial service delivery in the Growth Poles (USD 7.3 million, including the EU contribution). These improved services are critically important to achieve the investment targets in the fishing communities set for the programme. The start-up of the component activities has been slow, and practically no ProPESCA funds have yet been used for the planned activities. Long delays experienced in the recruitment of the Rural Finance Specialist (RFS) for ProPESCA significantly contributed to these start-up problems. During the mission, agreements were reached on how to make the component fully operational from the beginning of 2014. One of the core tasks for the IDPPE management and the RFS is to ensure that during the remaining months of 2013, all these agreed actions are taken and the actual field implementation starts in all rural finance-related activities without further delays.

26. **ASCAs and Other Community-Based Financial Services.** A core target of this activity is to substantially increase the number of women and men participating in community-based financial arrangements around ProPESCA Growth Poles. At the same time, focused efforts would be made to improve the methods used in PCR promotion and to actively link the groups and their members to formal MFIs and other financial institutions.

27. Preparations and field assessments conducted in the past 12 months showed that two major changes were required from the originally planned implementation approach. Firstly, ProPESCA does not have to arrange training of the Service Providers (SPs) for ASCA development as experienced SPs (with a record of more than 100 ASCAs formed) are available in each province. Secondly, it is practical to combine the contracts to include both the formations of new ASCAs and the further development of the ASCA method (“ASCA Plus”), particularly as practically all the SPs are already piloting with new ASCA approaches. These are likely to include such areas as financial literacy, links to formal financial institutions, mobile functions, options of accumulating funds over cycles, and more developed business development service modules.

28. Following a public request in newspapers, by July 2013 the project had received Expressions of Interest from 13 experienced SPs, covering each of the ProPESCA provinces. From these, ProPESCA has selected 10 and requested from them a full Project Proposal.

29. The current ProPESCA budget allocation for the ASCA contracts is around USD 2.3 million. This is likely to be a limitation for achieving the agreed impact especially when operating on the very large ProPESCA implementation area. It was therefore agreed that the budget allocation for this important activity will be raised to USD 3.0 million, using the savings from two activities budgeted but not any more valid for ProPESCA operations (“Implementation Support to Formal CBFs”, USD 600,000, and “BDS for Rural Finance”, USD 100,000).

30. **Credit Line and Outreach Grants.** The ProPESCA outreach grants for financial institutions were originally planned to be implemented through FARE and its IFAD/AfDB supported Innovations and Outreach Facility (IOF). This option later became impractical. As the entry of new financial institutions to Growth Poles is crucial for the ProPESCA investment operations, the project has worked on alternative options to reach the agreed development results in this area. With the entry of the EU funding, the package offered to financial institutions now includes, in addition to the

ProPESCA outreach grants (total budget USD 800,000), also a line of credit (LoC) for lending operations (around USD 1.81 million).

31. To make this activity functional, the Ministry of Fisheries have proposed that the Fundo de Fomento Pesqueiro (FFP) would be selected as the implementation agent for the activity. To this end, a Position Paper proposing that FFP will manage the ProPESCA credit line and outreach grants has been submitted to IFAD, which has endorsed it. As this would require an amendment in the ProPESCA Financing Agreement, the mission strongly recommends that the Ministry of Finance (MoF) should by mid-October 2013 agree with IFAD on this amendment. This is critically important to avoid further delays in the implementation of this ProPESCA implementation.

32. When the amendment is completed, it was agreed that IDPPE aims to sign a Memorandum of Understanding (draft text ready) with FFP before the end of October 2013. This should be followed by a Subsidiary Loan Agreement between the MoF and FFP. After FFP is contracted as the fund manager, particular attention needs to be placed on the following issues: (a) the loan management software of FFP has to be fully operational before the actual implementation starts, (b) the RFS of ProPESCA pro-actively assists FFP to design the required Operations Manuals for credit and matching grant operations, (c) FFP organises the required staff training using funds available from ProPESCA and its other donors, including funding from Norway and Iceland, and (d) FFP co-operates closely with IDPPE/ProPESCA in the selection of benefiting financial institutions, targeting especially the growth poles with no banks or MFIs.

33. **Risk Mitigation Fund (RMF).** The RMF was established during the latter years of PPABAS provide incentives to financial institutions to invest in artisanal fisheries. PPABAS invested USD 250,000 in the Fund, and GAPI USD 150,000, with GAPI operating as the fund manager. Following the September 2012 Supervision Mission recommendations, the rules for the RMF were finally agreed on in late 2012. The RMF Management Committee, consisting of GAPI, IDPPE and FFP, was formed in early 2013 and has met once. No funds from the USD 1 million allocation of ProPESCA have yet been disbursed to the RMF.

34. Contrary to the earlier recommendations, no marketing meetings with financial institutions have been organised in the past 12 months. At the same time GAPI informed the mission that no MFIs, microbanks or commercial banks have in their bilateral discussions expressed interest to lend to artisanal fisheries, even with the RMF support, as it is considered a complicated and risky investment market.

35. GAPI has used an option in the RMF rules to finance 50% of a loan from its own funds to the artisanal fisheries sector, with the expectation that the RMF finances the remaining 50% of these loans. According to GAPI, 16 such loans are currently outstanding with a total balance of around USD 70,000. Two issues concerning these loans require attention. Firstly, GAPI has not followed 50%/50% RMF financing rules when accounting for these loans, with the RMF's financing share at well over the 50% maximum. It was agreed that GAPI makes for the next RMF Management Committee meeting a comprehensive financial statement on this lending operations and pay the required balance back to the RMF bank account.

36. Secondly, this fisheries lending operation faces serious repayment problems. Clearly, two aspects of this lending should be strengthened: (a) more careful calculation of the repayment capacity of the financed projects, based on realistic assumptions, and (b) more focus on the pre-disbursement counselling of the borrowers on their repayment obligations and on the sanctions that will follow prolonged default.

37. It also became obvious that there is a need to explain the advantages of the RMF approach both to the key potential partners in financial sector and to the field staff of GAPI, so that the benefits of the RMF as compared to the available guarantee funds and other donor initiatives become clearer. To this end, it was agreed that IDPPE, FFP and GAPI will arrange provincial marketing meetings with potential partners in the remaining months of 2013, informing stakeholders of all the financial services supported by ProPESCA. At the same time the GAPI field staff would be trained in the management and operations of this Fund. Finally, it was agreed that ProPESCA will organise an independent evaluation of the RMF around mid-2014. The results of this evaluation would guide the decisions on how to use the USD 1 million allocated for the RMF in the ProPESCA budget.

38. **Matching Grants for Women and Innovations.** Component 3 also includes two small allocations (USD 300,000 each) for matching grants: (a) innovation and infant industry grants and (b)

matching grants for women's economic activities. IDPPE has carried out substantial preparatory work to make these schemes operational and prepared a list of types of projects eligible for matching grant funding. It was agreed that the utilisation of these grants should be limited to three types of projects: (i) operations that can be used for wider demonstration purposes, (ii) operations by clearly unprivileged groups or individuals or people serving these unprivileged groups, and (iii) key value chain operations in which the lack of availability of finance can be clearly demonstrated. It was agreed that the IDPPE Head Office and the RFS would finalise an Operations Manual for the grants and inform relevant IDPPE staff of the rules and procedures of the activity. The target is to get the matching grant financing in the field fully operational from the beginning of 2014.

Agreed action	Responsibility	Agreed date
17. Finalise contracts with ASCA SPs	IDPPE, RFS	End October 2013
18. Start field implementation on ASCA promotion	SPs, IDPPE	January 2014
19. Sign MoU on LoC and MGs with FFP	IDPPE, FFP	End October 2013
20. Prepare LoC/MG rules and Manuals, train FFP staff	FFP, RFS	End 2013
21. Clarify RMF accounting with GAPI	GAPI, SCom	October 2013
22. Organise marketing and capacity building meetings on all ProPESCA supported financial products	IDPPE, GAPI, FFP	Oct-Dec 2013
23. Organise independent evaluation of RMF	IDPPE	July-Aug 2014
24. Finalise the Operations Manual for matching grants	IDPPE	End October 2013
25. Start field operations on matching grants	IDPPE	Beginning of 2014

#### Component 4 – Institutional Strengthening, Policy Initiatives and Project Management

39. **Project Management.** After various and prolonged delays particularly concerning the position of the Rural Finance Specialist, all the envisaged TA positions to support the PMU are now filled. This is expected to speed up the implementation of ProPESCA activities in the field. The preparation of the IDPPE capacity building workplan is on-going. A draft has been prepared and submitted to the Ministry of Fisheries, to be incorporated into the overall plan of the sector.

40. Following the recommendation of the February 2013 follow-up mission, the PRG was established and the first meeting organized in August 2013, followed by a formal PSC under the chairmanship of the Vice-minister for Fisheries. It is important that the PSCs are fully operational at provincial and district level and that there is an appropriate budget allocation for this activity that guides the ProPESCA implementation at all levels. The importance of the PSCs needs to be brought to the attention of the district administrators who have the role to call and chair the PRG to establish a regular meeting schedule needed in their respective districts.

41. Overall, the project is well managed by a dedicated and committed team. The AWPB has been adjusted following the project integration into e-SISTAFE. The IDPPE staff involved in ProPESCA at central and provincial levels received training on e-SISTAFE and M&E. Following intensive consultation and planning workshops in all Growth Poles, practical Action Plans have been drafted. The mission is pleased that ProPESCA has now in place most of the basic management instruments and the effective implementation of field activities can start

42. **Monitoring and Evaluation.** Based on the recommendations of the last supervision mission, a baseline survey consultant was hired, the field data collection is completed and the report is expected to be ready by the end of October 2013. Part of the baseline information is still to be analysed regarding the project development objective. It was agreed that the remaining baseline data would be ready by 31 December 2013. The M&E assistant was recruited and should start working in the PMU by December 2013. The Project Implementation Manual is completed and approved by IFAD; it was distributed to the project implementers in June 2013.

43. The Planning, Monitoring & Evaluation system for ProPESCA is now operational. The implementing agents are using the recommended planning and reporting procedures in a smooth manner and respecting deadlines. Based on the AWPB, the activity plan is prepared each month by the Delegation's Planning and Statistical Unit, in collaboration with Extension Agents, on the basis of which a financial estimate is submitted to the CPU for disbursement. However, in reality most Delegations are using different planning templates and some are only submitting their financial returns. To improve the efficiency of the process, it was agreed that the PMU enforce the use of standard planning and reporting templates that will ease the data aggregation for evaluation and consequent action. The quarterly reporting templates should include a mandatory presentation of constraints faced, lessons learned and corrective actions taken. The Planning process could also be

improved with capacity building sessions, supported by monthly controls by the PMU. A knowledge management strategy for ProPESCA is planned to be developed by early 2014.

44. **Fisheries Research and Co-management.** IIP has appointed a consultant to assist in defining the requirements for undertaking the resource assessment of small and large pelagics in the 5 to 200 m depth zone using acoustic and fish sampling. The Ministry of Fisheries have requested the Namibian Government to assist with the provision of a boat and suitable equipment for undertaking the survey. A smaller suitable boat that will be launched from the main boat to undertake the inshore part of the survey, and suitable equipment including persons to operate this boat still need to be procured. Assessment of stock bivalves and jelly fish already started and will be completed by the end of the year. The arrangements to start the assessment of octopus stock are almost completed and the field work will begin soon. Protocols are being finalised for undertaking assessments of stocks of mangrove crabs, small prawns, demersal fish, rock lobster, and cephalopods (squid and cuttle fish) for research to be done in 2014.

45. The mission found that while at least some provincial and district CCGs are reported to still be in operation, in practice their functioning is limited by the lack of adequate resources and budgets. ADNAP commissioned a review in 2012 of the current status of decentralised management of artisanal fisheries which identified certain pre-conditions and conditions for effective decentralisation. ADNAP is expected to finalise guidelines for strengthening district capacity to undertake their co-management functions which will be used for developing a training programme for district staff. IDPPE plans to undertake an assessment of the role that CCPs should play in co-management and more generally and their current capacity to undertake these responsibilities. IDPPE is also in the process of finalising a manual for strengthening the roles of CCPs which will be used for their continued training.

Agreed action	Responsibility	Agreed date
26. Establish regular RRG meeting schedule	IDPPE	Min. twice a year
27. Finalise the analysis of baseline data	IDPPE	End of 2013
28. Enforce the use of planning and reporting templates	IDPPE	End of 2013
29. Confirm the plan for completing resource assessments in mangrove crabs, small prawns, demersal fish, bivalves, rock lobster, jelly fish and cephalopods	IIP	31 Dec 2013
30. Complete the resource assessment in pelagics in the 5 – 200m zone and other resource assessments planned for Q1, 2014	IIP	31 Mar 2014
31. Finalize guidelines and a training programme for strengthening district capacity to support co-management.	ADNAP	31 Mar 2014
32. Finalize analysis on decentralization and the capacity requirements for CCPs and finalise manual.	IDPPE	31 Mar 2014

#### CHAPANI Grant

46. CHAPANI is currently being implemented along with ProPESCA in six of the 30 participating growth poles for fishery development, all located in Nampula province. Three particular target groups have been identified for CHAPANI: (i) fishers; (ii) processors/traders; (iii) providers of support services, with gender emerging as a cross-cutting issue. Generally, the project is making good progress to achieve its planned outputs and the project has already spent 54% of its total budget. Different stakeholders expressed their appreciation for the relevance and importance of activities that have been carried out. However, in order to strengthen project's performance, it was agreed that: (a) link better the CHAPANI implementation to ProPESCA activities in and around the Growth Poles, (b) design a framework for higher project visibility, (c) increase the use of baselines (HIV/AIDS & Nutrition) results and lessons learnt from project implementation to further develop CHAPANI operations, and (d) plan the future CHAPANI operations within the budget limits of the grant.

Agreed action	Responsibility	Agreed date
33. Systemize the use of results of Baseline Surveys	ADPP	End October 2013
34. Link CHAPANI more closely to ProPESCA operations	ADPP	Continuous
35. Revise CHAPANI institutional protocols and synergies	ADPP, IDPPE	15 December 2013
36. Revise of procedures to enhance nutrition component	ADPP	15 December 2013
37. Design a framework for increased CHAPANI visibility	ADPP	By end of 2013
38. Plan CHAPANI operations within budget limits of the grant	ADPP	Continuous

## PRODIRPA Grant

47. PRODIRPA will be implemented by IDPPE in 18 growth poles in Sofala, Zambézia and Nampula (the area previously covered by PPABAS). The project will have four components: (a) Research, analysis and lesson sharing; (b) Empowerment of artisanal fishing communities; (c) Community-based natural resource management planning; and (d) Project management and policy dialogue. The project will support the strengthening of community institutions and organizations, co-management, targeting and policy/legislative activities of ProPESCA. The total project cost is EUR 641,026 co-funded through an IFAD grant of EUR 500,000 from funds made available by the Belgian Fund for Food Security (BFFS), the GoM (EUR 108,974) through taxes and duty exemptions and a beneficiaries' in-kind contribution estimated at EUR 32,051. IDPPE will also make an in-kind contribution to the project that will include technical assistance and project management support. Implementation will be supported by IFAD's Mozambique Country Programme Team and IFAD's Regional Land Tenure Adviser. Implementation support missions will be carried out jointly by IFAD and IDPPE in parallel with ProPESCA implementation support missions.

48. The immediate priority is to finalize the Financing Agreement between IFAD and IDPPE so that the funds can be transferred through the CUT. Once the FA is signed IDPPE will initiate research on: (a) the existing situation regarding the role of government and community institutions and organizations in natural resource management in the project area and (b) other on-going or planned initiatives aimed at securing natural resources rights of artisanal fishing communities and at improving community-based coastal natural resource management. A multi-stakeholder workshop will be convened by IDPPE to share the initial findings and to identify modalities for improving collaboration and harmonization of interventions. Attention will be given to building partnerships with others, in particular ADNAP, IIP, MICOA, WWF/CARE and the World Bank.

Agreed action	Responsibility	Agreed date
39. Finalize the Financing Agreement	IFAD/IDPPE	30 Nov 2013
40. Confirm that the additional general and specific conditions of the Grant Agreement have been met.	IDPPE / IFAD	31 Jan 2014
41. Complete preliminary research on: (a) current status regarding community NRM and security of NR tenure and (b) ongoing or planned NRM/tenure security-related initiatives.	IDPPE	31 Mar 2014
42. Convene the first multi-stakeholder workshop.	IDPPE	30 Apr 2014

## E. Fiduciary aspects

49. **Financial management.** With minor qualifications the financial management arrangements for ProPESCA, governed by the centralised public financial management tool e-SISTAFE, are functioning adequately to meet the operational needs of the project.

50. The operationalization of the e-SISTAFE equipment is still pending at six of the seven Provincial Delegations (Sofala, Cap Delgado, Maputo, Zambezia, Nampula and Gaza), where finance staff have to travel to neighbouring institutions to input data on the system in order to process requisitions. It was agreed that CEDSIF would rectify this situation as soon as possible. Moreover, further automation to facilitate the generation of ProPESCA's financial statements and Withdrawal Applications (WAs) is highly desirable and CEDSIF should aim to customise e-SISTAFE accordingly. In terms of internal controls, ProPESCA should systematise the use of log-books for each of the project's vehicles and motorcycles.

51. In order to avoid the delays experienced this year in budget activation on e-SISTAFE, ProPESCA must diligently adhere to its AWPB preparation schedule. No later than 15 December 2013, the 2014 AWPB must obtain No-Objection from IFAD, and be ready to send to the DNO for input in e-SISTAFE.

52. As of 31 August 2013, ProPESCA has a balance of USD 141,505 in the IFAD loan Designated Account plus USD 39,644 in the Single Treasury Account (CUT) as well as a total of USD 462,708 in the sub-programme accounts. Execution of the 2013 AWPB (USD 11.1 million) has been low. As of 31 August 2013, of the USD 11.1 million budgeted for the year, only 1.27 million has been spent (all of which is IFAD financing), representing an 11.4 % absorption rate. Considering IFAD financing only, ProPESCA has spent 25% of the USD 5.08 million allocation. Of note is the unusually high proportion of expenditures being made on project management costs, such that about 65% of expenditures in

2013 have been under Component 4. Cumulatively, as of 31 August 2013, over 42% (USD 975,189) of the total expenditures to date (USD 2,311,617) have been made to cater for recurrent costs

53. **Disbursement.** So far 14 % of the IFAD loan has been disbursed. As of 31 August 2013, the IFAD loan disbursed SDR 1.922 million (USD 2.88 million), leaving an available balance of SDR 11.93 (USD 17.9 million). If WA No. 6 is paid in full, disbursements will reach 17% of the total allocation, or approximately SDR 2.75 million (USD 4.13 million). Actual cumulative expenditure as of 31 August 2013 is approximately USD 2.31 million or 11 % of the total IFAD loan allocation. Taking into account the funds available from OFID (USD 13.53 million) and EU (USD 16.32 million), ProPESCA has utilised only 4% of funds available with now over 35% of its implementation period elapsed.

54. Once the pending WAs (6 & 7) are processed, ProPESCA will still have USD 160,652 unjustified from the amount advanced against WA 2 (disbursed on 23/12/11), plus an unjustified amount of USD 962,041 (WA 3, disbursed on 20/02/2013), plus the amount disbursed against WA 6 (USD 1,251,124), resulting in a total unjustified advance of USD 2,373,817. The mission recommends that the aging advances be justified by means of SOEs at the soonest, particularly the outstanding amount of USD 160,351 disbursed against WA 2 over 19 months ago.

55. The mission reviewed a randomly selected sample of items claimed on WA 7 (submitted to IFAD but not yet processed) and was satisfied that adequate supporting documentation is maintained to sustain the eligibility of the expenditures for IFAD financing. Expenditures are allocated to the correct cost categories and were incurred during the reporting period as per the WA, and expenditures are claimed at the correct percentage of financing as per Schedule 2 of the Financing Agreement.

56. As required by the Letter to the Borrower (LttB) and the Code of Practice for Project Management (COPPM), the mission recommends that the standard template for the IFR be used and attached to all WAs henceforth.

57. The designated account into which the OFID (Loan 1408P) fixed authorised allocation of USD 500,000 will be deposited has been opened. Withdrawal application n No. 1 for the initial allocation of USD 500,000 has been prepared and now requires the signature of the authorised representative and delivery to IFAD and OFID for processing. Prior to disbursing, OFID has requested that the MoF send an official communication confirming that they accept the loan administration procedures laid down in the Loan Agreement and OFID's Disbursement Handbook, apparently due to initial misunderstanding regarding disbursement procedures. The mission strongly recommends the MoF to dispatch this communication at the earliest so as to avoid further delays. This is particularly pressing as the procurement processes for the construction of roads earmarked for OFID funding approach the contract signing stage. As for the entry into force of EU funds, this is pending the countersignature by the MoF on the amended financing agreement. The opening of the designated account for the EU grant is in process. This should also be done at the soonest

58. **Counterpart funds.** ProPESCA requested a total of USD 362,799 in counterpart funding for the 2013 AWPB. Of this amount, the GoM released only about USD 46,667, representing less than 13% of the amount requested. This is an unsatisfactory provision of counterpart funding to the project.

59. The USD 141,693 used to pre-finance VAT with loan 566/MZ proceeds during the implementation of PPBAS remains refundable to IFAD and has prevented the timely closure of the loan account. The mission was informed that the counterpart contribution to the 2013 ProPESCA AWPB (USD 46,667 released) would be used to refund IFAD. IDPPE has requested the DNT for additional funds to allow for full reimbursement to IFAD but as of yet there has been no action taken by the DNT or the MoF as regards the remaining amount required for a full refund to IFAD (approximately USD 95,026). The agreement reached with the previous supervision missions whereby the full amount was to be refunded in full no later than 31 March 2013 has clearly not been respected. Further delays in settling this issue will warrant the suspension of disbursements from IFAD to ProPESCA.

60. **Compliance with loan covenants.** The following contraventions to the loan agreement were noted: (i) PRGs have been established but have not been meeting at least semi-annually (Schedule 1, II.5 & 6); (ii) the GoM has not made sufficient funds available to the project, as requested by the latter in order to carry out the project (General Conditions, Section 7.03); (iii) the project has not insured all



assets and staff (Schedule III, General Conditions Section 7.08); and (iv) deviation from Procurement Guidelines for procurement of rehabilitation works (General Condition Section 7.05 (a)).

61. **Procurement.** The execution of the 18-month procurement plan is behind schedule. Most of the procurements planned in 2013 will be rolled over to 2014. This situation is due to a combination of lack of available funding and sub-optimal planning. As regards the procurements undertaken during the current year the mission observes the following:

- **Baseline study:** Only two proposals were evaluated, as opposed to a minimum of three as required by Mozambican and IFAD procurement regulations. The mission was informed that the National Procurement Authority (UFSA) granted a waiver to ProPESCA on this requirement. This, however, was not provided in writing. In the future, it is recommended that all official communication from UFSA to ProPESCA be made in writing and kept on file so as to maintain an audit trail.
- **Rehabilitation of fish market in Zalala:** The rehabilitation plans were improved following the input of ProPESCA's markets TA, resulting in BoQs that exceeded the USD 50,000 prior review threshold. Notwithstanding this increase, IFAD's No-Objection was not sought prior to launching the tender and eventually awarding the contract. In fact, all the rehabilitation works to Fishers' Markets (i.e. items 1 – 21 on the Works Procurement Plan), for which tenders have been launched, have BoQs above USD 50,000. ProPESCA must urgently seek retrospective No-Objections from IFAD on all these tender documents.

62. The mission reviewed the asset register and was satisfied that it was maintained up-to-date with all the required disclosures. The mission was also satisfied with the maintenance of the contracts register and the use of Contract Monitoring Forms for on-going contracts.

63. **Audit.** The 2011/2012 audit report was submitted to IFAD on time. The auditor provided three unqualified opinions on the statements of receipts and payments, the SOEs and the Designated Account, respectively. Only one issue was flagged in the Management Letter, relating to the mis-posting of TA salaries to the wrong loan category. This has since been rectified.

Agreed action	Responsibility	Agreed date
43. Accelerate the operationalization of e-SISTAFE equipment at all Provincial Delegations	CEDSIF, IDPPE	30/10/2013
44. Explore scope to further customise e-SISTAFE to generate IFRS/IPSAS compliant financial reports	CEDSIF, IDPPE	31/12/2013
45. Operationalize vehicle log-books for all ProPESCA vehicles and motorcycles	IDPPE	Immediate and On-going
46. Ensure that e-SISTAFE coding of AWPB is ready when the AWPB is submitted to IFAD for No-Objection	IDPPE	15/11/2013 – 30/11/2013
47. Ensure that Interim Financial Report is attached to Withdrawal Applications as per LttB instructions	IDPPE	Continuous
48. Send communication to OFID confirming acceptance of Disbursement procedures and submit WA 1 to IFAD and OFID	MoF	27/9/2013
49. Sign the amended Financing Agreement to allow for EU funding to enter into force	MoF	27/09/2013
50. Improve the allocation of counterpart funds	MoF	Continuous
51. Fully reimburse pre-financed VAT (USD 141,693) to IFAD	MoF	Immediate
52. Ensure compliance with all Loan Covenants (including General Conditions)	IDPPE	Continuous
53. Ensure that all communication from the UFSA to ProPESCA is done in writing and is filed accordingly	UFSA, IDPPE	Continuous
54. Request retrospective No Objection from IFAD on all tender documents for rehabilitation works with BoQs above USD 50,000 (items 1 -21 on works procurement plan)	IDPPE	Immediate

## F. Sustainability

64. The assessment of the sustainability of the improvements on the livelihoods of the target population is too early to be made, as most of the field activities still remain to be made operational.

Most of the planned actions are, however, based on such approaches with which a sustained impact should be possible to be achieved. It was agreed that the management of ProPESCA pays particular attention to this issue, especially when contracting service providers for different ProPESCA activities in the coming months.

## **G. Targeting and Gender**

65. The ProPESCA gender action plan is based on the Gender Strategy of the Small Scale Fisheries Sub-Sector. Its objective is (a) to ensure that female community members are involved in the growth pole planning process, (b) to organize sensitization activities targeting both women and men, and (c) to promote gender equality in local organizations. Most of the capacity building activities of the AWPB have gender-differentiated targets, although the target number of women to be trained represents on average half of the of the men's target. Following the public consultations in the growth poles, more in depth consultations with women are being conducted to complement the data collected during these processes. These in-depth consultations which are being conducted at the moment by the IDPPE, have the aim of gathering baseline information that could eventually help to develop the ProPESCA gender action plan. These exercises are complete in 10 of the 30 Growth Poles. The results justify the current AWPB targets.

## **H. Conclusion**

66. While ProPESCA is well placed to commence full implementation of the planned activities, it will be necessary to ensure that the agreed actions are taken in an effective and timely manner to ensure that the targets set for the ProPESCA implementation are reached. A follow-up mission is scheduled for April 2014, and a next full Implementation Support and Supervision Mission will be fielded in September 2014.

67. IFAD and the Government of Mozambique endorse the findings of the Supervision Mission.

## Appendix 1: Summary of project status and ratings

### Basic Facts

Country	Mozambique			Project ID	1517	Loan/DSF Grant No.	822-MZ
Project	Artisanal Fisheries Promotion Project (ProPESCA)					Supp. Loan/DSF Grant	
Date of Update	19 September 2013					Financing terms	HC
Supervising Inst.	IFAD						
No. of Supervisions	3	No. of Implementation Support/Follow-up missions	3				
Last Supervision	19 September 2013	Last Implementation Support/Follow-up mission	20 Feb 2013				
						USD million	Exp. Rate %
Approval	15/12/2010			Total costs		43.524	
Agreement	24/3/2011	Effectiveness lag	3.3 months	IFAD Total			
Effectiveness	24/3/2011	PAR value		IFAD loan		21.1001	14%
MTR				OFID loan		13.53	0.0%
Current completion	30/3/2018	Last Amendment		Other		4.53(1)	
Current closing	30/9/2018	Last Audit	30/06/2013	Government		1.12	
No. of extensions	0			Entrepreneurs		1.06	
				Local Fin. Inst.			
				Risk MF		0.60	
				Loans		1.60	
				Cofinancing Total		22.03	

### Project Performance Ratings

(6) highly satisfactory; (5) satisfactory; (4) moderately satisfactory; (3) moderately unsatisfactory; (2) unsatisfactory; (1) highly unsatisfactory

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	4	1. Quality of project management	4	4
2. Acceptable disbursement rate	3	2	2. Performance of M&E	5	5
3. Counterpart funds	2	2	3. Coherence between AWPB & implementation	3	3
4. Compliance with loan covenants	3	4	4. Gender focus	4	4
5. Compliance with procurement	4	4	5. Poverty focus	5	4
6. Quality and timeliness of audits	5	5	6. Effectiveness of targeting approach	5	4
			7. Innovation and learning	3	3
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1.1 Commercially viable fishing units	4	4	1. Institution building	4	4

			(organizations, etc.)		
1.2 Fish marketing and processing facilities operative (financially, health wise etc)	4	4	2. Empowerment	5	4
1.3 Appropriate institutional capacity at HQ, province and district/GP levels	5	4	3. Quality of beneficiary participation	5	4
2. Reliable and well maintained access and power supplies	4	4	4. Responsiveness of service providers	4	4
3. Financially viable financial services available through the fish value chains.	4	3	5. Exit strategy (readiness and quality)	NR	
4.1. Artisanal fisheries sector operate in a empowered policy environment with sustainable policies and fair administration	4	4	6. Potential for scaling up and replication	5	5
4.2. Strengthened implementation capacity	4	4			

## B.5 Justification of ratings

### Fiduciary Aspects:

While over 35% of its implementation period has already elapsed, ProPESCA has utilised only 4% of funds available. An unusually high proportion of expenditures has been on project management costs, such that about 65% of expenditures in 2013 have been under Component 4. The operationalization of the e-SISTAFE equipment is still pending at six of the seven Provincial Delegations. There are persistent delays in making OFID and EU funding effective and this risks to further delay the implementation of activities. There is systematic under provision of counterpart funding by the GOM (13% of the amount requested was released in 2013) year on year, which needs to be addressed. Furthermore, VAT payable to IFAD from loan 566/MW has to be resolved ASAP. This risks to trigger full or partial suspension of disbursements to MZ. Gaps noted in procurement with respect to adherence to GOM and IFAD regulations, such that there is a need to now seek retroactive prior N-O on a series of tender documents already floated (for structural improvements to market centres, above prior review threshold). PIM has been finalised and obtained N-O from IFAD, thus improving the compliance with loan covenants. Audit was submitted on time and did not raise any material internal control deficiencies, financial statements meet IFAD/International standards.

### Overall Implementation Progress:

Despite there being a very robust, qualified and dedicated PCU in place, implementation progress has not picked up significantly since the previous mission. However, due to the thorough preparatory work done in the previous 12 months, expectations for implementation momentum to pick up are high. All the envisaged TA positions to support the PMU are now filled. A M&E Assistant has been recruited and will commence employment by year-end. The PRG was established and the first meeting organized in August 2013, followed by a formal PSC. Comprehensive Action Plans for each GP, from which AWPBs are to be elaborated have been developed.

These activities should allow to speed up the implementation of ProPESCA activities in the field. The implementation of the AWPB has been low with 11 % absorption at the start of Q 4. This is at least partly due to the late activation of the AWPB on e-SISTAFE which inhibited the project from making any expenditures up until March/April 2013.

### Outputs and Outcomes:

As most of the activities of ProPESCA are still at a preparatory or planning stage, the results and impacts on the planned beneficiaries, the fisheries communities, still largely remain to materialise. The ratings, therefore, reflect mostly expectations rather than actual results. However as mentioned above these expectations are based on visible progress as well as on the reliability of a highly qualified and committed PCU.

**Component 1:** Four markets of first sale and five retail markets are now operational (i.e. 1/3 of the supported markets are being used). Procurements processes for the structural improvements required as suggested by the TA are now at the bidding stage. Worrying situation in one province (Nampula) where the municipality is planning to relocate the fish market away from where the facility was built. MMCs have been established in almost all markets, however, some are demotivated due to the delays in getting the markets up and running. 15/25 markets equipped with ice plants, of which six are in operation, underperformance in this regard due to unavailability of technical services for installation and maintenance.

**Component 2:** Procurement processes for a number of civil works are now at an advanced stage (roads, electrification). However availability of resources is a constraint, also due to delays in OFID and EU funding effectiveness.

**Component 3:** The start-up of the component activities has been slow, and practically no ProPESCA funds have yet been used for the planned activities. Long delays experienced in the recruitment of the Rural Finance Specialist (RFS) for ProPESCA significantly contributed to these start-up problems, this has now been solved.

### Sustainability:

It is still too early to make an assessment on the sustainability of operations, as implementation of the large majority of activities has yet to begin. That said there are in-built sustainability mechanisms in the planned approach to implementation.

Overall Assessment and Risk Profile			Last	Current
C.1	Physical/financial assets		4	4
C.2	Food security		4	4
C.3	Overall implementation progress (Sections B1 and B2)		4	4
Rationale for implementation progress rating:				
C.4	Likelihood of achieving the development objectives (section B3 and B4)		4	4
Rationale for development objectives rating: While the delays may appear to endanger the achievement of development objectives, much of the preparatory work has now been done and the project is now in a position to start signing contracts to initiate large Civil Works investments and major activities in Rural Finance which will result in a significantly increased volume of expenditure.				
C.5	<b>Risks</b> Short description of major risks for each section and their impact on achievement of development objectives and sustainability			
	Fiduciary aspects: e-SISTAFE system is operating however equipment still requires full operationalization at the Provincial Delegations. Reports function needs improvement –Provision of counterpart funding including provision for VAT is of serious concern and risks to warrant suspension of disbursements if not settled. VAT pre-financing should be avoided with EU funds as there is a risk that the situation of VAT arrears reoccurs.			
	Project implementation progress: Further delays can be a risk to the achievement of Development objectives. Delays in receiving OFID and EU funds is a risk, particularly as a number of procurement processes are reaching the contract signing stage. Under provision of counterpart funds also risks to adversely affect implementation.			
	Outputs and outcomes: While the field implementation results are still very limited, it is expected that major outcomes will materialise in 2014.			
	Sustainability: Difficult to assess sustainability at this early stage. However, the design of the project has in-built sustainability mechanisms.			

#### Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Operationising of ProPESCA account in e-SISTAFE in delegations	need to follow-up positively with delegation e-sistafe operations	30 October 2013	In plan
VAT receivable from MoF	Need to refund IFAD USD 141,693 in pre finance VAT	immediate	outstanding
OFID funds not yet accessible	IFAD to assist in the elaboration of functioning disbursement mechanisms for OFID funds	30 october 2013	Under process
Implementation starting	need to enhance quality control and oversight esp. for works contracts	on-going	On track
Planning of MDG Acceleration Initiative	IFAD to ensure that the design is supportive of programme objectives and in line with PMT capacities. IFAD to follow-up on the recruitment.	Nov 2013	On track

#### Additional observations



## Appendix 2: ProPESCA: Status of February 2013 Agreed Actions

No	Agreed Action	Responsibility	Date	Status
<b>Component 1</b>				
1	Recruit fisheries extension consultant	FTS/PCU	30 April 2013	<b>Ongoing.</b> Tender launched with considerable delay. Following a request for Expression of Interest, a short list was prepared, 4 selected candidates were invited to submit proposals but none replied. In the event the recruitment is still unsuccessful, the plan is to use internal IDPPE resources to carry out the expected tasks. The outcome should be available by April 2014.
2	Advance discussion towards the development of the AMPCM partnership	PCU/AMPCM	30 April 2013	<b>Ongoing.</b> Following consultations that have lasted longer than previously anticipated, UFSA finally advised to handle the issue internally within IDPPE. A justification for direct contracting of AMPCM, together with TORs, proposed schedule of works and budget was submitted to the Competent Authority, for approval. It is expected that the process will be finalised by October 2013, and that the actual implementation of the programme could possibly start in mid-2014.
3	Preparation of “best practice” market / vendor operations	VCS/PCU	30 May 2013	<b>Ongoing.</b> Two sessions were organized on issues concerning “best practices” and business management with fish vendors in one of Maputo’s major fish market, involving technical staff from Maputo, Gaza and Inhambane. It is expected that the “best practices” for market/vendor operations be finalised and ready for dissemination by March 2014.
4	Review of market management methods and development of formal guidelines	VCS/PCU	30 Sept 2013	<b>Ongoing.</b> Guidelines and tools were presented and discussed at the national course held in Quelimane. Preparatory work has been carried out to host provincial meetings with key stakeholders during the last quarter of the year, which did not materialize. Eventually, a national gathering will be organized in 2014. The existing market management guidelines need to be fully implemented by end 2013.
5	Complete works on market facilities developed under PPABAS and ProPAPA	IDPPE and district teams	30 June 2013	<b>Ongoing.</b> Tender for selection of contractors were launched with considerable delays. Evaluation of bids has been performed and awarding of civil works contracts has been done, or is underway. All works should be completed by mid-2014.
6	Document results and lessons of fishery extension technology packages and use to prepare extension messages	Fishing technologist and value chain specialist	30 April 2013	<b>Ongoing.</b> Work in progress as part of preparations for the consultancy in fishery technology. Training material on post-harvest fish handling, losses and hygiene prepared. Additional extension tools and messages to be prepared during the course of the consultancy on fishery technology (included in action no. 1).
7	Develop a standardized approach to assessing fishing methods options	Fishing technologist and value chain	30 April 2013	<b>Ongoing.</b> Guidelines for handling fish on board completed. It is part of the terms of reference of the work to be performed by the consultant being hired for documentation and evaluation of fisheries extension activities (included in action no. 1).

		specialist		
8	Complete review of market operating models and development of alternative ones	PCU	5 April 2013	<b>Ongoing.</b> In order to improve the structure and operation of future markets, the PMU team has finalised the technical review of market operating models, for markets of first sale; with the assistance of a consultant to be recruited shortly, improved models will be designed. The outcome of this work should be ready by the 1 <sup>st</sup> quarter of 2014.
	<b>Component 2</b>			
9	Review overall component plan	PCU	30 August 2013	<b>Partially done.</b> The results of the review have been included in the revised Annual Work Plan and Budget 2013 submitted in July. Further work is required once more information is available (actual road rehabilitation costs, co-financing of expansion of electric grid).
10	Finalize the recruitment of the roads design consultant	ANE/PCU	31 May 2013	<b>Not done.</b> It has recently been decided that part of the resources allocated for the position of the Roads Design Consultant will be kept to address the designs of complex structures, whereas the remaining balance will be used for civil works.
11	Provide initial training for 50 contractors and 34 staff from respective SDPI	ANE/CFE	30 September 2013	<b>Ongoing.</b> ANE is working on the plan for the training. Priority will be given to companies that will be selected for the construction / rehabilitation of roads for which ANE is completing evaluations of bids.
12	Establish an electrification coordination meeting	MoE/PCU	30 April 2013	<b>Not yet done.</b> Coordination is, however, taking place through ProPESCA's Project Reference Group and National Steering Committee meetings.
13	Adopt selection criteria for economic infrastructure projects	PCU Engineer and ANE	30 Aug 2013	<b>Ongoing.</b> Simple criteria and step by step approach adopted to decide on investments to be supported using project funds.
14	Strengthen Roads O & M capacity	PCU & ANE	on-going	<b>Under preparation.</b> The training of technicians of the districts will be done simultaneously with the training of staff hired by the selected contractors.
15	Investigate supplementary funding for electrification	IDPPE	on-going	<b>Ongoing.</b> An initial list of electric lines proposed for expansion during planning workshops have been sent to the Ministry of Energy for co-financing under next year's programme for rural electrification.
16	Finalize design of Alternative Energy Pilot Scheme	FUNAE and PCU	30 June 2013	<b>On-going.</b> The initial assessment of the first phase (upgrading and relocation of the existing units, if needed, in Mucoroge, Sangage, Chinde and Chiloane) and the design of the second phase (installation in four new sites: Quirimba, Maziuane, Ilha de Idugo/Maganja da Costa, possibly Chinhumbo) is being finalised (by end of 2013). Technical specifications and costing will be prepared by FUNAE and will form the basis for the tendering for the installation of photovoltaic systems, to be materialised by mid-2014. Based on the results of the first phase and FUNAE's own experience, a management model will be defined so as to ensure viability of the system.



	Component 3			
17	Identify and select service providers	PCU	30 May 2013	<b>Ongoing.</b> Launched announcement to invite the promoters for expression of interest. Those requested to submit proposals for each batch.
18	Map PCR promoters	PCU/RFS	May 2013	<b>Performed.</b> In collaboration with FARE, a detailed list of PCR promoters was prepared and used for the preparation of the bidding process for the selection of promoters for seven provinces.
19	Recruit & train PCR promoters	PCU/RFS	May 2013	<b>Not done.</b> No training is needed as selected promoters will be required to have created at least 100 groups and a minimum of two years of experience in PCR promotion.
20	Develop advanced PCR model	short-term TA/RFS	June 2013	<b>Not yet done.</b> Will be implemented by the selected PCR promoters as part of the same contract under which the new ASCAs will be formed.
21	Define ProPESCA approach for advanced PCR Promoters	short-term TA, RFS, PCU	30 Jun 2013	<b>Not done.</b> The PCU is of the opinion that it is no longer necessary. Each Promoter will develop its approach under the ProPESCA contract.
22	Recruit short-term TA for PCR+	RFS, PCU	31 Mar 13	<b>Not done.</b> The PCU is of the opinion that it is no longer necessary.
23	Prepare an Outreach Grant management position paper.	RFS/ IDPPE	30 April 2013	<b>Performed.</b> A position paper for managing line of credit and outreach grants endorsed by IFAD. A draft letter of amendment of the Financing Agreement was addressed to the Ministry of Finance, but so far it has not been sent to IFAD.
24	Identify an alternative entity capable of managing the line of credit.	RFS/PCU	30 April 2013	<b>Performed.</b> FFP was identified. Still awaiting the final decision and formalization, which requires an amendment of the FA.
25	Decide on ProPESCA approach to attract financial institutions to GPs	PCU/RFS	31 March 2013	<b>Not yet done.</b> It will be performed as soon as the institution(s) that will manage the loan portfolio is indicated through amendment of the Financing Agreement. It shall be done using the FARE's IOF as the basis.
26	Carry out independent review of the Risk Mitigation Scheme managed by GAPI	GAPI/PCU/ external consultant	July to September 2013	<b>Not done.</b> It was decided to continue working with GAPI, but so far no other institution has yet made use of the RMF. Independent Assessment of the RMF to be done in mid-2014.
27	GAPI to re-launch its promotion of the RMF to commercial banks and MFIs	GAPI/IDPPE	On-going	<b>Not done.</b> Agreed for November-December 2014.
28	Organise provincial RMF promotion	GAPI/IDPPE	30 June 2013	<b>Not done.</b> Postponed until the institution to manage the Line of Credit and Outreach Grants have been approved.

	meetings			
29	Design rules for the two special funds (female entrepreneurs and emerging enterprises)	RFS & Value Chain Specialist	30 June 2013	<b>Ongoing.</b> Agreed that the RFS assists to design the rules by end of October 2013.
30	Design and implement BDS approach for ProPESCA	RFS, VCS, PCU	30 June 2013	<b>Not yet done.</b> Initial discussions held, but the approach is still to be developed, not only for Component 3 but for the whole ProPESCA.
	<b>Component 4: Management and M&amp;E</b>			
31	Complete procurement actions for resource survey	IIP	30 May 2013	<b>On-going.</b> IIP have appointed a consultant to assist in defining the requirements for undertaking the resource assessment of small and large pelagics in the 5 to 200 m depth zone and the Ministry of Fisheries have requested the Namibian Government to assist with the provision of a boat and suitable equipment for undertaking the survey in the 10m to 200m depth zone. A smaller boat and suitable equipment still need to be procured for undertaking the survey in the 5m to 10m depth zone.
32	Proceed with CCP consultancy	ADNAP/PCU	30 May 2013	<b>Not yet done.</b> Agreed for June 2014
33	Recruit and train the technical officers and inspectors along with co-management committees	by ADNAP & IDPPE	31 March 2013	<b>Not yet done.</b> Agreed for June 2014
34	Recruit baseline consultant	PCU	30 March 2013	<b>Almost complete.</b> The selected consultant has helped the preparation of methodological tools for the survey. He is currently analyzing the data and preparing the final report. However, part of the baseline data for the Project Outcomes is still to be obtained reports of the IIP (Institute for Research on Fisheries) and some field research.
35	Recruit M&E Assistant	PCU	30 June 2013	<b>Done.</b> An internal competitive bidding was launched within IDPPE. It has resulted in the selection of an assistant; her recruitment process is at the moment being delayed by administrative issues. She is expected to start working by end of 2013.
36	Establish regular PRG meeting schedule	IPPPE	at least twice yearly from 30 April 2013	<b>Performed.</b> A first meeting was organized in August 2013. Following to this, a formal PSC was also organized under the chairmanship of the Vice-minister for Fisheries.
37	Prepare the IDPPE capacity building workplan	PCU	30 June 2013	<b>Ongoing.</b> IDPPE prepared a draft and submitted to the Ministry of Fisheries, to be incorporated into the overall plan of the sector.
38	Complete review and compilation of GP plans	PCU	15 March 2013	<b>Done.</b>

	Component 4: Fiduciary Issues			
39	Finalize PIM review	PCU	31 March 2013	<b>Done.</b> The project implementation manual was completed and distributed to the implementing partners as part of the reference documents, after being endorsed by IFAD.
40	Ensure adequate counterpart funding for 2013.	MoF, IDPPE	30 June 2013	<b>Done.</b> During the preparation of PES-2014, funds were registered in the state budget proposal. There is no information about the amounts approved.
41	Resolve outstanding balance for PPABAS. (MoF, urgent)	MoF	urgent	<b>Ongoing.</b> In total MZM 1.400.000,00 were approved in the 2013 state budget for ProPESCA. Currently MZM 900.000, 00 have been made available to be transferred to IFAD. The follow-up by the MoF unsatisfactory.
42	Resolve balance of BSF Grant	MoF	urgent	<b>Done.</b> Outstanding balance sent back to IFAD.
43	Install the provincial e-SISTAFE equipment.	PCU/CEDSIF	31 March 2013	<b>Ongoing.</b> In almost all delegations cable installation s have been performed. It is expected that the TDM will make the connection to the network required to run the system. This should be done within the agreed deadline.
44	Share with ADPP the IFAD compliant report formats to be used by ADPP	PCU	28 February 2013	<b>Done,</b> but if ADPP will require additional support from IDPPE in order to facilitate its compliance with IFAD reporting requirements they should send an official request to IDPPE for this.



## Appendix 3: Physical Progress

Output Indicators	Unit	Total Project (PDR)			Annual (AWPB)			IFAD Comments
		Target	Actual ProPesca	%	Target	Actual ProPesca	%	
<b>Component 1. Supporting Development of Higher Value Fish</b>								
Households receiving project services	no.	13 600						
<i>Output 1. Diversified, commercially viable fishing units</i>								
1.1 People trained in boat building	no.	95		0%	45		0%	
1.2 Boat drivers trained	no.	210		0%	18		0%	
1.3 Engine mechanics trained	no.	210		0%	27		0%	
1.4 Fishers trained in good fish handling practices	Male	2 160		0%	8		0%	
	Female	140		0%	4		0%	
1.5 Fishers trained in improved gear and fishing	Male	295		0%	64		0%	
	Female	20		0%	10		0%	
1.6 Fishers accessing business development services	Male	2 210						

	Female	90						
1.7 New/existing associations supported	no.	100		0%	14		0%	
<i>Output 2. Improved Post Harvest skills</i>								
2.1 Traders / processors trained in marketing of fresh/frozen fish	Male	1 300		78%	54		0%	
(nb marketing includes handling and processing/preservation)	Female	700		0%	30		0%	
2.2 Traders / processors trained in marketing of traditionally	Male	1 300						
	Female	700						
2.3 Fish fairs held	no.	130		0%	7		0%	
2.4 Traders / processors accessing business development services	Male	1 800						
	Female	950						
2.5 New / existing trader associations supported	no.	50		0%	7		0%	
<i>Output 3. Market-related infrastructure (quality &amp; hygiene)</i>								
3.1 Ice plants and freezing / cold storage facilities established	no.	10		0%	16		0%	
3.1 Ice plants and freezing / cold storage facilities operational	no.	10						
3.2 Entrepreneurs with home freezers for ice	Male	160						

production								
	Female	80						
3.3 Point of first sale markets established	no.	11		0%	16		0%	
3.4 Market agents trained	Male	670		0%	160		0%	
	Female	330		0%	48		0%	
3.5 Small-scale processing units established	no.	14						
3.6 Motorized transporters for fish / inputs established	Male	122		0%	1		0%	
	Female	60		0%	1		0%	
3.7 Urban retail traders established	Male	13		0%	2		0%	
	Female	13		0%	2		0%	
3.8 Urban fish market facilities upgraded	no.	6		0%	2		0%	
3.8 Urban fish market facilities upgraded and functioning	no.	6						
<b>Component 2. Economic Infrastructure</b>								
Households benefitting from roads and electrification	no.	40 000						
<i>Output 3. Market-related infrastructure</i>								
3.9 Electricity lines extended within growth poles	km	160		0%	32		0%	

3.10 Electricity connections made	no.	no target						
3.11 Alternative power sources established	no.	7		0%	5		0%	
<i>Output 4. Improved access between fishing centres, markets and the national roads network</i>								
4.1 Local contractors trained	no.	50						
4.2 Classified roads improved to all season standard [1]	km	250		0%	516		0%	
4.3 Unclassified roads improved to all season standard	km	250		0%	516		0%	
4.4 People benefitting from labour-based road works employment	Male	6 000						
	Female	2 000						
4.5 District staff trained in road maintenance aspects	no.	34						
4.6 Roads maintained to all season access	km-years	2 500						
<b>Component 3. Developing Financial Services</b>								
Households receiving project services	no.	35 200						
<i>Output 5. Community-based financial institutions with increased capacity for savings mobilization and lending</i>								
5.1 Staff of PCR promoters trained (Not any more a ProPESCA activity)	Male	50						
	Female	50						



5.2 Savings and Credit Groups supported [2]	no.	1 600	24	1.50%	14	10	71%	
graduated groups	no. no.	no target no target						
graduated groups still active								
5.3 Number of active savers	M ale	18 000						
	Female	14 000						
5.4 Number of active borrowers	M ale	9 000	0	0%	100	0	0%	
	Female	7 000	0	0%	40	0	0%	
5.5 Value of annual savings	USD	1 300 310						
5.6 Value of annual loans	USD	2 600 619						
5.7 People trained in functional adult literacy	M ale	1 700						
	Female	2 700						
5.8 People trained in business planning and development	M ale	8 000						
	Female	8 000						
5.9 Formal CBFS providers supported (Not any more a ProPESCA activity)	no.	11						
5.10 Value of matching grants to formal CBFS providers (not any more a ProPESCA activity)	USD	750 000						

5.11 Members of formal CBFS providers (not any more a ProPESCA activity)	Male	2 000						
	Female	1 000						
<i>Output 6. Private financial institutions financing fisheries</i>								
6.1 Enterprises accessing matching grants / RMF loans	no.	220						
6.2 Value of matching grants disbursed 6.2 Value of RMF loans disbursed	USD USD	3 500 000						
6.3 New outlets of formal financial institutions	no.	26	0	0%	6	0	0%	
6.4 Value of matching grants for formal financial institutions	USD	800 000						
6.5 Staff of formal financial institutions trained	Male	70						
	Female	34						
6.6 PCR members accessing enterprise development loans from	Male	1 050						
	Female	450						
6.7 Enterprises accessing pilot investment support grants	no.							
6.8 Value of pilot investment support grants	USD	300 000						
6.9 Women entrepreneurs accessing micro-enterprise grants	Female	1 000						
6.10 Value of women micro-enterprise grants	USD	300 000						

<b>Component 4. Institutional Strengthening, Policy Initiatives and Project Management</b>								
<i>Output 7. Increased institutional capacity</i>						0		
7.1 Growth pole extensionists, equipped/operational	no.	104	5	5%	60	5	8%	
7.2 District with fisheries administration established	no.	23	0	0%	27	0	0%	
7.3 Growth pole resource potential assessment reports prepared	no.	26	0	0%	4	0	0%	
7.4 Provincial and district staff trained	no.	?	135	?	195	135	69%	
<i>Output 8. Improved policy/legislative framework supportive of artisanal fisheries</i>								
8.1 Management policies, regulations and legislation introduced	no.							
<i>Output 9. Effective project management systems</i>								
9.1 Growth pole investment plans prepared	no.	26	8	31%	8	8	100%	
9.2 Study, survey and strategy reports produced	no.	20						
9.4 Planning and review workshops /seminars conducted	no.	140	0	0%	15	0	0%	
9.5 Knowledge management and advocacy products created	no.	10	0	0%	1	0	0%	



## Appendix 4: Financial: Actual financial performance by financier, by component and disbursements by category

**Table 5A: Financial performance by financier (based on Disbursements)**

Financier	Approved (US\$ '000)	Current (US\$ '000)	Disbursement (USD '000)	Per cent disbursed
IFAD loan	21 131.0	21 131.0	2 880.0	14%
OFID Loan	1 353.0	1 353.0	-	0%
EU Grant	16 323.0	16 323.0	-	0%
Government	4 411.0	4 411.0	-	0%
<b>Total</b>	<b>43 218.0</b>	<b>43 218.0</b>	<b>2 880.0</b>	<b>7%</b>

**Table 5B: Financial performance by financier by component (USD '000) (Based on Actual Expenditure)**

Component	IFAD			OFID			EU			Government			Total		
	Current	Actual	%	Current	Actual	%	Current	Actual	%	Current	Actual	%	Current	Actual	%
1. Supporting Development of Higher Value Fish	3 658.1	401.8	11%	-	-	-	9 743.8	-	-	1 155.5	-	-	14 557.4	401.8	3%
2. Improving Economic Infrastructures	5 950.5	13.0	0.05%	13 313.5	-	-	3 609.8	-	-	2 079.5	-	-	24 953.3	13.0	0.05%
3. Financial Services	2 201.3	31.0	1%	-	-	-	1 952.7	-	-	26.0	-	-	4 180.0	31.0	1%
4. Institutional Strengthening, Policy and Project Management	9 321.8	825.9	9%	216.48	-	-	740.1	-	-	1 136.1	-	-	11 414.5	825.9	7%
5. Promotion of Nutrition	-	-	-	-	-	-	276.9	-	-	14.0	-	-	290.9	-	-
<b>Total</b>	<b>21 131.7</b>	<b>1 271.7</b>	<b>6%</b>	<b>13 530</b>	<b>-</b>	<b>-</b>	<b>16 323.2</b>	<b>-</b>	<b>-</b>	<b>4 411.1</b>	<b>-</b>	<b>-</b>	<b>55 396.0</b>	<b>1 271.7</b>	<b>2%</b>

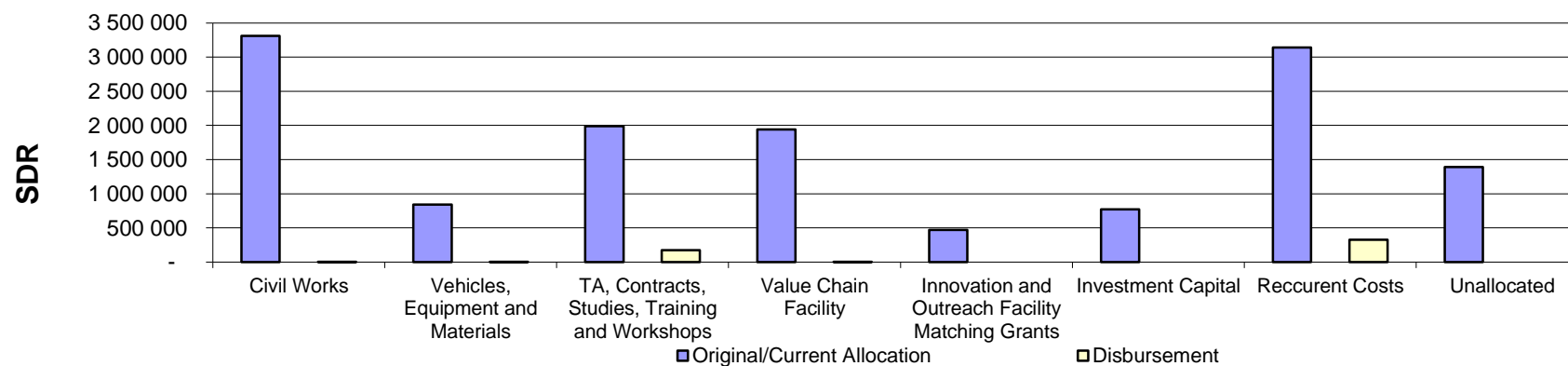
**Table 5C: IFAD loan disbursements (SDR, as at 31 August 2013)**

	Category Description	Original/Current Allocation	Disbursement	Balance	Per cent disbursed	W/A Pending*	WA Pending**
I	Civil Works	3 310 000	775	3 309 225	0.02%	70 023.90	
II	Vehicles, Equipment and Materials	840 000	1 858	838 142	0.2%	190 475.62	
III	TA, Contracts, Studies, Training and Workshops	1 990 000	174 214	1 815 786	8.8%	81 022.20	
IV	Value Chain Facility	1 940 000	4 469	1 935 531	0.2%	215 506.00	
V	Innovation and Outreach Facility Matching Grants	470 000	-	470 000	-		
VI	Investment Capital	770 000	-	770 000	-		
VII	Recurrent Costs	3 140 000	327 324	2 812 676	10.4%	246 272.00	
VIII	Unallocated	1 390 000	-	1 390 000	-		
99Z	Authorized Allocation		1 254 710	(1 254 710)		(803 300.00)	1 251 124.00
97Z	Start-up Costs		159 032	(159 032)			
	<b>Total</b>	<b>13 850 000</b>	<b>1 922 382</b>	<b>11 927 618</b>	<b>14%</b>	<b>(0)</b>	<b>1 251 124</b>

\*Withdrawal Application 7 (Justifying USD 803 300)

\*\*Withdrawal Application 6 (Replenishment USD 1 251 124)

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



## Appendix 5: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>Section E.2</b>	The PCU key staff, including a Project Coordinator, a Financial Manager and an M&E/Knowledge Management Specialist, shall have been appointed in accordance with Schedule 1	Pre-disbursement	Complied	
<b>Section E.3.A</b>	Respective agreements between IDPPE and the Road Fund, ANE, EDM, FUNAE are delivered to and approved by IFA	Pre-disbursements under Category I	Complied	
<b>Section E.3.B</b>	The Agreement between IDPPE and the Fund for Support to Economic Rehabilitation (FARE) shall have been approved by the Fund in draft; and a signed copy of such Agreement, shall have been delivered to the Fund	Pre-disbursement under Category V	Not Yet	This will have to be amended given that the IOF will no longer be managed by FARE due to on-going investigations against the latter.
<b>Section E.3.C</b>	The Subsidiary Agreement between the Ministry of Finance and the financial institution selected to manage the RMF shall have been approved by the Fund in draft; and a signed copy of such Agreement, shall have been delivered to the Fund.	Pre-disbursement under Category VI	Not Yet	On-going
<b>Schedule III - 1</b>	Recruitment of additional extensionists. The Borrower shall ensure the appointment of 52 additional extensionists in the growth poles where the Project shall invest.	As of GP investment	Not Compliant Yet	Expected in 2014
<b>Schedule III - 2</b>	Insurance of Programme Personnel. The Borrower, through IDPPE, shall insure PCU personnel against health and accident risks to the extent consistent with its customary practice in respect of its national civil service.	Since start of operation	Not Compliant	Procurement of Service Provider is on-going – expected in 2014
<b>Schedule III - 3</b>	Maintenance of Market infrastructure. The Borrower shall ensure that the maintenance of market infrastructure (including roads) constructed and/or rehabilitated under the Project is carried out throughout the Project Implementation Period and continues after the Project Completion Date and that it shall provide necessary financing of such maintenance at the appropriate level.	On-going	Compliant	
<b>Schedule III - 4</b>	Planning, Monitoring and Evaluation (PM&E). The PCU shall develop a PM&E system within 12 months from the	12 months post entry into force	Compliant	

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	date of entry into force of this Agreement with active participation of the IDPPE Departments/Delegations and partner organizations. The system will be based on the existing one for the Sofala Bank Artisanal Fisheries Project (PPABAS), which will be improved by incorporating the lessons learned. The system will allow for appropriate planning, progress monitoring and evaluation of outcomes and impact.			
<b>Schedule III -5</b>	Project Implementation Manual (PIM). A PIM, including a Financial Management Manual and a section describing the planning and monitoring process of the growth poles investment plans, with emphasis on the mechanisms for involvement of beneficiaries in planning and monitoring of project activities, shall be finalized by the PCU within 12 months from the date of entry into force of this Agreement having been submitted to the Fund for comments and No Objection.	12 months post entry into force	Compliant	
<b>General Conditions (only areas of non-compliance noted hereunder:):</b>				
<b>Section 7.03</b>	The Borrower shall make available to the Parties such funds, facilities, services and other resources as may be required to carry out the project in accordance with Section 7.01	Continuous	Not Compliant	Systematic under provision of counterpart funding to AWPB
<b>Section 7.05 (a)</b>	Procurement of goods works and services to be carried out in accordance with the provisions of the Borrower/Recipient's procurement guidelines to the extent that such are consistent with IFAD Procurement Guidelines.	Continuous	Partially Compliant	Deviations noted as detailed in the Aide Memoire.
<b>Section 7.08 (a)</b>	The Borrower/Recipient shall insure all goods and buildings used in the Project against such risks and in such amounts that shall be consistent with sound commercial practice	Continuous	Partially Compliant	Not all assets are insured.



## **Annex 1: Institutional Strengthening, Policy and Project Management**

### **Introduction**

1. This annex reviews (i) the overall progress in implementing ProPESCA, reviewing the planned activities as envisaged in the AWPB; (ii) activities related to fisheries research and co-management of fishing resources being undertaken by IIP and ADNAP under Component 4 of ProPESCA; (iii) the establishment of the PRG regular meeting schedule and (iv) the preparation of the IDPPE capacity building workplan

### **Fisheries Research and Co-management**

2. **Fisheries research.** IIP have appointed a consultant to assist in defining the requirements for undertaking the resource assessment of small and large pelagics in the 5 to 200 m depth zone and the Ministry of Fisheries have requested the Namibian Government to assist with the provision of a boat and suitable equipment for undertaking the survey in the 10m to 200m depth zone. A smaller boat and suitable equipment still need to be procured for undertaking the survey in the 5m to 10m depth zone. The consultant mentioned above will continue to assist IIP in this.

3. Protocols are being finalized for undertaking assessments of stocks of mangrove crabs, small prawns, demersal fish, bivalves, rock lobster, jelly fish and cephalopods (squid, octopus and cuttle fish) for research to be done in 2014. IDPPE have provided input into the development of these protocols, emphasizing the importance of doing the research in the areas where artisanal fishing is taking place. It was agreed that the various resource assessments will be beneficial to both ProPESCA and PRODIRPA and that the research findings would also be shared with IDPPE. As part of its targeting and gender strategies, IDPPE intends to analyse how different fish resources are caught/collected by the poor, women and youth. PRODIRPA will build on this by analysing more widely the resource use by different sectors in the community. IIP was requested during the mission to indicate when the research would be expected to be finalized but the information was received before the end of the mission. It is suggested that these plans should be reviewed during the next ProPESCA follow up mission.

4. **Co-management.** The mission found that while, at least in some cases, Provincial and District CCGs are reported to still be in operation, in practice their functioning is restricted by the lack of adequate resources and budgets. It was noted during the discussions that revenue collected from fish licensing is submitted to district treasuries and while ADNAP's provincial delegations advise the district administrations to budget for the functioning of CCGs, typically this is not budgeted for or funding is not received for this as it is not considered a major priority. It was also reported during the mission that there is significant diversity between provinces and districts in provincial and district fisheries administration capacity and staffing. PPABAS contributed to a significant strengthening of capacity of CCGs in the areas it covered. With the end of PPABAS and given that ProPESCA is not providing the same level of support, capacity has declined in some places. Emphasis under ProPESCA is being placed on ensuring the proper regulatory framework and administrative capacity are developed through government systems.

5. As part of this support, ADNAP commissioned a review in 2012 of the current status of the regulatory framework for decentralized management of artisanal fisheries. The review noted that the 2003 Law on Local State Bodies (LOLE) and associated 2005 regulations delegated the responsibility for licensing and inspection to district administrations but this has not effectively happened mainly because: (i) roles and responsibilities for the delegation of authority to districts for licensing, inspection and co-management are not adequately defined; (ii) the role of community institutions and organizations such as the CCPs in these activities have not be adequately defined; (iii) information flows to district and local level are often weak; funding sources for fisheries administration have not been identified; and (iv) there are challenges in recruiting staff with sufficient capacity. The review identified the follow conditions for effective decentralization to occur: a) availability of financial human resources in place; b) district staff adequately trained; c) district co-management bodies established; d) Information on artisanal fishing available; e) co-management agreements between the

central/provincial fisheries administration and the districts in place; and f) District Artisanal Fishing Plans are developed. The first 2 were identified as preconditions without which decentralization of responsibilities should not occur. In these cases it was proposed that support should continue to be provided by provincial delegations or stronger districts.

6. ADNAP with ProPESCA's support is expected to finalize guidelines for strengthening district capacity to undertake their co-management functions which will be used for developing a training programme for district staff. One concern raised is that the training of staff could be constrained by the lack of sufficient staff being in place. Regarding the strengthening the role of community institutions and organizations, IDPPE plans to contract someone to assist in analysing the legal and regulatory framework for enabling community institutions and organizations to plan a role in co-management, inspection, the issuing of fishing licenses and collection of license fees and IDPPE plans to do an assessment of capacity to undertake these responsibilities. IDPPE is also in the process of finalizing a training manual for strengthening the roles of CCPs which will be used for their continued training. PRODIRPA will build on and complement these activities and will also look at the role of community institutions and organizations more broadly in natural resource management and in securing resource rights.

### **Institutional Strengthening, Policy Initiatives and Project Management**

7. Overall, the project is well managed by a dedicated and committed team. The annual work plan and budget has been adjusted following the project integration into e-SISTAFE and the all the envisaged Technical Assistance has now been integrated into the PCU. IDPPE staff involved in ProPESCA at central and provincial levels received training on e-SISTAFE and M&E. The key TA positions are all in place and consultation and planning workshops have been performed in all Growth Poles (GPs). Consequently, Action Plans have been drafted. the PRG was established and the first meeting organized in August 2013, followed by a formal PSC under the chairmanship of the Vice-minister for Fisheries. It is important that the PSCs are fully operational at provincial and district level and that there is an appropriate budget allocation for this activity that guides the ProPESCA implementation at all levels. The importance of the PSCs needs to be brought to the attention of the district administrators who have the role to call and chair the PRG to establish a regular meeting schedule needed in their respective districts.

8. The preparation of the IDPPE capacity building workplan is on-going. A draft has been prepared and submitted to the Ministry of Fisheries, to be incorporated into the overall plan of the sector and was presented to the meeting held in August between the Ministry of Fisheries and the partners.

9. Execution of the 2013 AWPB has been low, USD 1.27 million has been spent (all of which is IFAD financing), representing an 11.4 % absorption rate. Considering IFAD financing only, ProPESCA has spent 25% of the USD 5.08 million allocation. Of note is the unusually high proportion of expenditures being made on project management costs, such that about 65% of expenditures in 2013 have been under Component 4. The remaining months of 2013 are likely to be decisive when aiming at accelerating the project implementation and in getting the planned services actually delivered to the field. This calls for a strongly pro-active approach by IDPPE management and other Government offices. It is particularly important to avoid any further delays in the contracting of implementation partners for the different field activities, to be able to finalise the 2014 AWPB in time and to fully proceed with a comprehensive field implementation programme right from the beginning of 2014.

## Annex 2: Fisheries Development

### Introduction

1. An IFAD Supervision and Technical Support Mission to ProPESCA Project was fielded in Mozambique between 8 and 20 September 2013. Annex 2 of the Supervision report details the main observations and recommendations related to Component 1: “Supporting Development of Higher Value Fish” and Component 2: “Improving Economic Infrastructures”. The Aide Memoire of the mission includes a table of agreed actions related to these components, with responsibilities and deadlines. For ease of reference, these agreed actions are mentioned in the present document. Attachments 1 and 2 illustrate the situation of the fish markets in the ProPESCA area; Attachment 3 contains indications on the management of some fish markets; and finally, Attachment 4 gives illustrations of the sites visited during the mission.

### Fisheries Technology

2. In general, Component 1 of ProPESCA has suffered considerable delays, due to difficulties linked to (i) the implementation of the e-Sistafe and subsequent problems in the availability of funds; (ii) the lengthy process linked to contracting of technical assistance for consultancies and provision of services; and (iii) the lengthy process linked to contracting of contractors for civil works related to fish markets.

3. Nonetheless, considerable steps have been made in 2013 to create conditions for implementation of the planned activities of this Component. It is therefore expected that most of these conditions will be fulfilled before end of 2013, and all will be completed latest by mid-2014.

4. Component 1 has the support of two technical experts, one for fishing and one for value chain/business development, who have been in their posts for about one year. The process of recruitment of a Fisheries Extension Consultant, to assess all the work carried out in fisheries technology (specifically fishing) and to come up with a proposal of actions, was to be finalised by end March 2013 as per September 2012 Supervision Mission; it is not finalised yet. Following a request for Expressions of Interest and elaboration of a short list, four selected candidates were invited to submit proposals but none responded. Further efforts need to be developed so that the recruitment process is completed urgently, and the outcome of the consultancy is available by April 2014 (*Agreed Action no 1*).

5. In order to prepare this consultancy, various preliminary studies are being carried out internally, based on the extension work conducted over the last ten years (particularly, the results obtained from demonstration and subsequent dissemination activities on various types of boats, i.e. Moma canoes, Senegalese pirogues, “lanchas” Chuabo and Machuas); these studies should be finalised by October 2013.

6. In the event the recruitment of a Fisheries Extension Consultant is still unsuccessful, the plan is to use internal IDPPE resources to carry out the expected tasks. However, if this case materialises, some of the crucial outputs of the consultancy may not be fully achieved: the IDPPE has been planning to develop models for the economic viability analysis of fisheries operations for years but has not managed to do so in a systematic manner up to date; another expected outcome of the consultancy is the definition of training packages on fishing technology for technicians and extensionists.

7. The preparation of a programme for the use of ice on board, essential to improve value addition, is being finalised in Zambezia province and should be implemented by end of 2013, with the involvement of local fishers (i.e. the four boat owners whose “Moma” canoes have recently been equipped with outboard engines under a credit programme). This programme includes exchange visits to nearby Nampula province (to Moma, where local fishers have been extensively using ice on

board over the past six years) and the production of improved technical guidelines on the use on ice on board<sup>2</sup> (*Agreed Action no 2*).

8. Programmes to improve boat building (in Gaza and Sofala) and engine maintenance and repair (in Zambezia) are underway and will be completed by end of 2013.

9. A national training course on fish quality and marketing, aiming at training fisheries technicians as trainers, was carried out for two weeks for 35 participants in May 2013, in partnership with the Faculty of Marine and Coastal Science of Eduardo Mondlane University. Together with IDPPE technicians from all ProPESCA provinces (except Gaza and Inhambane) as well as Tete and Manica provinces, it also involved staff from other Fisheries Institutions (Fisheries School and National Institute for Fish Inspection – INIP). It included the revision of some of the existing training materials and allowed improved interaction with institutions linked to the fish value chain. It is being replicated through five provincial courses (training of new trainers of intermediate level, i.e. IDPPE extensionists, health and district staff and INIP technicians), and will be completed by end of 2013. Subsequently, these trainees will train community members in 12 local courses which will be completed by March 2014 (*Agreed Action no 3*). Interestingly, practical examples on handicraft made with sea products and production of fish snacks are being introduced as a way to develop new types of microbusinesses.

10. It is also worth noting that all IDPPE provincial delegations covered by ProPESCA have been implementing sensitization sessions on the use of ice for fish handling in their respective zones. This activity needs to be improved and systematised, in the light of the training courses on fish processing which are presently being developed.

11. Three standards for fresh products (fresh fish, live crab and fresh prawn) are being developed and should be ready for dissemination on fish markets by March 2014.

### **Community Development - Development of Cooperatives**

12. The process of community consultations, initiated in 2012, has been finalized in all Growth Poles (GPs) in 2013 and came out with a comprehensive Action Plan for each GP, from which Annual Work Plans will be elaborated. It is clear that this process has been conducted in a highly professional way and that its outputs are an essential tool for future planning. As part of the general assessment on each GP, detailed quantitative and qualitative information regarding the value chain in all areas has been gathered and compiled, so as to identify priority actions relating to this component in the coming years.

13. In 2012, IDPPE commissioned a study on the status of fishers' organizations along the Sofala Bank. Its major observations were as follows: (i) the level of the organisations in institutional and entrepreneurial terms is quite weak; (ii) most organisations function very irregularly; (iii) commercial linkages are very limited; and (iv) IDPPE is not in a position to provide the necessary services at local level, whereas it has some capacity at provincial and central level. As a follow-up, it was decided to carry out a complementary study, focusing on the 30 Growth Poles of ProPESCA, aiming at completing the previous diagnosis and designing a programme to be developed under ProPESCA to support the conversion of the existing associations into cooperatives.

14. The AMPCM - "Associação Moçambicana de Promoção do Cooperativismo Moderno" (Mozambican Association for the Promotion of Modern Cooperativism) is an organisation of the civil society, created under the 2009 Cooperative Act<sup>3</sup>. It has been leading the rejuvenation of the cooperative movement in Mozambique and is aiming at establishing a solid business orientation for its members. As an apex association, it has appropriate training capacity and adequate capacity building methods already established. A justification for direct contracting of AMPCM, together with TORs, proposed schedule of works and budget, was submitted to the Competent Authority for approval. It is expected that the process will be finalised by October 2013, and that the first phase of the work (diagnosis of a sample of associations and elaboration of a proposal for technical assistance) will be completed by the end of 2013. It is then anticipated that the actual implementation of the programme could possibly start in mid-2014 (*Agreed Action no 4*).

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<sup>2</sup> The existing IDPPE material has been revised and harmonized during the national training course on fish processing recently held in Quelimane.

<sup>3</sup> "Lei no 23/2009", dated 8 September 2009.

15. Training on business development has been tackled during the Quelimane training course on fish processing. It appears that major inputs still need to be sought to systematise this function, covering also the needs of the rural finance activities of ProPESCA. The partnership with AMPCM could be crucial in this respect.

#### 4. Markets

16. The fish markets in the ProPESCA area reflect a complex and quite diversified situation in terms of infrastructures, equipment and operationalization. Overall, the situation has clearly improved over the last year, and a number of markets have since become operational (in addition to the few that had been operating for four to five years). However, a lot still needs to be done in the near future to make sure that (i) all markets and respective equipment are made operational and continue to operate and that (ii) their management standards are significantly improved.

17. The strategy which underlines the development of fish markets by the fisheries sector has been developed over the last decade, based on the following six Principles:

- Principle 1: Appropriate design, proper construction and installation of market infrastructures and equipment
- Principle 2: Public ownership and decentralization of responsibilities
- Principle 3: Participatory management;
- Principle 4: Operation of equipment by operators, either a private operator or the MMC itself
- Principle 5: Proper use and operation of the facilities and equipment
- Principle 6: Proper management and sustainability.

18. The application of each of these principles in the existing markets in the ProPESCA area is analysed in more detail below. To set up the ground for the application of these agreed principles, IDPPE commissioned a study to define the modalities of market management; initiate/deepen the partnership between the IDPPE, the local authorities and the future market users; and eventually, train IDPPE staff as trainers on aspects relating to market management. This work was completed and validated as of end 2011. Subsequently, an IFAD support mission dealing specifically with markets was carried out in April 2013 and came up with recommendations regarding market design and operation. Finally, the recent national training course on value chain operations in Quelimane brought more insights to the issue, particularly related to the functionality of markets. All three outputs have proven to be tools extensively used at the province and district level, and still need to be improved and, more importantly, systematically implemented.

#### ***Principle 1: Appropriate design, proper construction and installation of market infrastructures and equipment***

19. **Market infrastructure.** As of September 2013, for a total of 27 markets<sup>4</sup>, the situation is as follows:

- Out of 19 market of first sale, 4 are in operation (Sangage, Metal-Box, São Patrício and Pebane)
- Out of 8 retail sale markets, 5 are in operation (Pemba/M'Banguia, Nampula/Belenenses, Mocuba, Praia Nova and Mavinga)
- Altogether, one third of all markets in the ProPESCA area are presently being used. The mere fact that these markets are functioning in a reasonable way reflects the fact that in general terms, they have been properly designed and built.

20. All the operating markets, even though they are already in use, still need structural improvements to meet fully acceptable standards (good hygiene and handling practices). Besides, the remaining two thirds of markets which are not yet operational have to undergo structural improvements, too. Tenders have been prepared for each market and, as of September 2013, all bids for civil works have been launched (except in the problematic cases of the Nampula retail market). It is expected that their outcome will be finalised in October 2013, so that all necessary additional civil works should be completed before mid-2014 (*Agreed Action no 5*).

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<sup>4</sup> Excluding Maxixe/Chicuque in Inhambane and Massingir in Gaza, since these fish markets are not funded under ProPESCA.

21. In order to improve the structure and operation of future markets, the PMU team has finalised the technical review of market operating models for markets of first sale. With the assistance of a consultant to be recruited shortly, improved models will be designed. The outcome of this work should be ready by the 1<sup>st</sup> quarter of 2014 (*Agreed Action no 6*).

22. **Ice plants.** Out of the 27 markets, 16 are equipped with an ice plant, six of which are either already operational or ready for use: Memba, Metal-Box, São Patrício, Chabeco, Chiloane and Praia Nova. Three of them are waiting installation when the respective market will be completed: Mocimboa, Macomia and Praia Rocha/Nacala central. Three are waiting installation when the connection to electricity grid will be in effect: Ruela, Zalala and Chiconjo. Finally, three are awaiting technical services, in Ilha de Moçambique, Pebane and possibly Montanhana. It is therefore noticeable that momentum is being gained in terms of operationalization of ice plants, which is a crucial element for proper use of the markets. In terms of planned time schedule, the units in Zalala and Pebane are expected to be operational before the end of 2013 and all other seven plants should be installed and in operation by mid-2014 (*Agreed Action no 7*).

23. One positive point is worth mentioning: the transfer into public market facilities of the three “PPABAS” ice plants previously set up in private premises has taken place recently, once the respective market facilities were built (in the case of Moma and Pebane)<sup>5</sup>. They are now under the responsibility of a private operator duly selected and contracted by the district authority. In addition, the fact that the third unit (the one installed in Machanga) has recently been relocated in the island of Chiloane, under the responsibility of a private operator, is a very positive development<sup>6</sup>.

24. **Other refrigeration facilities.** Altogether, four markets have additional cold facilities (three with cold storage container, in Moma, Pebane and Zalala; and one with a cold storage container and a freezer container, in Praia Nova). One is fully operational (Pebane), one is waiting installation when connection to electricity grid will be finalised (Zalala), and the other two are operating but need technical assistance (Moma and Praia Nova). In terms of the time schedule, all equipment should be fully operational by end of 2013. Worth noting is the fact that a technical proposal has recently been elaborated by IDPPE headquarters to specify new types of equipment for fresh or frozen products.

25. **Technical services** – Technical services for installation and maintenance/repair of refrigeration equipment has chronically been a major constraint, resulting in few ice plants being in operation, and many still waiting to be installed and put to work. A contract has been signed, under ProPAPA, between IDPPE and the supplier of the larger number of ice plants ordered under PPABAS, PPANNCD and ProPAPA, for the provision of technical assistance to the ice plants and other cold storage equipment in the ProPESCA area. The implementation of this contract is problematic: the supplier is hardly able to provide the required assistance for the installation and/or the maintenance of the equipment, with considerable delays and cost overruns due to the fact that he is based in Maputo, with only few representatives in the provinces.

26. Even though it appears imperative that this supplier is requested to install the remaining plants he supplied (four units), it is otherwise recommended that an alternative solution be urgently found to solve this issue, and an efficient maintenance programme be put in place. Maintenance services should be provided by the local authority (Municipality or District), or by the owner of the equipment, either from its own resources<sup>7</sup>, or through contracting of external services. It is most likely that there are local skills in maintenance and repair of refrigeration equipment in all provinces. The IDPPE Delegations need to support the local authority to identify them, and in turn, the local authority need to contract these service providers, if required, so that the maintenance programme is fully operational by March 2014 (*Agreed Action no 8*).

**Principles 2 and 3 - Partnership between the fisheries sector, the local authorities and the Market Management Committees (MMC): public ownership and decentralization of responsibilities, participatory management**

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<sup>5</sup> It is reminded that all 3 plants operated between 2006 and 2009, initially in areas not connected to the electricity grid; the one in Moma did function satisfactorily during two full years and supplied a growing demand for ice; the one in Pebane operated moderately during the same period; the one in Machanga never managed to meet sufficient demand.

<sup>6</sup> Interestingly, this operator is a refrigeration technician, which gives him autonomy and efficiency to repair the equipment whenever necessary. He presently produces 2 to 3 tons of ice per month.

<sup>7</sup> For example, Beira Municipality has its own refrigeration staff that can be mobilised for the maintenance and repair of the equipment in Praia Nova market.

27. Even though the process of construction has been taking much more time than could reasonably be expected, positive aspects need to be stressed and put into perspective. In terms of markets of first sale, Sangage market has been the first “historical” point of first sale ever to be put into operation (in 2008), and has since been working regularly, clearly offering needed services to the local traders (mainly fresh fish wholesalers), in partnership with the local authority. Mavinga has been operating for some years now, and is a good example of good partnership between the fisheries sector and the Municipality. A new set of markets have been put into operation recently: MetalBox/Angoche and São Patrício/Moma started operating in late 2012/early 2013 and the large Praia Nova fish market has more recently been put into operation, all with positive involvement of the local authorities. Likewise, in Cabo Delgado, the M'Banguia retail market in Pemba has been providing greatly improved conditions to the local fish traders over the last year. Finally, partnership between the fisheries sector and Mocuba Municipality, developed over the last years, resulted in the central fish marketing being refurbished and completed, so as to be presently in operation.

28. To formalise partnerships between the various parties involved, the stipulated Memorandum of Agreement between the Provincial Fisheries Department and the local authorities (either the Municipality or the District) and subsequently, the Implementation Contract between the local authority and the MMC have been signed for about half of the markets, as a result of the extensive work carried out by IDPPE at the province and district level in 2012. In some instances (for example, in Búzi/Chiconjo and Machanga/Chiloane), the local authority prefers to wait for the market to be completed and put into operation before signing the Implementation Agreement, a situation that the IDPPE Delegation in Sofala should try to alter.

29. Overall, the Provincial Delegations of IDPPE, namely in Cabo Delgado, Nampula and Sofala, have to make sure this contracting process is duly completed in their respective provinces by end of 2013 (*Agreed Action no 9*).

30. The situation in Nampula is particularly worrying, since the Municipality is planning to relocate the Belenenses fish market built with the support of the fisheries sector over the last years (amounting to approximately USD 300,000).

31. In nearly all markets, a Market Management Committee has been established. In the PPABAS area, the first batch of markets of first sale was constructed under the system of “community project”, with the involvement of a commission created to participate in the construction process. The MMC have been set on the basis of this existing commission, which gained strength and visibility (particularly in the case of the two markets in Angoche District and one of the two markets in Moma). Contrarily, for the second batch of markets in the PPABAS area and in the PPANNCD area, the markets were built directly by contractors, and the MMC had to be set up from scratch.

32. It was expected that an in-depth work would be carried out in 2013, to strengthen the existing MMCs, but no systematic action has yet been implemented in that respect. A certain number of the MMCs are demotivated and dormant, much due to the experienced delays in getting the markets operational. At the same time it is quite clear that in those markets which are working, the commissions have been gaining momentum and do their best to fulfil their duties.

33. It is crucial that before any market is put into operation, the IDPPE ensures that the commissions are empowered and technically trained to operate, and that the required tools are elaborated (in particular the internal rules and regulations), which requires a stronger involvement from DDSs and DTPs and their provincial counterparts. It is recommended that, once these prerequisites are fulfilled, the markets be put into operation, without necessarily waiting for all conditions regarding the infrastructures and equipment to be fulfilled<sup>8</sup>. In each case, a meeting should be organised for all stakeholders to decide on the conditions on which the market should open.

#### ***Principle 4 - Operation of the refrigeration equipment by private operators***

34. Considering the indication that “the tender process for outsourcing to private operators of the ice making unit, the warehouse and the cold store has not yet started” (April 2013 implementation Support Report), it is clear that considerable improvement has been achieved: seven units (i.e. about

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<sup>8</sup> As an illustration, it is believed that the Zalala market, which initially had a cohesive and dynamic commission, could have been put into operation many months ago, without waiting for the electricity to be connected (which is expected to happen before end of September 2013). Contrarily, Sangage, even though it has chronically been encountering serious weaknesses since it started (namely in terms of lack of water), has been working reasonably well for the past five years.

half of the total number of ice plants in the whole area) have already a Contract for Operation signed between the MMC and a private operator. It is expected that the provincial IDPPE Delegations put pressure on the local authorities to proceed with the selection process for the remaining cases, without further delay.

***Principle 5 - Proper use and operation of the facilities and equipment***

35. Under the leadership of the Value Chain Specialist, a series of activities have been developed in 2013. One essential line of action is to train fish traders on best practices for hygiene: two pilot sessions in a major fish market in Maputo were organized, involving technical staff from Maputo, Gaza and Inhambane. It is expected that the “best practices” for market/vendor operations be finalised and ready for dissemination by March 2014 (*Agreed Action no 10*).

***Principle 6 - Proper management and sustainability***

36. Some data on market management has been gathered during the mission from the IDPPE Delegations in the provinces where fish markets are already operating. As will be explained below, there is still an urgent need for this information to be systematically gathered in the field, validated at the provincial level and aggregated at the national level.

37. The Mission visited Pebane market of first sale. In this case, it is commendable that the IDPPE Station was able to share with the mission compiled information concerning the activities of the market for the period Jan/Aug. 2013 stating, on a monthly basis, the quantities of products processed and the respective income obtained for the service as well as the relevant operational expenses, on the basis of the information registered by both the MMC and the private operator who operates the refrigeration equipment (see Appendix 4).

38. The positive points observed in Pebane are as follows: (i) the partnership between the District Administration and the MMC is clearly established, the Implementation Agreement is signed between the District Administration and the MMC, and the District accepted the reversion, to the MMC, of 45% of the income that the MMC gets from the market operation; (ii) the private operator has been selected through a transparent process, in which the IDPPE Station was duly involved, and the respective contract between the MMC and the operator has been signed<sup>9</sup>; (iii) the administrative process for the MMC to receive the amount corresponding to 45% of the total income seems flexible (the respective amount is handed to the MMC whenever the operator deposits his monthly instalment to the District Administration, and whenever the MMC deposits the amount it collected from the use of the processing room); (iv) the Internal Regulations of the market are finalised and implemented, with tariffs applied for the different services; and (v) the private operator manages to provide a significant service to fishermen (he stored about 25 tons of frozen by-catch during the finishing prawn fishing campaign, and froze some 5,5 tons of fish and prawn in 2013; see Appendix 4) and manages to pay regularly his monthly fee to the District and to get some profit through this operation.

39. The points for improvement, which need urgent attention, are as follows:

- The IDPPE station should confirm with the local administration that the process regarding the funds (reversion of a certain percentage of the money collected from the market) is properly carried out according to the rules
- Daily register of flows by the MMC is poorly organised: the president of the MMC compiles the information concerning the flows of funds and products on a notebook; the data is not balanced on a monthly basis; the money received from the users of the processing room is not acknowledged by them; the monthly instalment paid by one local association for the use of part of the infrastructures is not accounted for; in other terms, the simple data forms designed during the 2011 consultancy on market management are not properly in use, which does not allow transparent accountability and provision of reliable information
- The president of the MMC seems to carry out his duties on an individual basis; it is not sure whether and how the other members are involved, particularly the Treasurer, so as to be able to second the president if necessary, and it is not clear that the information is shared with the other members
- The IDPPE Station hardly collects the information on activities from the MMC, does not give it the necessary guidance and support to the MMC and does not monitor the information it gets.

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<sup>9</sup> The major clause is the payment of a monthly instalment of 4.000 MT for the refrigeration equipment.



40. On the basis of actual and reliable data, it would be possible for the IDPPE staff to promote awareness of the MMC on how to increase the income (revising the tariffs, attracting more customers) and lower the expenses (within reasonable limits, notwithstanding the necessary expenses on staff, consumables and maintenance; in other terms, to help the MMC to improve the management of the market.

41. In summary, the situation of the Pebane market could possibly be developed into a “good practice”, to be further improved. The other markets which are presently operational were not visited by the mission. From the information gathered from the IDPPE Delegations, namely in Nampula and Sofala, similar situations are encountered, with similar strong points and weaknesses.

42. Generally, there is an urgent need to improve the follow-up/analysis at all levels and with all the parties involved, and respect the rules on flows of activities and responsibilities which have been designed during the 2011 consultancy. The monthly information must be shared and validated by the Management Committee of the IDPPE Delegation. It would be quite relevant to have the information compiled on a 3-month basis by the dPE in the Headquarters, to be shared with the respective Departments and the PCU.

43. Even though the partnership with AMPCM is expected to promote group creation and strengthening – among others, to the MMCs -, a large number of IDPPE staff, particularly those extensionists who led community projects implemented under PPABAS and those involved in PCR promotion, have the necessary skills and experience to deal with simple management matters. The 2011 consultancy on market management designed the respective tools, in close collaboration with IDPPE staff, local authorities and local communities in the PPABAS area and the respective IDPPE staff have been oriented on their implementation. They should therefore be in a position to train the Commission on appropriate implementation methods, with the support of the rDS and dDS, and, which is crucial, make sure the MMCs carry out their assigned tasks as expected. It is strongly recommended that all existing tools for market management are revisited by IDPPE staff so as to be duly implemented, by end of 2013 (*Agreed Action no 11*).

44. Even though the setting up of a Consultative Committee, responsible for oversight of the MMC and the private operators, is formally stipulated in the contractual documents, this structure has so far not been made operational. It is recommended that the IDPPE Delegations urgently ensure that this Committee is organised and convened in Pemba (M'Banguia), Angoche (Sangage and Metalbox), Moma (São Patrício), Pebane (Pebane market) and Beira (Praia Nova, possibly Mavinga).

**Attachment 1 - Situation of Fish Markets in ProPESCA area, as of Sept. 2013**

Province/Districto	Obras						Equipamentos frigoríficos						Operador			Oficialização e Comissão de Mercado			
	Concurso e mpreparação	Concurso lançado	Concurso aprovado	Empresacontraatada	Obras em curso	Obras acabadas	Tipologia (*)	Equip. por instal. ar	Equip. instal. ar	Equip. instal. ar	Equip. instal. ar	Equip. instal. ar	Concursos o por preparar / lançar	Concursos o por preparar	Operador contratado	Comissão de gestão criada	Necessidade de reestruturação da GM	Memorandum do DDP / Governo local	Memorandum do Governo local / CGM
<b>CABO DELGADO (6)</b>																			
Palma Sede			X				NA						NA			X	?	-	-
Moc. da Praia Sede/Zalala			X				G	X					X			X	?	X	X
Macomia Sede (gelo)			X				G	X					X			X	?	X	X
Quissanga Praia			X				NA	NA					NA			X	?	X	X
Pemba M'Banguia			X				NA	NA					NA			X	?	X	X
Pemba Ruela (gelo)							G	X					X			X	?	-	-
<b>NAMPULA (11)</b>																			
Memba/Fungo (gelo)			X				G			X				X		X	?	X	X
Memba/Baixo Pinda			X				NA	NA					NA			X	?	-	-
Nacala/Praia Rocha (gelo)			X				G	X					X			X	?	-	-
Nacala/Mahelene			X				NA	NA					NA			X	?	-	-
Nacala/Jembesse (gelo)			X				G	X					X			?	?	?	?
Angoche/Sangage			X				S				X		NA		(Gestão CGM)	X	-	-	-

Angoche/MetalBox			X				G			X?	X?			X		X	-	X	X
Moma/São Patricio			X				G / C		X	X				X		X	-	X	X
Moma/Mucoroge			X				S		X			X	N/A		(Gestão C G M)	X	?	X	X
Nampula/Carrupeia	X						G	X					X			-	?	?	?
Nampula/Beilenenses	X						G		X	X			X			X	?	-	-
ZAMBÉZIA (4)																			
Quelimane/Chabeco					X		G		X	X				X	X	X	X	-	-
Nicoadala/Zalala					X		G / C		X	?			X		X	X	-	X	X
Mocuba		X					G		X	X			X		X	X	?	X	X
Pebane Sede						X	G / C		X	X				X	X	X	-	X	X
SOFALA (5)																			
Buzi/Chiconjo						X	G	X					X		X	X	?	-	-
Chiloane					X		S / G				X				X	X	?	-	-
Beira/Mavinga							G	X					X			X	-	?	?
Beira/Praia Nova Sede						X	G		X	?	X			X	?	X	-	-	-
							C C		X	?	X	X		X	?				
MAPUTO (1)																			
Marracuene/Montanhana	X						G					X	X			?	?	?	?

(\*) G: ice unit; G/C: ice unit and refrigerated container; CC: refrigerated container and freezer container ; S: Solar

Positive situation; Situation to be solved






NB: Maxixe/Chicouque in Inhambane and Massingir in Gaza are not included in the table, since they are funded from another source

**Attachment 2 - Situation of the Fish Markets and Respective Refrigeration Equipment in the ProPESCA Area as of Sept. 2013**



(see Legend on markets on next page)

**Legend on markets :**

<i>Pebane</i> : market of first sale	
<b>Quelimane</b> : retail market	
Market in operation 	Ice plant in operation 
Market not completed and/or not in operation 	Ice plant inoperational (either not installed, linked to grid or broken down) 
	Ice plant ready for use (operator contracted) 

### **Attachment 3 – Some indications regarding the operation of fish markets in ProPESCA area**

**Table 1: Source of income of the MMC – Market “20 de Agosto”, Praia Nova, Beira – May to Nov. 2012**

Source of income	Amount (Mt)
Toilets	25.835
Water	27.225
Daily retail tax	6.861
Ice	27.340
Freezing and storage of fish	5.340
Others	13.800
<b>TOTAL</b>	<b>106.401</b>

Source: IDPPE Delegation, Sofala

NB: a total amount of 87.050 MT was collected by the MMC during the 1<sup>st</sup> term 2013.

**Table 2: Income from the refrigerated container in the Market of 1st Sale of Pebane – Jan. to mid-Aug. 2013**

Source of income	No. of units	Unit price of service	Amount collected (Mt)
Storage of frozen by-catch	1.218 bags of 20 kilos (24.360 kilos)	25 MT per bag for 24 hours	30.450
Freezing of fish and crayfish	804 pieces (2.344 kg)	10 MT per piece	8.040
Freezing of prawn	1.575 boxes of 3 kilos (3.150 kg)	10 MT per box	15.750
<b>TOTAL</b>			<b>54.240</b>

Source: IDPPE Delegation. Zambezia

**Table 3: Expenses of the refrigerated container in the Market of 1st Sale of Pebane – Jan. to mid-Aug. 2013**




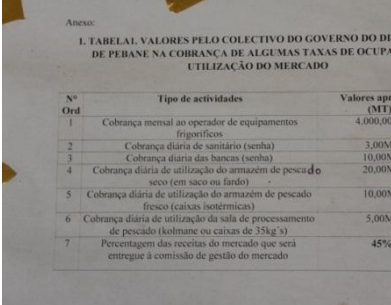





Expenses	No. of units	Unit price	Amount spent (MT)
Electricity	Monthly expense	1.500	11.250
Staff (1 guard)	One person, 7,5 months	1.500	11.250
Monthly operating fee	7,5 months	4.000	30.000
<b>TOTAL</b>			<b>52.500</b>

Source: private operator (Sr. Eusébio Ambrósio), Pebane

**Attachment 4 – Illustrations relating to Component 1 “Supporting Development of Higher Value Fish”**

		
<p><b><u>Zalala/Nicoadala/Zambezia</u></b> -          Landing at Zalala beach.</p>	<p>Zalala Market of First Sale; the entrance area for products is being finalised. The market is awaiting connection to the electricity grid (expected by end September 2013) to be finally put into operation.</p>	<p>Training on production of fish snacks and handicraft has recently been done in Quelimane, as well as in Nampula and Sofala provinces.</p>
		
<p><b><u>Quelimane/Zambezia</u></b> - Chabeco Municipal Fish Market is ready to operate but has not been opened yet. It is expected to be put into operation by the end of 2103, after the municipal election. The operator for the ice production unit has been selected and will start operating shortly.</p>		
		
<p><b><u>Pebane/Zambezia</u></b> - The Market of First Sale in Pebane has been in operation since xxx 2013.</p>	<p>Water is available from a well.</p>	<p>This fish trader from Milange bought around 200 kgs of first quality fish (« corvina real ») from nearby landing sites in Pebane district.</p>



		
<p>Staff of the Market management Committee do the fish handling on behalf of the trader, under quite reasonable conditions.</p>		<p>Prawn caught locally by beach seines is processed in the market too. The process of includes grading, washing and putting into 2 kg-boxes ; the product is subsequently frozen, either in the cold room of the market (operated by a private entrepreneur), or in individual home freezers.</p>
		
<p>The Market Management Committee (MMC) elaborated its Rules and regulations, including a detailed tariff table.</p>	<p>The MMC bills 2,5 MT per kilo of fish processed.</p>	<p>The trader from Milange freezes his product in the cold room (cost : about 3 MT per kilo. He will ultimately transport and sell in Malawi.</p>
		
<p>Since the ice production unit of the market is not functioning, the private operator is doing an experiment of ice production in the cold room.</p>	<p>The landing quay in Pebane port is under rehabilitation.</p>	



## **Annex 3: Financial Services**

### **Component Structure**

1. The Developing Financial Services component of ProPESCA consists of two operational sub-components and a support sub-component. Under the supporting sub-component, financing (USD 0.4 million) is provided for the recruitment of both long-term and short-term experts that would support the operations of the two operational sub-components.
2. The first operational sub-component, Community-Based Financial Services, continues the successful work of the two earlier projects in the establishment and development of Accumulating Savings and Credit Associations (ASCAs, called in Mozambique PCRs) in the fishing communities. Under ProPESCA, further funds were allocated to intensify and further develop the community-based operations in these communities. The original design of the sub-component included the following activities:
  - Establishment of New PCRs
  - Capacity Building of Service Providers
  - Development of the PCR Methodology
  - Support to Formal CBFS Providers
  - Provision of BDS Services and Literacy Programmes to PCR Groups.
3. The second operational sub-component is called Financial Support to Value Chain Investments. Its original design of the second sub-component included the following ProPESCA investment activities:
  - Support to Attract Financial Institutions to Fishing Areas
  - Risk Mitigation Fund
  - Matching Grants for Innovation and Infant Industry
  - Innovation Fund for Women's Enterprises
  - Specialised Business Development Services.
4. In the past two years, a number of changes in the component structure have taken place. Firstly, with the entry of the EU funds, ProPESCA now also includes a line of credit (LoC) for lending operations (around USD 1.81 million). Secondly, various originally planned activities (see more below) are not any more required or appropriate and have been dropped from the ProPESCA's list of rural finance interventions.

### **Overall Status of Implementation**

5. The final ProPESCA budget includes a comprehensive package to support financial service delivery in the Growth Poles (USD 7.3 million, including the EU contribution). These improved services are critically important to achieve the investment targets in the fishing communities set for the programme. The start-up of the component activities has been slow, and practically no PROPESCA funds have yet been used for the planned activities. Long delays experienced in the recruitment of the Rural Finance Specialist (RFS) for ProPESCA significantly contributed to these start-up problems. During the mission, agreements were reached on how to make the component fully operational from the beginning of 2014. One of the core tasks for the project management and the RFS is to ensure that during the remaining months of 2013, all these agreed actions are taken and the actual field implementation starts in all rural finance-related activities without further delays.

### **ASCAs and Other Community-Based Financial Services**

6. A core target of this activity is to substantially increase the number of women and men participating in community-based financial arrangements around ProPESCA Growth Poles. At the same time, focused efforts would be made to improve the methods used in PCR promotion and to actively link the groups and their members to formal MFIs and other financial institutions.
7. Preparations and field assessments conducted in the past 12 months showed that two major changes were required from the originally planned implementation approach. Firstly,

ProPESCA does not have to arrange training of the Service Providers (SPs) for ASCA development, as experienced SPs (with a record of more than 100 ASCAs formed) are available in each province. Secondly, it is practical to combine the contracts to include both the formations of new ACSAs and the further development of the ASCA method (“ASCA Plus”), particularly as practically all the SPs are already piloting with new ASCA approaches. These are likely to include such areas as financial literacy, links to formal financial institutions, mobile functions, options of accumulating funds over cycles, and more developed business development service modules.

8. Following a public request in newspapers, by July 2013 the project had received Expressions of Interest from 13 experienced SPs, covering each of the ProPESCA provinces. Some of the SPs are applying to participate in ASCA promotion only in one of the ProPESCA provinces while the larger ones aim to operate in wider areas covering various provinces. From the presented Expressions of Interest, ProPESCA has selected 10 and requested from them a full Project Proposal. Final decisions on the winning SPs for each area are expected to be made by end of October 2013, based on agreed selection criteria. With this schedule, the actual field implementation by the SPs can start in the beginning of 2014, which means that the four years contracts can be finalised well within the ProPESCA project period.

9. The current ProPESCA budget allocation for the ASCA contracts is around USD 2.3 million. This is likely to be a limitation for achieving the agreed impact especially when operating on the very large ProPESCA implementation area. It was therefore agreed that the budget allocation for this important activity will be raised to USD 3.0 million, using the savings from two activities budgeted but not any more valid for ProPESCA operations (“Implementation Support to Formal CBFs”, USD 600,000, and “BDS for Rural Finance”, USD 100,000).

### **Credit Line and Outreach Grants**

10. The ProPESCA outreach grants for financial institutions were originally planned to be implemented through FARE and its IFAD/AfDB supported Innovations and Outreach Facility (IOF). This option became later unpractical to follow. As the entry of new financial institutions to Growth Poles is crucial for the ProPESCA investment operations, the project has worked on alternative options to reach the agreed development results in this area. With the entry of the EU funding, the package offered to financial institutions now includes, in addition to the ProPESCA outreach grants (total budget USD 800,000), also a line of credit (LoC) for lending operations (around USD 1.81 million).

11. To make this activity functional, the Ministry of Fisheries and IDDPE/ProPESCA have proposed that the Fundo de Fomento Pesqueiro (FFP), which has in recent years accumulated experience in wholesale lending in fishing communities, would be selected as the implementation agent for the activity. Recently, FFP has been the implementation agent for fisheries credit line operations under the Project for Artisanal Fishermen in Northern Nampula and Cabo Delgado (PPANNCD), the Artisanal Fisheries Project for Gaza (PPAGI) and the Programme to Support Fisheries Sector (PASP). In total, the wholesale lending portfolio of FFP of these operations is still relatively low, around USD 3 million. They today cover wholesale loans to nine financial institutions operating with the artisanal fisheries sector. These include most of traditional “IFAD partners” in Mozambique in the sector, such as GAPI, Amoder and FFPI.

12. A Position Paper proposing that FFP will manage the ProPESCA credit line and outreach grants has been submitted to IFAD, which has endorsed it. As this would require an amendment in the ProPESCA Financing Agreement, the mission strongly recommends that the Ministry of Finance (MoF) should by mid-October 2013 agree with IFAD on this amendment. This is critically important to avoid further delays in the implementation of this ProPESCA implementation.

13. When the amendment is completed, the mission recommends that IDPPE aims to sign a Memorandum of Understanding (draft text ready) with FFP before the end of October 2013. This should be followed by a Subsidiary Loan Agreement between the MoF and FFP, to be signed latest mid-November 2013. After FFP is contracted as the fund manager, particular attention needs to be placed on the following issues:

- The loan management software of FPP has to be fully operational before the actual implementation starts. This system is currently near to be finalised, but the systems supplier and FPP have to make it absolutely sure that the software will be fully functional and capable of automatically producing all the reports required in this type of lending, including the Portfolio-at-Risk information.
- The RFS of ProPESCA pro-actively assists FPP to design the required Operations Manuals for credit and matching grant operations. The manuals used by FARE in its IOF operations can be utilised and simplified for the needs of FPP in its fisheries wholesale lending operations. The matching grants approach for increased outreach in fishing communities is a completely new type of activity for FPP. The FARE example shows the complexities related to this kind of support operations in Mozambique, including often prolonged periods required for branch construction, difficulties of MFIs to provide their own financing shares and tendencies to divert from the agreed financing agreement when the MFI's own funds run short. The ownership issues linked to the procured building and equipment have to be made very clear, to safeguard the investments by ProPESCA/FPP in the event the supported operation fails.
- FPP organises the required staff training using funds available from ProPESCA and its other donors. FPP informed the mission that Norwegian funds are available for this kind of training purposes and potentially other funds, too.
- FPP co-operates closely with the project in the selection of benefiting financial institutions, targeting especially the growth poles with no banks or MFIs. Following the experiences from the FARE/IOF operation, start-up MFIs would not be supported with the ProPESCA outreach grants as they have proved to be very risky investments, with many of them in the FARE portfolio showing major signs of failing to remain in the market after the donor support to their operations ceases.

#### **Risk Mitigation Fund (RMF)**

14. The RMF was established during the latter years of PPABAS provide incentives to financial institutions to invest in artisanal fisheries. PPABAS invested USD 250,000 in the Fund, and GAPI USD 150,000, with GAPI operating as the fund manager. Following the September 2012 Supervision Mission recommendations, the rules for the RMF were finally agreed on in late 2012. The Steering Committee, consisting of GAPI, IDPPE and FPP, was formed in early 2013 and has met once. No funds from the USD 1 million allocation of ProPESCA have yet been disbursed to the RMF.

15. Contrary to the earlier recommendations, no marketing meetings with financial institutions have been organised in the past 12 months. At the same time GAPI informed the mission that no MFIs, microbanks or commercial banks have in their bilateral discussions expressed interest to lend to artisanal fisheries, even with the RMF support, as it is considered a complicated and risky investment market.

16. GAPI has used an option in the RMF rules and lent from its own fund to the artisanal fisheries sector, with the expectation that RMF finances 50% of these loans under the RMF rules. According to GAPI, 16 such loans are currently outstanding with a total balance of around USD 70,000, 12 of them in Quelimane province, four from the Beira Office of GAPI. Two issues concerning these loans require attention. Firstly, GAPI has not followed 50%/50% RMF financing rules when accounting for these loans. The RMF rules define clearly how the financing is shared between the RMF and any participating financial institution, in this case GAPI, and how the RMF bank account can be used for loan disbursements, as well as how the repayments are accounted for when they are made by the borrowers. It was agreed that GAPI makes for the next Steering Committee meeting a comprehensive financial statement on this lending operations and pay the required balance back to the RMF bank account.

17. Secondly, this fisheries lending operation faces serious repayment problems. In the visited Quelimane office of GAPI, from which most loans have been issued, 11 out of the 12 RMF loans were behind their repayment schedule, some of them very heavily. Clearly, two aspects of this lending should be strengthened: (a) more careful calculation of the repayment

capacity of the financed projects, based on realistic assumptions, and (b) more focus on the pre-disbursement counselling of the borrowers on their repayment obligations and on the sanctions that will follow prolonged default.

18. It also became obvious that there is a need to explain the advantages of the RMF approach both to the key potential partners in financial sector and to the field staff of GAPI, so that the benefits of the RMF as compared to the available guarantee funds and other donor initiatives become clearer. To this end, it was agreed that ProPesca and GAPI will arrange provincial marketing meetings with potential partners in the remaining months of 2013. At the same time the GAPI field staff would be trained in the management and operations of this Fund. Finally, it was agreed that ProPESCA will organise an independent evaluation of the RMF around mid-2014. The results of this evaluation would guide the decisions on how to use the USD 1 million allocated for the RMF in the ProPESCA budget.

### **Matching Grants for Women and Innovations**

19. Component 2 also includes two small allocations (USD 300,000 each) for matching grants: (a) innovation and infant industry grants and (b) matching grants for women's economic activities. IDPPE has carried out substantial preparatory work to make these schemes operational and prepared a list of types of projects eligible for matching grant funding. It was agreed that the utilisation of these grants should be limited to three types of projects: (i) **operations** that can be used for wider demonstration purposes, (ii) operations by clearly unprivileged groups or individuals or people serving these unprivileged groups, and (iii) key value chain operations in which the lack of availability of finance can be clearly demonstrated. It was agreed that IDPPE Head Office and the RFS would finalise an Operations Manual for the grants and inform relevant IDPPE staff of the rules and procedures of the activity. The agreed target is to get the matching grant financing in the field fully operational from the beginning of 2014. A recommended overall approach is that the IDPPE offices will process the grants, and FFP would assist in the grant disbursements. The small grants to women would be approved by the provincial IDPPE offices. The bigger innovation grants would be approved by a Matching Grant Committee to be established in the Head Office of IDPPE, based on recommendations on projects from the provincial delegates.

### **Input Supply in Fisheries Villages**

20. Partly linked to the rural finance operations, the mission also looked at the opportunities to significantly expand the fisheries input supply networks in the Growth Poles and surrounding villages. During the two previous fisheries programmes, problems in the supply of fishing equipment and other inputs have been successfully solved through active co-operation between IDPPE and the leading input supply companies in the private sector. Now that ProPESCA covers the whole coast line, it was agreed in 2012 that the same partnership approach will be applied also in the focal Growth Poles. Such a pilot operation, visited by the mission in Mulai village near Pebane, clearly shows the benefits to the local community from being able to buy fishing gear from the local village shops, with increased earnings also to the shopkeepers. The potential to expand similar operations to fishing villages around ProPESCA Growth Poles is clearly very large.

21. It was agreed that IDPPE will in the coming years pro-actively support this type of expansion of input supply networks, principally by connecting the local shopkeepers to quality suppliers of fishing gear and providing them with lists of items that would locally be in high demand. With the improved communications, including cell phones, the connections between shopkeepers and input suppliers are today relatively easy to organise. In the bigger villages a more developed agency agreement can be arranged, with supplier credits and a wider range of fishing input to be put for sale. The whole operations for ProPESCA does not involve large budgets but if implemented in a pro-active manner, has the potential to generate major returns and benefits for all participants in the process: input suppliers, shopkeepers and fishermen and fisherwomen in the villages.

## **Annex 4: CHAPANI**

### **I. Background**

1. This Annex covers to findings from a supervision mission on The Coastal HIV/AIDS Prevention and Nutrition Improvement Project (CHAPANI) - a grant from the Belgian Fund for Food Security administered by BFFS/ IFAD. For CHAPANI, the mission aimed at assessing the implementation progress of the project activities as per the ToR and providing key recommendations to improve project performance.

2. CHAPANI started in May 2012 with the overall goal to improve food security and livelihoods of households involved in artisanal fishery. Implemented by *Associação Moçambicana de Ajuda de Povo para Povo* (ADPP), the project's aim is to: (a) mobilise people in the fishing communities; (b) increase their knowledge about HIV/AIDS; (c) change their risky sexual behaviour; and (d) diversify their regular diet.

3. CHAPANI is being implemented along with ProPESCA in six of the 30 participating growth poles for fishery development, all located in the Province of Nampula (Angoche, Memba, Larde, Moma, Nacala Porto and Ilha de Moçambique). Three target groups have been identified: (i) fishers; (ii) processors/traders; and (iii) providers of support services, with gender emerging as a cross-cutting matter addressed in all dimensions of project implementation.

4. CHAPANI has two components and various activities. It also has a relatively complex implementation structure that involves a large number of stakeholders at all levels in the province. Therefore, a suitable methodology – OECD – was used by the mission to: (a) capture all cross-cutting issues related to the overall project objective; (b) respond to the mission ToR; and (c) explore all dimensions of project performance (relevance, efficiency, effectiveness, impact and sustainability).

5. The mission was carried with the following activities i) desk review; (ii) in-depth discussion with ADDP HQ in Maputo (used as the entry point); (iii) meetings with various Government authorities at provincial and district levels; (iv) field visits to Nacala and Ilha de Moçambique; (v) a wrap-up meeting with the ADPP field team and IDPPE team to discuss preliminary findings and (vi) a meeting with ADPP HQ to address finding and agree on key areas that should be envisaged as priorities and included at the AM.

6. A template was developed to capture and systematize information for each project activity, which was later used to complete another one that harmonizes comprehensive information about actions related to preventing and mitigating spread of HIV/AIDS (component 1) and Improving Household Nutrition Security (component 2). The methodology proved to be appropriate and a good reference to evaluate progress and guide potential adjustments to boost project performance.

### **II. Mission Findings**

#### **A. Overall Project Implementation**

7. The Table on outcomes and outputs below illustrates achievements against what was planned CHAPANI targets. Overall, the project is in on a good track and, in some cases, it has already surpassed the expected goal (e.g. distribution of condoms with 15,264 above target). Even though the project has not reached yet its full potential, information from various sources indicate of a positive field impact.

8. CHAPANI is attached to TCE and, in many cases, it is presented as a TCE subset, which diminishes its visibility and can affect acknowledgement and appreciation of its performance. Also, the project seldom mentions its linkage with IDPPE, ProPESCA and even with the donors (IFAD and BFFS). There has been no link between ProPESCA activities and CHAPANI; however, some connection would be desirable and could help both projects achieve their potential objectives, bringing about broader community mobilization.

Goal: To improve Food Security and Livelihood of Household Involved in Artisanal Fisheries					
Development Objective: To reduce HIV/AIDS prevalence and malnutrition					
Components	Outcome	Outputs	Number global		
			Planned	Achieved	Balance
1 - Preventing & mitigating the spread of HIV/AIDS	1.1- Reduced Prevalence of HIV/AIDS through increase knowledge and changing behavior	1.1.1 - One baseline survey carried out	1	1	0
		1.1.2 - Men and women benefiting door-to-door campaign and visit	29000	30263	-1263
		1.1.3 - Men and women mobilized, referred, test and receiving results	5800	737	5063
		1.1.4 - Condoms being distributed	600000	615264	-15264
		1.1.5 - Number pple completing a risk reduction plan	18850	5732	13118
		1.1.6 - Number of pregnant women mobilized for PMTCT	1800	1434	366
		1.1.7 - Number of Staff of IDPPE trained (Nampula Delegation and central levels)	12	12	0
		1.1.8 - Number of CBO trained	12	16	-4
		1.1.9 - Number of voluntaries (apaixonados) trained	350	942	-592
		1.1.10 - Number of Community leaders trained	120	120	0
		1.1.11 - Number of community debates held	72	23	49
		1.1.12 - Number of community rallies held	72	4	68
		1.1.13 - Number of cultural groups trained and active	18	14	4
		1.1.14 - Number of radio program broadcasted	36	11	25
		1.1.15 - Number of advocacy events held with influent political leader	3	5	-2
2 - Improving Household Nutrition Security	2.1 - Reduced malnutrition through of the regular diet	2.1.1 - Nutrition baseline carried out	1	1	0
		2.1.1 - Number of vegetable demonstration garden installed	60	21	39
		2.1.2 - Number of families trained in setting up vegetable demonstrations	3000	411	2589
		2.1.3 - Number of demonstration kitchen installed	150	40	110
		2.1.4 - Number of people trained in adequated cooking methods	3000	230	2770
		2.1.5 - Number of community leaders trained on importance of health and balance diet	120	40	80
		2.1.6 - Number of programmes on nutrition broadcasted by community radio	36	2	34
		2.1.7 - Number of classes on nutrition held	360	24	336

9. The linkage between CHAPANI and ProPESCA activities exist but it is weak and needs to be developed. For instance in Ilha de Moçambique we saw how CHAPANI is working with the Fishing Community Council (CCP) and the Fishermen's Association and how the HIV/ AIDS awareness particularly use of condoms is impacting on them. There is need to explore the various ways in which this linkage can be strengthened,

10. Alignment with Government institutions and their working plans is limited and often consists of distribution of reports which are necessary. This is not sufficient for achieving full integration of CHAPANI within the overall framework for mitigating HIV/AIDS and malnutrition in the province. The engagement with IDPPE at field level is very minimal, missing the opportunity to enhance Government ownership of the project. There are various initiatives in the province related to HIV/AIDS and nutrition which can represent a golden opportunity for institutional synergies and resource mobilization. However, they have not been fully explored.

11. The project requires various types of capacity building activities to tackle all dimensions of HIV/AIDS and malnutrition by taking into account conditions encountered at field level. Hence, the idea of **one training does it all** is not suitable and might not cover all the required knowledge for engaging communities. Only three training session has been carried out and the activity is still lacking complete kits for continuous capacity building based on a demand-driven approach.

12. According to some of the met authorities at local and provincial levels, community leaders and household members, CHAPANI is having a positive impact. The impact is highly appreciated to the point that people believe that its geographical coverage has been very limited within the growth poles, therefore, missing the opportunity to benefit from spill over effects in the neighbouring administrative posts caused by high social mobility among fishery communities and their neighbouring districts.

13. A platform to document lessons learnt and identify best practices and gaps is yet to be adopted. An M&E system for monitoring process, evaluating change and impact, and measuring overall performance is still an important issue that needs to be dealt with.

14. Analyses of financial statements show that the budget may be limited given the importance and number of activities carried out, which may be restraining the geographical coverage and limiting

supervision and performance of field officers. It has also reduced ADPP capacity to explore wider niches of opportunities to strengthen some outstanding results. About 66% of the total budget has already been spent in one year of project implementation, but the cost could have been much higher if ADPP had not covered some costs from other budget lines of its programme, implying that, if additional funds are not made available, consolidation of project impact will be jeopardized with decreased effectiveness and sustainability. This is particularly true with respect to the nutrition component which, despite of delays in starting, has already consumed 62% of the allocated budget and 35% of the funds allotted to community mobilization in the fight against malnutrition. Consequently, financial matters should be revisited, implications assessed and provision for additional resources considered.

15. Finally, efforts to build CHAPANI visibility and credibility among stakeholders and within communities are still at the early stages of development, thus requiring actions to enhance these important elements as the driving forces to build up institutional synergies and partnerships (see more below).

### **B. Preventing and Mitigating the Spread of HIV/AIDS (Component 1)**

16. Activities under this component are highly appreciated and appear to have considerable impact in changing behaviours. However, the changes cannot be attributed exclusively to CHAPANI due to two reasons: (i) these activities are implemented as an appendage of another previous project TCE, raising some confusion between the two projects; (ii) limited effort has been made to measure the true nature of changes and impact.

#### Baseline Survey

17. The baseline survey was envisaged as the ground work to help understand key issues related to HIV/AIDS, challenges ahead, and to define priority areas to guide interventions. Nonetheless, all the relevant areas were not covered during the baseline study and the generated information, due to its structure, could not be used as reference to guide intervention and to compare “before” and “after” changes and impact.

18. Information from the baseline has not been structured in thematic areas and has not been made available to the supervisors and field officers to make them well aware of issues to be addressed. Likewise, no framework has been developed to allow comparative analyses for monitoring changes.

#### Door-to-door Campaign

19. The door-to-door campaign can be statistically documented as a success and considered highly relevant. For instance according to a community leader in Ilha de Mozambique, CHAPANI can be compared to “*a chave mestra*” (master key) that has opened the Pandora’s box of HIV/AIDS and provided a variety of relevant information about the issue. However, it appears that key thematic areas have been addressed only partly and in form of recipes, which restrains the use of creativity among field officers during field work. It is very important to empower Field Officers (FOs) and provide them with techniques and sets of ideas from which they can withdraw proper information to act and to convince communities.

20. Institutional synergies have not been fully explored as a way to build complementarities and avoid overlapping. The Government in Nampula has decided that actions related to HIV/AIDS and malnutrition should be carried out based on community-driven approach. A large number of stakeholders, including NGOs are operating as such and Government structures have been used all the way to the communities. Evidences show only a very limited attempt of CHAPANI to build partnership with lines of ministries and others operating at field level.

21. CHAPANI interventions have certainly caused some changes in behaviour. Nevertheless, attempts to measure the rate of adherence and adoption have been really difficult because the project has not been equipped with techniques for assessment. Also, door-to-door visits require subsequent follow-ups. Therefore, it is crucial that FOs are exposed to tools and methods that allow them to use innovative approaches to mobilize and consolidate community engagement, avoiding repetition of the same message to the same household, a factor that may demotivate participation.

22. There has been only limited efforts in compiling lessons learnt, replicating good practices and eliminating constraints, which represents a missed opportunity because *good things* have indeed

happened even though they have not been documented in a way that they can be used as reference for replications.

#### Training of IDPPE Staffs, CBOs Voluntaries and Community Leaders

23. Success or failure of this project depends on performance of staffs and partners, which is intrinsically related to training. There have been relatively few training activities, and all the relevant thematic areas capable of boosting project implementation have not been explored. Some participants stated that the duration of training was short and that the material used was interesting, but would have required more practical examples. The project is missing a structure that would allow adoption of approaches of **cascade** and **or on-the-job training**, two powerful methods to maximize the impact of training given the existing resource constraints.

24. Follow-up on training to measure changes on performance and identify pathways for further training has not been done (e.g. 12 IDPPE staffs have been exposed to a single training session, but nobody knows how well the acquired knowledge has been used), and the same applies to the CBO voluntaries and community leaders.

#### Community Campaigns

25. These campaigns need to be intensified, with a potential revisit on the approach. Alternative kits for community mobilization should be identified and made available. The mission watched performances of two cultural groups, which proved that there is room for improvement of actions under this output. Aspects related to innovative ways to promote community dynamics and consolidation, enhancement of capacity to introduce thematic areas adapted to local reality and strengthening of community engagement and facilitation process are some areas that are still missing.

### **C. Improving Household Nutrition Security (Component 2)**

26. Nutrition is the final outcome of food security, thus, activities carried out under this component, if well aligned with ProPESCA activities, can bring about further sustainable results. In addition, CHAPANI has not been correctly understood and integrated into a comprehensive ProPESCA framework and, as a result, both projects are missing an important opportunity to complement each other and boost achievements.

27. There has been some delay in implementation of this component. The area so far covered is limited to demonstration of vegetable production and kitchen demonstrations as a way to diversify regular diets whereas there is much more that could be done. If the component is correctly linked to ProPESCA, there are various aspects that can be explored (mainly related to food security pillars) to improve overall nutrition status.

#### Use of Baseline Results

28. The situation is similar to the baseline survey on HIV/AIDS, aggravated by the fact that initial analyses did not capture some crucial information about nutrition. As a result, part of data collection was repeated and is still being analysed. Nevertheless, the nutrition component is already being implemented, which confirms that designation of priority areas was not based on facts, thus, with great risk of the defined interventions not being necessarily the best options.

#### Reduction of Malnutrition through Diversification of Regular Diet (Demonstration)

##### Vegetable demonstration

29. Two vegetable garden demonstrations were visited and efficiency, effectiveness, impact and sustainability were assessed. In the view of the mission, there is still quite a challenge to make the initiative suitable and effective in promoting diversification of diets. The activities should include demonstrations, training of households to produce their own vegetables and linkage to kitchen demonstrations. However, in practice, there is no clear path, logic or defined link among these three levels of activities.

30. The check list of procedures should be urgently revised before setting up vegetable garden demonstrations. The mission came across some crucial issues that have not been tackled: the status of land ownership where the demonstration garden was established; soil conditions; water sources



and reliability; and rationale for setting it; and aspects of functionality were not dealt with before taking off demonstrations.

31. A portfolio including *a feasibility study, definition of vegetables that should be produced, source of seeds, management, contribution from communities, expected production and destination including distribution of gains and linkage to the component of kitchen demonstration* does not exist. Such portfolio should emerge from consensus among participants defining strategies, procedures and implementation strategy.

32. Lack of technical assistance regarding soil and water management techniques, seedling, transplanting and production, care against plagues and diseases as well as harvesting was an important matter observed in the field, which could have been mitigated if institutional synergies had been explored, particularly with SDAE.

33. The communities did not seem sufficiently convinced about the importance of vegetable production and in the *driver sea* because, when queried on how they became interested in vegetable production, the response was that the field officer had instructed them to do so.

34. Despite of all the above-mentioned concerns, it was possible to assess some positive impact on vegetable production. There is a great potential to develop the initiative as long as the current constraints are tackled. A good number of participants mentioned that introduction of vegetable production has changed their food habits and has given them the opportunity to get additional cash; nevertheless, issues of effectiveness, impact and sustainability are still questionable.

#### Kitchen demonstration

35. The mission could not see a clear protocol with detailed procedures to link kitchen demonstrations to vegetable demonstrations within a logical chain. Aspects such as *quantification by type of vegetable, when and how it should be used and prepared* were not well defined.

36. Evidences show that kitchen demonstrations have brought some changes; however, the project lacks instruments to measure and systematize the information. Also, there has been limited use of complementary mechanisms/approaches to strengthen the initiative which should be linked to other events in order to better succeed. In Ilha de Moçambique, the mission was able to see a combination of kitchen demonstration with feeding of malnourished children, which, unfortunately, is not being fully explored and is facing the following difficulties: food was not enough for all children; meals were not served at once for everyone; no scheme for measuring changes on the nutrition status of the children; and lack of toys and playing activities for the children. These are all issues that, if properly tackled, could boost the impact of the initiative.

37. Each component is being implemented as separate entity, hence, missing complementarities between them. Dissemination of information is at the centre of CHAPANI implementation; therefore, complementarity between the two components is imperative and should be strengthened to pass messages across more effectively and with greater acceptability.

#### Community Mobilization

38. There has been limited concern with alternatives for community mobilization (lacking kits for dynamic communication), innovation to promote community dynamics and consolidation, enhancement of field officers' capacity to introduce thematic areas adapted to local reality, and the community engagement and facilitation process by FOs.

### **III. Recommendations**

39. Despite of the identified drawbacks, implementation of CHAPANI has provided opportunities for programme synergies towards complementary objectives. Actions should be taken to build on the achieved results in order to consolidate gains and systematize lessons learnt to ensure effectiveness, impact and sustainability. Besides the agreed actions that have been included in the Aide Memoire, there are a few additional aspects that need to be considered:

#### Consolidation and Expansion within the Six Participating Growth Poles

40. This refers to actions for adjusting the matters addressed under each output, which essentially consists of: reinforcement of institutional synergies; better alignment with work plans of Government institutions; better use of baseline results; improvement of tools and methods; capacity building and

improvement in the way that lesson learnt are compiled; consolidation of procedures for vegetable and kitchen demonstration; and better linkage between components and broader impact.

#### Expansion to the Neighbouring Administrative Posts

41. To help CHAPANI achieve a wider impact, pathways to select some pilot administrative posts neighboring to the participating growth poles were presented, justified by social interaction among fishery communities and the nearby communities.

#### Development of Activities in Selected Poles in Zambezia and Sofala based on systematized lessons learned from Nampula Province

42. While it is desirable to speed up implementation of CHAPANI in other poles, it should only be done after the experience in Nampula is consolidated and well assembled and lessons learnt are compiled to guide strategy for expansion (a detailed procedure was presented).

43. What ProPESCA is seeking to implement in Zambezia and Sofala is the nutrition component under the grant from the EU. While in the case of CHAPANI, where ADPP comes as the identified implementation partner, no implementation partner has yet been identified for Zambezia and Sofala. Based on what ADPP is doing in CHAPANI, IDPPE has asked ADPP to submit a proposal to implement the nutrition project and the partnership is yet to be established. In this process, a replication of the nutrition component based on lessons learnt in CHAPANI would add value to the future implementation.

#### Reinforcement of a Platform to Enhance Institutional Integration of Project and M&E/Information System

44. Finally, full integration of CHAPANI in the ProPESCA implementation framework and association with other IFAD funds, particularly EU initiatives for MDG1, are addressed. Also, efforts to improve M&E, information system and recording of lessons learnt were addressed under this recommendation.

45. Detailed information related to implementation of the above recommendations and a comprehensive database for tracking project activities in a dynamic manner have been developed and handed to ADPP for development. In addition, a set of templates for each output as well as a comprehensive model for each component have been completed by using the OECD methodology. Each template illustrates in a systematized manner: i) **what has been done** (what was planned, what is going on, what has succeeded or failed in the projects); ii) **why it has been done** (why the project succeeded or failed); iii) **what are the implications for the expected results**; iv) **what actions should be taken to make improvements during the remaining period of project implementation**. These are very important reference tools to help strengthen and boost CHAPANI performance.

## Attachment 1

### Key People Met under CHAPANI Mission

Institution	Name and Designation
Direcção Provincial de Agricultura	Director Provincial- Pedro Dzucule
Direcção Provincial de Saúde	Dominga Zibia - Cooperação
	Jamal Fonseca - Cooperação
	Celiano Manuel
	Kharim Assare
	Garcia Sevene – Prog Provincial de Nutrição
SIDAE – Nacala	Dierctor – Mendes da Costa Tomo
	Gil Aranja Ponda – Ponto Focal
IDPPE – Nacala	Mamude Ussine Chale - Extensionista
ADPP – Nacala	Mariano Pita – Coord CHAPANI
	Piresh Paulino – Dep. Coord
	Charamadane Mohamed Nuro – Supervisor (Ilha de Moçambique, Nacala and Memba)
	Francilino Augusto – Supervisor (Larde, Angoche and Moma)
	Atija Saramadani – Field Officer – HIV and AIDS, Ilha de Moçambique
	Amina Momade – Field Officer - Nutrition, Ilha de Moçambique
Community	Sr. Ambrósio Abdul – Community Leader, Bairro de Naherenque, Nacala (also a fisherman)
	Mr. Mussa – Regulo/ Community Leader, Bairro de Sanculo Ilha de Moçambique (Meeting was also attended by 10 cell leaders)
	Associação de Kanakupali (Fishermen's Association) and Sanculo Community Fishing Counsel (CCP)
Núcleo Provincial de Combate ao HIV /SIDA	António da Silva – Programmes Manager



## Annex 5: PRODIRPA

### I. Introduction and Background

1. This Annex reviews: (i) progress in the implementation of the “*Projeto de Reforço dos Direitos de Acesso aos Recursos pelos Pescadores Artesanais*” (PRODIRPA)

2. PRODIRPA is a three year project expected to start early next year that will complement ProPESCA and CHAPANI and has the same target groups. It will be implemented by IDPPE in 18 growth poles in Sofala, Zambézia and Nampula (the area previously covered by PPABAS – see Attachment 2). Its aim is to strengthen artisanal fishing communities’ security over, and management of, natural resources – both sea and land based. The Project will have four components: 1) Research, analysis and lesson sharing; 2) Empowerment of artisanal fishing communities; 3) Community-based natural resource management planning; and 4) Project management and policy dialogue. It will support the strengthening of community institutions and organizations, co-management, targeting and policy/legislative activities of ProPESCA. . By looking at multiple resource uses and not just fishing-related resource use, it will also aim to expand the involvement of women in project activities. It is expected that 1,400 people will be trained on land and natural rights and in natural resource planning and management and about 7,000 people will be better informed on their natural resource rights and participating more in NRM planning activities.

3. The total project cost is EUR 641,026, co-funded through an IFAD grant of EUR 500,000 from funds made available by the Belgian Fund for Food Security (BFFS), the Government of Mozambique (EUR 108,974) through taxes and duty exemptions, and beneficiaries’ in-kind contributions estimated at EUR 32,051. IDPPE will also make an in-kind contribution to the Project that will include technical assistance and project management support. Implementation will be supported by IFAD’s Mozambique Country Programme Team and IFAD’s Regional Land Tenure Adviser. Implementation support missions will be carried out jointly by IFAD and IDPPE in parallel with ProPESCA implementation support missions. The Projects M&E system and KM strategy will be harmonised with ProPESCA’s. Technical assistance and lesson sharing will be supported by IFAD’s “Tenure Security Learning Initiative for East and Southern Africa” (TSLI-ESA).

4. Furthermore, under Component 4 ProPESCA aims to strengthen the co-management of fishing resources; the targeting of poorer households, women and youth; and policy/legislative initiatives aimed at, among other things, improving artisanal fishing communities’ access to and management over fishing resources. The project aims to strengthen provincial and district administrations’ and community institutions’ and organizations’ roles in fisheries co-management and IIPs assessments of fisheries resources for all growth poles. As part of its poverty and gender targeting strategy, the project will provide gender training and strengthen gender sensitive value chain development training; and targeting and gender training. Policy/legislative support will include: identifying challenges for fishing communities to have a voice in the decision making, strengthening the legal and regulatory framework for co-management, access to fishing grounds by artisanal fishers, shrimp by-catch collection, taxes and tariffs for artisanal fishing, and fisheries exclusion areas and tourist developments. Support will be provided to strengthen governance by improving transparency, accountability and participation.

5. PRODIRPA will support the above ProPESCA activities by: strengthening the involvement of community fishing councils (CCPs) and fishers associations with provincial and district co-management committees (CCGs); improving fishing resource management; identifying natural resource use by poorer members of the community, women and youth; and enabling artisanal fishing communities to map their resource use and to secure their resource rights. It could also support to the mapping of market infrastructure under Component 1 and the mapping of improvements in road access and electrification/alternative power supplies under Component 2.

## II. Review of Progress and Next Steps

### PRODIRPA

6. **Project name change.** During the Aide Memoire review meeting with IDPPE, it was suggested by IDPPE that the name of the project in Portuguese is changed from the “Projeto de Direitos aos Recursos dos Pescadores Artesanais” to “*Projeto de Reforço dos Direitos de Acesso aos Recursos pelos Pescadores Artesanais*”. The English title and the acronym stay the same. The suggestion was referred to IFAD’s legal department who confirmed that the change is acceptable.

7. **Finalization of the Financing Agreement.** An amount of EUR 500,000 was approved by the Belgian Fund for Food Security (BFFS) in February 2013 and the grant document was approved by IFAD at the end of August, 2013. A Financing Agreement is in the process of being finalized and it is anticipated that it will be signed by both IFAD and IDPPE by the end of November 2013, after which the funds will be transferred. As with ProPESCA funding will be channelled through the CUT. During the Mission it was agreed that a designated bank account will be opened by IDPPE for the funds. This should be done as soon as possible. To avoid delays in IDPPE receiving the funds it is important that the activities are included in its annual work plan and budget. Provision has also been made for pre-financing start-up costs. Subject to agreement on the FA with IDPPE, it is proposed that start-up costs can be incurred before the satisfaction of the general conditions of the FA to a total aggregate amount of EUR 30,000 as per the following cost categories: Technical assistance (EUR10,000); Meetings and workshops (EUR15,000); and Travel costs (EUR5,000).

8. **Implementation Arrangements.** PRODIRPA will be managed directly by IDPPE and will follow the same operational procedures including procurement, financial management, audit and M&E as ProPESCA. Operational procedures for PRODIRPA will be included in ProPESCA’s Project Implementation Manual (PIM). This will be done as an Annex to the existing PIM. The Financing Agreement indicates that the revisions will be submitted to IFAD for its no objection within 30 days of entry into force of the FA. The Director of IDPPE will have overall responsibility for the Project, but the Project will be managed by IDPPE’s Head of the Department for Social Development (DDS). The Head of DDS Head will be responsible for: (i) preparing annual plans of work and budget (PAAO), in consultation with other key stakeholders; (ii) coordinating activities and harmonising inputs by various stakeholders; (iii) monitoring progress and facilitating evaluations of impact; (iv) disseminating lessons learnt; and (v) facilitating policy dialogue on the project’s results.

9. The Head of DDS will be supported by a finance officer, a procurement officer and an M&E officer appointed by IDPPE for this purpose from existing staff. It is not foreseen that additional staff will be recruited. However, the Project Document indicated that up to eight per cent of the grant funds (EUR 50,000) could be used for project management, including incentives for IDPPE staff and travel costs. Additional technical assistance could also be recruited through IDPPE’s procurement procedures to support IDPPE in the implementation of project activities. This likely to be mainly for support in the research and community natural resource mapping and planning activities.

10. It was indicated in the project document that existing coordinating mechanisms will be used at national, provincial and district level. Following discussions with IDPPE during the mission it was suggested that the existing ProPESCA project reference group (PRG) will advise on the implementation of PRODIRPA. If necessary additional representatives could be invited to join the PRG. The Financing Agreement states that the composition of the PRG shall be confirmed in accordance with Schedule 1 within 2 months of entry into force of this Agreement. The composition and role of the PRG vis-a-vis PRODIRPA is also expected to be reviewed during the start-up workshop for the Project (see below).

11. **Validation of project focus and activities.** Discussions during the mission with various stakeholders validated the overall purpose, approach and activities foreseen under PRODIRPA. While the IDPPE provincial delegation (Zambezia) understandably were not informed about the project since it has not yet started, the provincial head of DDS confirmed that the proposed activities were relevant. He and the representatives of fishing communities confirmed that competition and conflicts over access to fishing areas and beaches between artisanal fishing communities, industrial fishers and tourism and are of concern. At Zalala mention was made of industrial fishers damaging the nets of artisanal fishers. Such cases had been reported to the provincial ADNAP but no compensation had been paid. In Pebane it was reported that the number of such cases has reduced but previous cases had not been resolved. At both Zalala and Pebane cases of tourist operators restricting beach access

were reported. While not visited, we were also informed that the planned mining of heavy sands north of Angoche is creating concerns for communities. At Pebane representatives met said they were aware of the work that WWF and CARE are doing on coastal resource management and were interested to strengthen their involvement in this work (see below). Concerns were raised in both places that the CCGs do not seem to be meeting regularly or that the CCPs are not informed of the meetings. Concerns were also raised that CCPs do not have sufficient resources to play an effective role in co-management or to undertake exchange visits to other areas to learn about successful co-management experiences, such as at Moma. It is foreseen that PRODIRPA will complement the support being provided by ProPESCA and ADNAP more generally to address the above concerns.

12. **Project start-up activities.** Once the Financing Agreement is signed by IDPPE and received by IFAD, IDPPE plans to initiate research on: (i) the existing situation regarding the role of government and community institutions and organizations in natural resource management and securing of resource rights in the project area; (ii) other past, on-going and planned initiatives aimed at securing natural resources rights of artisanal fishing communities and at improving community-based coastal natural resource management; and (iii) the policy, legislative and regulatory frameworks governing access to natural resources by artisanal fishing communities and options for securing artisanal fishing communities' natural resource rights.

- The research in the first area will look at: a) existing local community natural resource management institutions and organisations, rules and practices, especially those pertaining to fishing and access to land, water and trees; b) opportunities and threats to artisanal fishing communities' natural resource rights and management; and c) capacity needs in natural resource management of organisations and institutions representing artisanal fishing communities. The research will be coordinated by DDS and supported by IDPPE provincial staff. The research will be coordinated with that being done under the component of ProPESCA which is looking more widely at the responsibilities and capacities of CCPs and district and provincial administrations in managing and developing fishing resources (see below). The research under PRODIRPA will focus more on the natural resource management aspects and will not only look at fisheries administration and co-management.
- The review of past, on-going and planned initiatives aimed at securing artisanal fishing communities' resource rights and/or strengthening their natural resource management will enable IDPPE to identify lessons that can inform implementation, potential partners and opportunities for collaboration and contribute to improving harmonization and co-funding of initiatives. A preliminary desk review was done during the design of the project (see Attachment 3). Amongst the particularly relevant initiatives identified are the WWF/CARE supported *Projeto dos Arquipélagos das Ilhas Primeiras e Segundas* (PAIPS) and the World Bank/Japan Social Development Fund/IDPPE supported "*Community Based Coastal Resource Management and Sustainable Livelihoods Project*" (CRMSL) implemented in Inhambane. Further investigation is needed to identify and capture information on other relevant initiatives, including those that are being supported through MICOA and MITUR.
- The research on policy, legal and regulatory framework will look at those related to fisheries, forestry, land, conservation, tourism and other relevant areas.
- While much of the research will be done by IDPPE national and provincial staff, provision is made in the start-up funding for contracting additional technical assistance if needed, especially in reviewing past, on-going and planned initiatives and policy, legal and regulatory frameworks.

13. During the mission it was reported that WWF/CARE is supporting MITUR and MICOA in developing a management plan for the Ilhas Primeiras e Segundas. This will include replicating in Angoche the setting up of local fishing reserves at Moma. They are also continuing to work with CCPs and community NRM committees on community land delimitation and natural resource management, including the establishment of local fishing reserves but are now focusing more on Angoche and Moma due to funding constraints. However, they are hoping to secure additional funding which will enable them to extend their activities. CRMSL is coming to an end but the WB is currently designing with IDPPE and others the "*Scalable Community-Managed Climate Change Adaptive Solutions*

*Project<sup>ii</sup>*. The project is expected to cost about EUR 4.5 million and be funded by the Nordic Development Fund. The project will support the establishment of locally-managed Territorial User Rights for Fishers (TURFs) that contain smaller sanctuaries/no-take Reserves (NTZs) within their boundaries. The model is based on scientific evidence that NTZs provide a spillover effect and with managed and more sustainable harvesting throughout the entire TURF, fishing productivity increases and coastal marine habitats can be restored or maintained while community fisheries can move to maximum sustainable yield. The TURFs are expected to be established and managed by local communities through the CCPs. The project is expected to be piloted in 6 areas, 2 each in the north, centre and south of the country, including probably the Ilhas Primeiras e Segundas. The approach being adopted is similar to that being adopted by PAIPs. Both the initiatives are highly relevant for ProPESCA and PRODIRPA.

14. Once the preliminary research is done, it is proposed that a multi-stakeholder workshop will be convened by IDPPE to officially launch PRODIRPA, to share the initial findings, to identify modalities for improving collaboration and harmonization of interventions and to further plan activities to be implemented in 2014 (see Attachment 4 for a draft proposal for the workshop). It is proposed that the workshop should be held in Angoche over 3 or 4 days so that opportunity can be taken to assess the support being provided under PAIPs and ProPESCA. It is anticipated that the workshop will be attended by about 30 to 50 participants and will include representatives of national and provincial delegations of IDPPE and ADNAP, IIP, MICOA and MITUR, representatives of District Administrations in particular the economic affairs services and representatives of relevant partners including WWF/CARE, the World Bank and others involved in similar initiatives and who could collaborate with PRODIRPA. The focus will be on identifying personnel that may be directly involved in implementing PRODIRPA.

15. While only briefly discussed during the mission, PRODIRPA could also support the strengthening of ProPESCA's capacity to map project activities, including strengthening its GIS capacity and sourcing of satellite imagery, possibly using open-source GIS and Google Earth or other cheap sources of satellite imagery. This would contribute to strengthening ProPESCA's project management. Support for this could be provided by drawing on the experience of WWF/CARE and through IFAD's collaboration with the Global Land Tools Network. The GLTN Secretariat is housed in UN HABITAT and IFAD is developing a partnership with them through the Tenure Security Learning Initiative (TSLI). The TSLI will also provide opportunities for the strengthening PRODIRPA and ProPESCA's knowledge management, in particular in documenting and sharing of lessons.

16. It is expected that ESA's Land Tenure Adviser will participate in the ProPESCA follow up mission anticipated to take place in March or April 2014. This will provide the opportunity to review progress, participate in the start-up workshop and to further develop implementation plans and activities for PRODIRPA.



## Attachment 1: Data on PRODIRPA Growth Poles.

The tables below present the data available<sup>10</sup> on the number of villages, fishing centres, local fishing councils, fishing associations and estimated no. of people in ProPESCA's target groups in the 14 Growth Poles that PRODIRPA will cover and also the 4 Growth Poles where WWF/CARE is already operating. Since the data is incomplete, the information available has been averaged for each growth pole with data and then multiplied by the total number of Growth Poles to give an estimated total. IDPPE is in the process of compiling the data for the outstanding growth poles which have been recently re-defined.

**Table 1: Growth Poles to be covered by PRODIRPA**

Province	District/Municipality	Growth Pole	Vill	FC	CCP	Ass	ProPesca TG
Nampula	Dist: Memba	Memba	38	24	2	5	3,055
	Municip: Nacala-Porto	Nacala	25	33	5	3	3,875
	Dist: Nacala-Velha						
	Municip: Ilha de Moç.	Ilha de Moçambique	9	8	1	3	3,371
	Dist: Mossuril						
	Dist: Mogincual	Namige					
Zambézia	Dist: Pebane	Cuassiane					
	Dist: Nicoadala	Zalala	36	8	2	7	2,860
	Dist: Namacurra						
	Municip: Quelimane	Quelimane	39	17	4	2	542
	Dist: Inhassunge						
	Dist: Chinde	Chinde	9	9	3	14	1,830
Sofala	Dist: Cheringoma	Maciamboza					
	Dist: Mwanza	Sambazó					662
	Dist: Dondo	Sengo	7	8	2	0	
	Municip: Beira	Beira	4	12	2	2	3,023
	Dist: Buzi	Nova Sofala	16	19	3	3	4,515
	Dist: Machanga	Chiloane	33	24	3	3	2,292
<b>Sub-total</b>	<b>18</b>	<b>14</b>	<b>216</b>	<b>162</b>	<b>27</b>	<b>42</b>	<b>26,025</b>
<b>Av. of GPs with data</b>			<b>22</b>	<b>16</b>	<b>3</b>	<b>4</b>	<b>2,603</b>
<b>Total based on av.</b>			<b>302</b>	<b>227</b>	<b>38</b>	<b>59</b>	<b>36,435</b>

**Table 2: Growth Poles covered by WWF/CARE**

Province	District/Municipality	Growth Pole	Vill	FC	CCP	Ass	ProPesca TG
Nampula	Dist: Angoche	Angoche	52	39	6	23	8,535
	Municip: Angoche						
	Dist: Moma	Larde	34	13	5	11	2,137
		Moma	24	23	4	16	7,878
Zambézia	Dist: Pebane	Pebane	49	20	5	5	3,300
	Dist: Mag. da Costa						
<b>Sub-total</b>	<b>5</b>	<b>4</b>	<b>159</b>	<b>95</b>	<b>20</b>	<b>55</b>	<b>21,850</b>
<b>Av. of GPs with data</b>			<b>40</b>	<b>24</b>	<b>5</b>	<b>14</b>	<b>5,463</b>
<b>Total based on av.</b>			<b>159</b>	<b>95</b>	<b>20</b>	<b>55</b>	<b>21,850</b>

**Table 3: ALL Growth Poles combined**

<b>TOTAL</b>	<b>23</b>	<b>18</b>	<b>375</b>	<b>257</b>	<b>47</b>	<b>97</b>	<b>47,875</b>
<b>GRAND Average</b>			<b>27</b>	<b>18</b>	<b>3</b>	<b>7</b>	<b>3,632</b>
<b>GRAND TOTAL based on av.</b>			<b>482</b>	<b>330</b>	<b>60</b>	<b>125</b>	<b>65,372</b>

<sup>10</sup> The data is derived from the ProPESCA PDR and more recent data provided by IDPPE.

## Attachment 2: Review of past and ongoing complementary projects/programmes.

The table below presents a summary of the projects/programmes reviewed during the design of PRODIRPA.

Project	Agency	Area of focus	Complementarities
ProPESCA	IDPPE, IFAD	Fisheries sector development ; value chain development	Provide the districts with a capacity for managing sustainable artisanal fisheries; support to CCG
Projecto dos Arquipélagos das Ilhas Primeiras e Segundas	WWF/CARE	Conservation and livelihoods support	Support to community based NRM, including local NRM fora; community land delimitation; forest co-management.
Parque Nacional do Aruipélago de Barzaruto	WWF	Conservation	Creation of conservation area; enforcement of fishing regulations
Parque Nacional do Aruipélago de Quirimbas	WWF	Conservation	Creation of conservation area; enforcement of fishing regulations
Ilhas de Anhaca e dos Portugueses	MITUR	Conservation	Creation of conservation area; enforcement of fishing regulations
Community Land Initiative	DFID-led multi donor (Dutch, SDC, etc.)	Community land delimitation and land use planning	Land delimitation and land use planning
Community Based Coastal Resource Management and Sustainable Livelihoods	Word Bank, IDPPE, Japan Social Development Fund	Coastal resource management planning and livelihoods support	Development of coastal resource management planning at village level; area of Inhambane, Gaza and Maputo
Inhambane and Gaza Artisanal Fisheries Project	IDPPE, Italian Cooperation FAO	Fisheries sector development	Participative management of fishing resources and institutional development; area of Inhambane-Gaza
North Nampula and Cabo Delgado Artisanal Fisheries Project	IDPPE, AfDB	Fisheries sector development	Participative management of fishing resources and institutional development; area of Cabo Delgado-Nampula
Sofala Bank Artisanal Fisheries Project	IDPPE, IFAD, BFS, Norwegian Cooperation	Fisheries sector development	Participative management of fishing resources and institutional development; area of Sofala-Zambézia-Nampula
Fisheries Sector Assistance Programme	Ministry of Fisheries, Norwegian and Icelandic Cooperation	Fisheries sector development	Institutional strengthening to the Ministry of Fisheries; support the fisheries administration

### **Attachment 3: Draft proposal for a multi-stakeholder workshop on community based coastal resource management in Mozambique**

#### **Introduction.**

A three-day workshop will be held in Angoche which will bring together all the different players involved in the management natural resources used by fishing communities. In total, 50-60 people are expected to participate.

#### **Overall aim and objectives**

The overall aim of the workshop is to improve the understanding of decision makers on community-based coastal management and the securing of artisanal resource rights. The three main objectives will be (i) to inform the start-up of the project and preparation for implementation, (ii) to facilitate policy dialogue and (iii) to strengthen partnerships.

#### **Target group**

Workshop participants will include: (i) the government staff of various institutions dealing with the natural resources used by fishing communities (IDPPE, ADNAP, IIP, MICOA, MITUR and DNTF), (ii) representatives of community-based organisations dealing with the management artisanal fishers' resources (e.g. community fishing council (CCP), district and provincial co-management committee (CCG), community forest management committees) and fisher associations, (iii) NGO and service provider staff involved in securing land and natural resource rights (e.g. WWF, CARE, ORAM, Centro Terra Viva), and (iv) representatives of donors interested in and/or working on the topic (e.g.: IFAD, World Bank, Norwegian government, Swiss Development Cooperation and Ford Foundation).

#### **Key activities**

The workshop would deal with the following issues:

- i. Stakeholder mapping: identifying main actors involved and their respective roles
- ii. Project mapping: identifying passed, on-going and future related activities and drawing lessons learned
- iii. Future mapping: identifying areas for collaboration at field level and for on-going policy dialogue

#### **Implementation arrangements**

The workshop will be organized jointly by IDPPE, ADNAP, WWF and CARE. It will take place in April, 2014 in Maputo.

#### **Outputs**

The main output of the Workshop will be a report which captures the main issues discussed and start up plans for the project.



## Annex 6: Monitoring & Evaluation, Targeting and Gender

1. **Introduction.** This Annex first covers the Monitoring & Evaluation (M&E) aspect of ProPESCA and makes recommendations on the improvement of the Planning and Reporting systems, which will allow future monitoring and evaluation activities to be performed in a smooth manner on the basis of concrete and objectively verifiable information. Due to the delays in the implementation of activities, this section does not cover the actual performance assessment processes. At the end of the Annex, the gender approaches of the project are reviewed.
2. **Recommendations of last supervision mission.** Based on the recommendations of the last Follow-up Mission (February 2013), the post of the PME Assistant was re-advertised internally and the recruitment is now completed. An IDPPE candidate has been selected and she is expected to start working before the end of the year.
3. The Project Implementation Manual (PIM) was completed by an external consultant, approved by IFAD in June of 2013 and distributed to the PCU and the Delegations. The Manual contains guidelines on the project implementation including the planning and reporting process, with clear instructions on the way the information should flow. However, no training was given to support its implementation, which may be one reason for some planning and reporting weaknesses described below.
4. The recruitment of the baseline survey consultant was completed by end of March 2013. He was responsible for the designing the data gathering strategy, training of the Delegations' teams on the implementation of the household quantitative and qualitative surveys, as well as the analysis of the collected data and the preparation of the final report. The last part of the field data collection was done in early September 2013, and the report is planned to be ready by end of October 2013.
5. **Baseline indicators.** The project baseline data was obtained through different processes: a household survey at national level, a socio-economic situation data collection in the 30 Growth Poles (26 ProPESCA + 4 MDG1c project) and a consultative survey on women that will bring specific information for the gender component. On top of this, as part of a MPAT case study, data was collected on the population's poverty level in three different Growth Poles; the 27 remaining Growth Poles will be visited for data collection in early 2014. This additional data will be added to the existing information in order to build a complete baseline database. All of these activities were implemented by the IDPPE.
6. The information collected contains all 1st and 2nd level baseline indicators of the ProPESCA Logical Framework. However, on the Project Development Objective (*'Increase the returns from fish sales for artisanal fishers and small market operators on a sustainable basis'*), some data is still to be gathered and analyzed so that all baseline indicators can be covered. Data will be provided by an IDPPE partner, Institute of Fisheries Research (IPP), and a specific survey may have to be designed to reach this objective. The collected information will allow the tracking of progress to be efficiently done during the following PY's. This baseline information will also be used as part of the MDG 1c project baseline indicators for Outcome no.9: (*'Incremental income from higher value fish indicator '20,7 USD Million of annual fish sales obtained by fishers by PY 5 from baseline 15,7 USD Million'*). It was agreed that the complete baseline data would be obtained and inserted in the database latest by end 2013.
7. It is important to note that a part of the output indicators of the ProPESCA AWPB does not show a clear target for ProPESCA for each indicator (see for ex. 3.10, 8.1). This is due to the fact that the baseline information was not available at the time of creation of the LogFrame, and realistic targets could therefore not be set. Since the baseline information is now almost complete, it was agreed that the PCU would include the missing targets in the 2014 AWPB.
8. **M&E System.** The Planning, Monitoring & Evaluation system is now operational and E-Sistafe (for financial management) has been installed in the seven Delegations' computers for easy financial planning and reporting. This system will allow a separate tracking of the project's physical and financial progresses. The M&E strategy was developed by an external consultant in March of 2012 and sent to all implementing agents. It was followed by a training session that included the PCU M&E Officer and two people from each IDPPE Delegation. The strategy is based on four different tools: the detailed logical framework, the project implementation manual, the monitoring & evaluation manual

and the financial management manual. It actually is an improved version of the successful M&E strategy that was created for the PPABAS and enables a smooth planning, reporting and evaluation process centralized at the IDPPE PCU level.

9. Overall, it should be highlighted that up to now the M&E system is being used in a good manner by the implementing actors and the reporting deadlines are being respected. The PCU is showing strong control over the coordination of the process. However, part of the Growth Poles are still facing difficulties in reporting the implemented activities to the IDPPE Delegations, due to either technological or staff capacity issues.

10. The ProPESCA M&E database, that will contain the project indicators, is at the moment being set up on MS Access, as an improvement of the MS Excel database that was being used during the PPABAS. Once the survey report is finalized, the baseline indicators will be inserted in the new Access database and full training sessions will be given to the IDPPE delegations' staff before its official launch (up to date, data is still being entered on an Excel table). The PCU will update the database on a monthly basis with the physical progress and related indicators, so that the information is available for all implementing partners. Part of the training sessions on the new M&E database have already taken place, covering three provinces (Cabo Delgado, Nampula and Sofala). It was agreed that remaining training sessions would be completed by end 2013, to ensure that the M&E staff would become able to use MS Access independently as of the beginning of 2014. As part of a participative planning, monitoring & evaluation system, it is crucial for all project-implementing partners to have access to up-to-date project results, at national level. This will also be the starting point of a good Knowledge Management strategy.

11. **Planning.** The planning system consists of different phases. The PCU creates an AWBP based on the Project LogFrame's targets, in collaboration with the IDPPE Delegations, with the list of activities to be implemented per Delegation and respective annual targets. Then, based on this document, the IDPPE Delegations prepare monthly activity and financial plans that are submitted for approval to the PCU, with consequent funds disbursements (before the 20<sup>th</sup> of each month). This planning system allows the monitoring of the implementation of the activities to be done on the basis of the AWBP.

12. The creation of monthly activities plan should be the first step of a solid planning process and should contain actions of each activity and sub-activity. The financial planning should be done on the basis of the activity plan, showing a budget for each activity. Such a system will allow the PCU to accurately evaluate the progress made on a quarterly basis and to do a comparison of physical progress versus financial progress, and per activity if necessary. However, today only three out of the seven Delegations prepare the activity plan (Zambezia, Gaza and Nampula), while the four remaining ones only submit a financial plan as a disbursement request, detailed per budget line, showing no information on the total cost of an activity. In addition, different templates of both plans are used by the Delegations for submission, which complicates the data aggregation and comparison as well as the quarterly reviewing process.

13. After two years of ProPESCA implementation, most Delegations are still suffering from delays in their activity implementation (funds not disbursed, lengthy recruitment processes, etc.). A substantial part of the monthly activities has been pushed back to the next month. This is not reflected in any monthly plans (for funds disbursement reasons), and all Delegation present new activities for each month. This practice does not allow the implementers to conduct effective planning and leads to a lack of respect for deadlines.

14. It was agreed that the planning templates would be harmonized (with mandatory fields to be completed by all) and the PCU would be responsible for controlling their timely submission. Templates such as the one used by Nampula Delegation are suggested, since they contain both a time schedule for implementation and a financial plan. The planning templates should allow for the past not-completed activities to be inserted in the new monthly plan, with new deadlines. This practice will allow the staff to plan their monthly activities in a more concrete way. At a monitoring level, it will help spotting delays in programme implementation as well as the reasons for delays.

15. **Reporting.** The Project Implementation Manual instructs for quarterly and biannual reviews to take place in the IDPPE Delegations and progress reports to be sent to the PCU M&E Officer, who will review them before sending them to IFAD. The reports should contain a) detailed monitoring information for each activity, b) separate information on the expenditures for each activity and c)

analytical comments on the overall performance, constraints and successions for corrective action. Overall, the PCU manages the reporting system in an appropriate and timely manner, with deadlines being respected by all implementing partners. However, there are several ways in which the quality of the quarterly and biannual reports could be improved:

- It was agreed that the PCU would harmonize the quarterly reporting templates (on top of the above-mentioned planning ones), since some Delegations only submit partial information (updated activity plan with observations), missing the financial review and/or detailed analysis. For the Delegations that show weaknesses in the filling of the documents, capacity-building sessions would take place.
- The quarterly report should include an additional mandatory section that would present a summary of the constraints faced, lessons learnt and way forward; for example 'unsatisfactory consultant hire', 'stakeholder XY not respecting deadlines', 'late release of funds by XY', etc. Some Delegations already present such information in the Observations section; this good practice should be extended to all of them and systemized in a specific reporting section. This section is crucial since it allows repetitive and significant constraints to be highlighted and potentially solved. It could also eventually include special training/capacity building requests from the Delegations' staff.
- Research could be done on the possibility of including in the quarterly reports a comparison of the physical progress vs. financial progress per activity as a good monitoring practice and as recommended in the PIM. Since the E-Sistafe program cannot produce automatically this comparison, it may have to be done manually summing the costs relative to each activity. Such a quarterly comparison will allow the PCU to easily and effectively monitor the progress between the financial and physical progress, at the IDPPE Delegation's level.
- In the bi-annual reports, the presentation of the physical progress should be standardized. In the different performance tables, activities completed at 0%, 10%, 15% are described by different expressions, either as 'not realized' or 'not yet realized'. Wording for performance progress of the bi-annual report should be standardized, as per:
  - 0% - Not realized, On pause or Cancelled
  - 10% - 90% – Not yet completed
  - 100% - Completed

16. The correct use of the Planning and Reporting System would enable the PCU to take strategic decisions based on the quarterly results, comparing outputs with the original plans. The information collected on the Delegations' performance in project implementation should also increasingly be used for day-to-day decision-making, to avoid the repetition of same kind of problems from period to period.

17. With regards to the project implementation performance, it is still early to evaluate the project's ability to reach the agreed overall targets, due to general delays in the implementation of ProPESCA activities. Only some of the implementers have so far received training on the implementation of the ProPESCA activities. However, in 2013, the extension workers have continued implementing awareness raising and capacity building activities on the basis of the PPABAS methodology they were familiar with. This is a good practice since the new project is a continuation of the previous one and many activities share a similar approach. The volume of these training activities in the first semester is significant, for example 1.172 association members of the Nampula, Zambézia and Sofala Delegations received capacity building actions, and 1.241 fishermen were sensitized on processing, conservation and sale of frozen/fresh fish.

18. However, these activities are not part of the ProPESCA monthly activity plans (nor AWBP) and still, are reported on a quarterly and biannual basis to the PCU. In order to avoid problems in the ProPESCA project results presentation, it was agreed that these activities would not be accounted for in the 2013 Project Physical Progress table. Their monitoring would be done separately and only at PCU level, for a complete control of activities. This separation will allow for the progress made towards the ProPESCA targets to be tracked accurately. It was also agreed that the implementation of the ProPESCA training model would be complete by the end of 2013 so that the 2014 activities that

can be accounted for in the project's progress. This implementation could also contain capacity building sessions for the extension workers on how to track and report ProPESCA activities.

19. **Conclusion.** An effective M&E system can contribute to identifying implementation problems at early stages, but this requires good data collection and appropriate links to project management. If functioning well, the M&E system and information sharing will become a central part in the project's Knowledge Management system. This is why results as well as lessons learnt should be diffused throughout all implementing actors, by the PCU, on a regular basis, to ensure that good practices are replicated and bad ones avoided. Shared knowledge gained from implementation can also improve future programme effectiveness. It is recommended that the next supervision mission should check the project progress in the M&E database development as well as the diffusion of the results from the PCU to the implementing agents, not only at the Planning & Statistical Unit level but also in the field.

20. **Gender mainstreaming.** The ProPESCA Gender strategy is a continuation of the one used under PPABAS. Its objective is (a) to ensure that female community members are involved in the growth pole planning process, (b) to organize sensitization activities targeting both women and men, and (c) to promote gender equality in local organizations. Most of the capacity building activities of the AWPB have gender-differentiated targets, although the target number of women to be trained represents in average half of the of the men's target. Several case studies on women's situation in Mozambique are being conducted at the moment by the IDPPE Delegations, with the aim of gathering baseline information that could eventually help to develop the ProPESCA gender strategy. The case studies are complete in 10 of the 30 Growth Poles. The intermediate results justify the current AWPB targets, reason why the IDPPE is currently reviewing the need to extend the study to remaining Growth Poles and is thinking about the possibility of limiting it to actual numbers. It was agreed that the results of the case studies would be closely analysed by the IDPPE Gender Specialist.



## **Anne 7: Fiduciary Issues**

### **Introduction**

1. As required by the Terms of Reference for the ProPESCA Supervision Mission 8-20 September 2013, an assessment of ProPESCA's financial management (FM) systems was carried out in accordance with IFAD guidelines<sup>11</sup>. The objectives of the assessment were to: (i) ensure that the financial management arrangements in place continue to meet IFAD's fiduciary requirements; (ii) ascertain the programme's financial progress with respect to its agreed targets; (iii) verify the validity of Withdrawal Applications (WAs) and documentation underlying Statements of Expenditure (SOEs); and (iv) make recommendations, as needed for the improvement of ProPESCA's FM system.

2. Based on discussions with relevant project staff, reviews of progress reports, financial statements, management accounts and observations on the functioning of the systems of internal control, the supervision mission concludes that: (i) the financial management arrangements currently in place are adequate to satisfy the functional needs of the project and IFAD's fiduciary requirements, with only minor improvements required; and (ii) expenditures claimed under the SOE facility are eligible for IFAD financing. This notwithstanding, ProPESCA is far behind with respect to its implementation schedule and thus off-track in terms of its disbursement and financial targets, whereby actual expenditures as of 31 August 2013, account for only 4% of total funds available with over 35% of the implementation period already elapsed.

3. Overall the financial management arrangements in place for ProPESCA are assessed as presenting a Medium risk. If the proposed mitigation measures detailed herein are implemented within the agreed timeframe, this risk can be reduced to Low. The sub-sections that follow present the mission's findings and the agreed actions recommended to further strengthen ProPESCA's FM systems. The standard IFAD Financial Management Risk Assessment Checklist along with a summary thereof and the details of the SOE spot checks conducted are attached to this report.

### **Financial Management**

4. The centralised Public Financial Management tool - e-SISTAFE - is adequately meeting the operational needs of ProPESCA, allowing for the timely processing of payments, the reliable recording of financial data, and effective budget control to be undertaken at all cost centres. However, e-SISTAFE is operational at IDPPE headquarters and at only one of the seven Provincial Delegations (Nambale, as of 13 September 2013). At the six other Provincial Delegations, finance staff have to travel to neighbouring institutions to input data on the system in order to process requisitions. CEDSIF informed the mission that in four of the six provincial delegations (Sofala, Cap Delgado, Maputo, Zambezia) the hardware has been installed but its operationalization is inhibited by lack of network connectivity and that this can only be resolved by the service provider, TDM. In the two other Delegations (Nampula and Gaza) the installation of the equipment (cabling) is still incomplete. CEDSIF should, to the extent possible, accelerate the installation and connectivity of e-SISTAFE equipment at each of the Provincial Delegations.

5. e-SISTAFE requires payees of public funds to have ID cards and fiscal codes. This has proved a hindrance to effecting payments to beneficiaries who do not meet such prerequisites, particularly in remote target areas. While there is an advance payment facility that allows for funds to be deposited in a designated bank accounts from which such payments (allowances, service fees, etc.) can be made, the process for requesting Advance Payment Authorisations from the National Accounting Office (DNCP) may take up to one month thus delaying the implementation of certain activities. It was agreed that ProPESCA will meet with The National Treasury Office (DNT) and the DNCP to explore possible modalities that can be put in place to accommodate ProPESCA in this regard.

6. Moreover, the possibility of adding-on automation functionality to e-SISTAFE so as to facilitate the generation of ProPESCA's financial statements and Withdrawal Applications (WAs) is highly desirable and should be explored with CEDSIF. Currently the output of e-SISTAFE's reporting function is limited to a transaction listing which must be exported on Excel and manipulated thereon to prepare WAs and compile IPSAS and/or IFRS compliant financial statements. Although so far the financial reports being produced are of acceptable quality, the preparation process is time consuming

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<sup>11</sup> Guidance note on undertaking Financial Management @ Supervision, November 2012.

and prone to human error. This was a topic of discussion during the mission's meeting with CEDSIF who explained the challenges of customising e-SISTAFE to meet the reporting requirements of the plethora of donors whose funds' use is being administered via the system. It was agreed that ProPESCA should continue to lobby CEDSIF to accommodate its needs. Concurrently, IFAD should endeavour to work with other donors to explore any scope for further harmonization of reporting requirements.

7. Despite being included in the AWPB, quarterly financial management supervision missions by the PMU to the Provincial Delegations (activity 159) have not been carried out in 2013. Being a key internal control instrument, the PMU should ensure that said supervisions are regularly undertaken. Among other minor gaps, the omission of key signatures on requisition forms was noted at the Maputo Provincial Delegation.

8. Another noted laxity in terms of internal controls is over the use of project vehicles. The use of a vehicle log book has yet to be introduced. The Financial Accountant developed a suitable template for this purpose. The mission recommended its systematic usage for all project vehicles and motorcycles.

9. Three of the Provincial Delegations are understaffed (Nambane, Gaza and Maputo), and this jeopardises the segregation of duties for payment processing, particularly when one or more staff members are ill or on leave. At the Maputo provincial Delegation, the positions of Financial Controller and Treasurer are vacant, creating a situation where financial management tasks are being performed by staff without relevant qualifications. The mission was informed that is a temporary situation and that at all Provincial Delegations the staffing will be adequate to ensure that qualified personnel is in place and that at least one alternate is available at each level of control over transactions.

10. As of 31 August 2013, ProPESCA has a balance of USD 141,505 in its Designated Account plus USD 39,644 in the CUT and a total of USD 462,708 in the sub-programme accounts. Execution of the 2013 AWPB (USD 11.1 million) has been low as a result of: (i) the late activation of the ProPESCA AWPB on e-SISTAFE, due in turn to the late submission of the budget request to DNO (in March 2013); (ii) the persistent delay in receiving OFID and EU funds; and (iii) a certain degree of overambitious planning which appears to exceed the absorption capacity of the implementing agencies. As of 31 August 2013, of the USD 11.1 million budgeted for the year, only 1.27 million has been spent (all of which is IFAD financing), representing an 11.4 % absorption rate. Considering IFAD financing only, ProPESCA has spent 25% of the USD 5.08 million allocation. The execution of the AWPB by components is presented in the table hereunder:

ProPESCA AWPB 2013 AWPB Execution (USD'000)															
Component:	IFAD			OFID			EU			GoM			TOTAL		
	AWPB	ACTUAL	%	AWPB	ACTUAL	%	AWPB	ACTUAL	%	AWPB*	ACTUAL	%	AWPB	ACTUAL	%
1. Supporting Development of Higher Value Fish	1372	401.8	29%	-	-	-	522.3	-	-	38.7	-	-	1933	401.8	21%
2. Improving Economic Infrastructures	13.1	13	99%	3 465.2	-	-	296.2	-	-	201.6	-	-	3976.1	13	0%
3. Financial Services	115.2	31	27%	-	-	-	1 440.4	-	-	-	-	-	1555.6	31	2%
4. Institutional Strengthening, Policy and Project Mana	3581	825.9	23%	-	-	-	274.0	-	-	122.5	-	-	3977.8	825.9	21%
TOTAL:	5082	1272	25%	3 465.2	-	-	2 532.9	-	-	362.8	-	-	11443	1271.7	11%
*GOM actual AWPB reflects the amount requested by ProPESCA, of this amount only USD 50 000 was released, of which 0 was spent as of 31 August 2013															

11. In order to avoid the delays experienced this year in budget activation on e-SISTAFE, ProPESCA must diligently adhere to its AWPB preparation schedule. No later than 15 December 2013, the 2014 AWPB must obtain No-Objection from IFAD. This implies that submission to IFAD for the same should be done preferably by 15 November 2013 and at latest by 30 November 2013. Furthermore, It was agreed that the e-SISTAFE coding of the budget will be done alongside the AWPB preparation for IFAD so as to save time and allow for implementation of activities to begin by 1 January 2013.

12. Of the six financial management related recommendations made by the previous supervision mission, all but two have been implemented. It must be noted that the implementation of these outstanding recommendations lies outside the control of the PMU (VAT receivable from the MoF, and the installation of e-SISTAFE equipment by CEDSIF). However, globally, the implementation of supervision mission recommendations is behind schedule, with 32 of 44 recommendations not implemented or still on-going beyond the agreed timeframe.

### Disbursements

13. So far 14 % of the IFAD loan has been disbursed. As of 31 August 2013, the IFAD loan had disbursed SDR 1.922 million (USD 2.88 million), leaving an available balance of SDR 11.93 (USD 17.9 million). If WA No. 6 is paid in full, disbursements will reach 17% of the total allocation, or approximately SDR 2.75 million (USD 4.13 million). Actual cumulative expenditure as of 31 August 2013 is approximately USD 2.31 million or 11 % of the total IFAD loan allocation. Taking into account the funds available from OFID (USD 13.53 million) and EU (USD 16.32 million) ProPESCA has utilised only 4% of funds available with now over 35% of its implementation period elapsed.

14. Two withdrawal applications (WAs) have been sent to but not processed yet by IFAD. WA 6 a replenishment request to the Designated Account for USD 1.251 million, submitted on 16 July 2013, and WA 7, a partial justification (USD 803 301) of the amount advanced against WA 2, submitted on 19 August 2013.

15. Once the pending WAs (6 & 7) are processed, ProPESCA will still have USD 160,652 unjustified from the amount advanced against WA 2 (disbursed on 23/12/11), plus an unjustified amount of USD 962,041 (WA 3, disbursed on 20/02/2013), plus the amount disbursed against WA 6 (USD 1,251,124), resulting in a total unjustified advance of USD 2,373,817. The mission recommends that the aging advances be justified by means of SOEs at the soonest, particularly the outstanding amount of USD 160,351 disbursed against WA 2 over 19 months ago.

16. It was noted that the WAs submitted so far have not been supplemented by the *pro forma* IFR, as required by the Letter to the Borrower (LttB) and the Code of Practice for Project Management (COPPM). The mission recommends that the standard template for the IFR be used and attached to all WAs henceforth.

17. OFID loan (Loan 1408P) has been effective for over two years, but has yet to make its first disbursement to the Designated Account already opened by IDPPE. The delays are a result of what appears to be suboptimal communication between the Ministry of Finance and OFID. Following an initial misunderstanding, it was agreed that the disbursement modalities for the OFID loan would be based on a fixed authorised allocation (USD 500,000) to be replenished upon justification of at least X% of the outstanding balance thereof. Withdrawal application No.1 for the initial allocation of USD 500,000 from the OFID loan has been prepared and now requires signature of the authorised representative and urgent delivery to IFAD and OFID for processing. However prior to disbursing, OFID has requested that the Ministry of Finance also send to it an official communication confirming that they accept the disbursement procedures laid down in the Financing Agreement and OFID disbursement handbook. The Mission urges the Ministry of Finance to dispatch this communication at the earliest so as to avoid further delays. This is particularly pressing as the procurement process of a number of road construction works earmarked for OFID funding approach the contract signing stage. As for the entry into force of EU funds, it is pending the countersignature by the Ministry of Finance of the amended financing agreement. This should also be done soonest.

18. The mission reviewed a randomly selected sample of items claimed on WA 7 (submitted to IFAD but not yet processed) and was satisfied that adequate supporting documentation is maintained to sustain the eligibility of the expenditures for IFAD financing. Expenditures are allocated to the correct cost categories and were incurred during the reporting period as per the WA, and expenditures are claimed at the correct percentage of financing as per Schedule 2 of the Financing Agreement. The details of the spot check carried out are attached to this report.

### Counterpart Funds

19. ProPESCA requested a total of USD 362,799 in counterpart funding for the 2013 AWPB. Of this amount the GOM released only about USD 46,667, representing less than 13% of the amount requested.

20. The USD 141,693 used to pre-finance VAT with loan 566/MZ proceeds during the implementation of PPBAS remains refundable to IFAD and has prevented the timely closure of the loan account. The mission was informed that the counterpart contribution to the 2013 ProPESCA AWPB (USD 46,667 released) would be used to refund IFAD. IDPPE has requested the DNT for additional funds to allow for full reimbursement to IFAD but as of yet there has been no action taken by the DNT or the MoF as regards the remaining amount required for a full refund to IFAD (approximately USD 95,026). The agreement reached with the previous supervision missions

whereby the full amount was to be refunded in full no later than 31 March 2013 has clearly not been respected. Further delays in settling this issue will warrant the suspension of disbursements from IFAD to ProPESCA.

21. As regards the GoM's contribution to ProPESCA, this will consist of the tax element against EU funded expenditures and primarily salaries for the additional extensionists to be hired in each of the Growth Poles. As regards the salaries, ProPESCA must establish the accounting mechanism by which this counterpart contribution will be recorded in the project's financial records, based on the payroll register of the Ministry of Finance. Given the poor performance the GoM has demonstrated in promptly refunding pre-financed VAT, it is recommended that the practice of pre-financing VAT be strictly avoided/prohibited (to the extent possible).

### Compliance with Loan Covenants

22. The following contraventions to the loan agreement were noted: (i) PRGs have been established but have not been meeting at least semi-annually (Schedule 1, II.5 & 6); (ii) the GoM has not made sufficient funds available to the project, as requested by the latter in order to carry out the project (General Conditions, Section 7.03); (iii) the project has not insured all assets and staff (Schedule III;1 and General Conditions Section 7.08); and (iv) deviation from Procurement Guidelines for procurement of rehabilitation works (General Condition Section 7.05 (a)).

23. The Financing Agreement, Section E.3.b, stipulates that the subsidiary agreement between IDPPE and FARE shall be approved by IFAD before any disbursements under category V (Innovation and Outreach Facility Matching Grants) can be effected. Given that IDPPE intends to replace FARE by FFP as the manager of the IOF due to the lingering investigation against the former, this will require an amendment to the Financing Agreement prior to signing the MoU. This process should be expedited.

### Procurement

24. The execution of the 18-month procurement plan is behind schedule. Most of the procurements planned in 2013 will be rolled over to 2014. This situation is due to a combination of lack of available funding and suboptimal planning. Only three procurement processes in the procurement plan have executed: the External Audit, Baseline Study and the Rehabilitation of a Landing Site/Fishers' Market in Zalala. As regards these procurements the mission observes the following:

- a) **Baseline study:** Only two proposals were evaluated, as opposed to a minimum of three as required by Mozambican and IFAD regulations. The mission was informed that the National Procurement Authority (UFSA) granted a waiver to ProPESCA on this requirement, however, this was not provided in writing.
- b) **Rehabilitation of Fish market in Zalala:** The rehabilitation plans were improved following the input of ProPESCA's markets TA, resulting in BoQs that exceeded the USD 50,000 prior review threshold. Notwithstanding this increase, IFAD's No-Objection was not sought prior to launching the tender and eventually awarding the contract. In fact all the rehabilitation works to Fishers' Markets (i.e. items 1 – 21 on the Works Procurement Plan), for which tenders have been launched, have BoQs above USD 50,000. ProPESCA must urgently seek retrospective No-Objection from IFAD on the tender documents. This has already been done for the rehabilitation of the Zalala fish market.

25. A number of procurements are on-going as of 31 August 2013, and are expected to reach contract signature by year-end, these include: (i) service providers to train and organise Accumulating Savings and Credit Associations, currently awaiting proposals from service providers who expressed interest; (ii) Evaluation Study of co-management fishing communities, currently awaiting IFAD N-O on the TORs; (iii) outboard marine engine and three-wheel motorbikes, bids are under evaluation; (iv) vehicles and motorbikes, procurement outsourced to UNOPS; (v) construction of 630km of roads, currently at the bids evaluation stage; and (iv) Electrification Works, force account procurement by the EDM.

26. In addition to the above, the procurement process for a provider for health/accident coverage for PMU staff required to comply with Financing Agreement covenants is ongoing. This procurement process is likely to be carried over to 2014.

27. The mission reviewed the asset register and was satisfied that it was maintained up-to-date with all the required disclosures. The mission was also satisfied with the maintenance of the contracts register and the use of Contract Monitoring Forms for on-going contracts.

#### **Audit**

28. The 2012 audit report was submitted to IFAD on time. The auditor provided three unqualified opinions on the statements of receipts and payments, the SOEs and the Designated Account, respectively. Only one issue was flagged in the Management letter, relating to the mis-posting of TA salaries to the wrong loan category. This has been rectified.

**Attachment I: Financial Management Assessment at Supervision**

<b>Country:</b> Mozambique	<b>Loan ID:</b> :L 822/MZ
<b>Project Name:</b> ProPESCA	
<b>Executing Agency:</b> PMU within the Instituto De Pesca de Pequena Escala (IDPPE)	<b>CPM:</b> Ambrosio Barros
<b>FMS:</b> Oussama Ameziane Hassani	<b>Date of this review:</b> September, 2013

Topic		Risk Rating (H/M/L)	Issues / Comments / Recommendations
<b>A. Inherent Risks</b>			
<b>High risk.</b> According to Transparency international CPI Mozambique ranks 123/176 with a score of 31/100.			
<b>B. Control Risks</b>			
<b>1. Organization and Staffing</b>			
a.	Adequacy of organizational structure to meet functional needs of the project.	L	yes
b.	Availability of clear job description for key project positions, including fiduciary positions.	L	yes
c.	Adequacy of project financial management staff (numbers and skill) matching functional needs of project.	L/M	There is a well qualified 6 person team at the PMU. Three of which are paid by PROPESCA. In two of the 7 provinces (Nambane and Gaza), the number of staff is not sufficient to ensure the segregation of duties over transaction processing if/when one or more members is ill or on leave. In Maputo Provincial Delegation, position of financial controller and treasurer are vacant. (will be filled soon)
d.	Availability and adequacy of operating manuals and guidelines for staff.	L	Yes. PIM was finalised and obtained IFAD No-Objection; Code of Practice was updated in January 2013 to be relevant to ProPESCA institutional/FM arrangements

e.	Existence of a performance based evaluation system in place and timely completion of performance evaluation for all staff.	L	Two year contracts for all ProPESCA staff renewable upon satisfactory performance
f.	Adequacy of health insurance coverage for all staff (where applicable).	M	Not yet insured, seeking a service provider.
g.	Timely payment of social security fees (where applicable).	L	Yes.
h.	Staff adequately informed about Ifad's national and anti-corruption policy and relevant contact details.	L	Yes
<b>2. Budgeting</b>			
a.	Timely preparation and approval of AWPB.	M	No – 2013 AWPB was submitted to IFAD late and consequently was delayed in being activated on e-SISTAFE, leading to three-months during which no payments could be made. This was due partly to inexperience in using e-SISTAFE. The budgeting process begins in July with the drafting of a rolling three year budget, which is integrated in the National mid-term public budget. The ceilings set therein for the coming fiscal year cannot be exceeded during the year hence there are some inherent rigidities arising from full integration in the public financial management system. During the year there are three “windows of opportunity” to re-allocate funds within the budget (only among GOM categories of expenditure and without altering the overall budget allocation). During the year, all entities operating e-SISTAFE must produce monthly budgets that set expenditure ceilings for the month.
b.	AWPB in line with expenditure categories in Financing Agreement Schedule 2.	L	Yes
c.	Financing sources and implementing agencies for each category in the AWPB are identified.	L	Yes
d.	Linkage between AWPB and Procurement plan are identified (for cost estimate and activities). Check assumptions to support cost estimates. Test check high value items.	L	Yes
<b>3. Fund flows and Disbursements / Withdrawals</b>			
a.	Timeliness of funds disbursed by different sources (and co-financiers funding if applicable).	M/H	OFID funding still not available almost two years beyond effectiveness EU funds availability still pending the finalisation of the amended financing agreement.
b.	Timeliness of counterpart funds disbursed.	H	GoM systematically releases less funds than requested. Amount of Vat receivable from predecessor project (about USD 141 623) still outstanding ad risks to warrant suspension of disbursements to MZ. High risk associated to TAX component for EU funded activities as these are

			strictly tax exempt.
c.	Efficiency of the funding channels. Timeliness and traceability of funds flows.	L/M	All funds flow from a designated account (one per source of financing) into a transit/FOREX account and then through the CUT for ultimate payment to suppliers/service providers. All payments made via e-SISTAFE. E-SISTAFE is set up in such a way that only allows payments to be made to holders of ID cards and fiscal codes (clear fiscal record). This is a challenge for channelling funds to beneficiaries that do not meet these prerequisites, particularly in remote target areas. There is an advance payment facility however the authorisation to make such payments from treasury can take up to a month and can at times delay the implementation of certain activities.
d.	Efficiency of the funding channels for credit lines. Timeliness and traceability of funds flows, if applicable.	TBD	None yet, MoUs with IOF manager has yet to be signed – No disbursements can occur until said MoU receive N-O by IFAD.
e.	Special Account(s)/Dedicated Account(s) Management, Disbursements.		
	i) Adequacy of the authorized allocation to ensure a smooth flow of funds	L	Revolving fund advance based on quarterly cash flow requirements. So far yes.
	ii) Appropriateness of disbursement methods used	L	Yes all payments made through e-SISTAFE hence no Direct payments are foreseen.
	iii) Adequacy of documentary support for SOE disbursements, reimbursements, direct payments and Special Commitments. (refer to Appendix IV and complete, reflecting finding in rating).	L	Spot checks on WA 7 revealed adequate supporting documentation is maintained to sustain the eligibility of expenditures
	iv) Timely preparation and accuracy of Withdrawal Applications	M	Slow implementation / little expenditure
	v) Authorization of WA preparation.	L	Duly authorised as per FA
	vi) Status on expenditures withdrawn from Special Account but not yet claimed for replenishment (old cases to be noted)	M	USD 160 652 unjustified from the amount advanced against WA 2 (disbursed on 23/12/11), plus an unjustified amount of USD 962 041 (WA 3, disbursed in 20/02/2013), plus the amount disbursed against WA 6 (USD 1,251,124), resulting in a total unjustified advance of USD 2,373,817.



	vii) Regularity of Special Account(s) monitoring and monthly reconciliations signed by the project manager. Review and assess the reconciliations	L	Yes –prepared monthly – reconciliation at August 31 <sup>st</sup> reviewed by mission – found ok.
	viii) Disbursement rate compared to the AWPB and whether satisfactory given the remaining implementation time. Provide comments as appropriate	L	Slow implementation/disbursements – AWPB seems to exceed absorption capacity of the implementing agencies.
	ix) Recovery of SA balances by loan closure		N/A
<b>4. Internal Controls</b>			
a.	Segregation of duties - are the following functional responsibilities performed by different units or persons: (i) authorization of a transaction (ii) execution of a transaction (iii) recording of the transaction; and (iv) custody of assets involved in the transaction.	L	There is adequate segregation of duties : (i) requisition form initiated by requesting unit/officer (ii) authorisation of the requisition form by IDPPE Director/Provincial Delegate (DO) (iii) Verification against budget allocation/availability by Assistant Accountant (AEO) (iv) Coherence with work plan and procedure by the FC or PC (ACI) (v) Transaction is executed on the system (AEF) once the requisition has been signed on the system by the DO. (vi) Goods received by Procurement Officer - recording of assets on the system done by procurement officer (AP).
b.	Clarity and adequacy of decision processes and sequence of events for control functions in project implementation reflected in the Financial Manual (or equivalent there-of).	L	Standard procedures to be followed for all e-SISTAFE users. PIM finalised and has been distributed to relevant staff across all implementing agencies (HQ and provincial Delegations
c.	Adherence to Financial Manual.	M/L	Yes, but quarterly financial management supervisions of the Provincial Delegations by the PMU have not been undertaken in 2013.
d.	Effectiveness and efficiency of internal controls over inflows of funding sources other than IFAD.	L	All inflows are subject to same strict controls as all flow through the CUT and managed via e-SISTAFE.
e.	Adequacy of contract management (use of contracts register and monitoring form) and filing there-of.	L	Maintenance of a contract register with all on-going and executed contracts sequentially numbered and cross referenced to respective Contract Monitoring forms exist for each contract
f.	Effectiveness and efficiency of internal controls over expenditures (full cycle from commitment, payment, receipt of good and services, approval of payments, classification, etc.)	L	All payments are made via e-SISTAFE . Payments may only be made if a signed contract exists. Contract must be validated by the Tribunal Administrative for payment to made.

g.	Documentary evidence to confirm delivery and acceptance of contracted goods, works or services.	L	Yes
h.	Physical controls over cash, documents and records. Adequacy of filing systems. Is the petty cash subject to monthly reconciliation as well as surprise checks; custody of cash box and control of keys.	L	No Cash payments Adequate filing system however filing space is running out.
i.	Adequacy of physical management of cash.	L	No cash transactions all payment made through e-SISTAFE
j.	Timely payment to suppliers and consultants.	L	Yes
k.	Eligibility of expenditures with respect to Financing Agreements.	L	SOE checks confirm eligibility
l.	Legality/eligibility of advances from project funds and timely justification for use there-of.	L	Virtually all payments are direct payments from the centralised e-SISTAFE payment facility. Advances are given in instances where beneficiaries are not holders of ID cards and fiscal codes – these must be retired on the system within 10-20 days, until so no further advance payment can be made
m.	Compliance with financial management covenants in the Financing Agreements and LTB.	L	Yes
n.	Adequacy of up-to-date record keeping for fixed assets and inventories.	L	Asset register maintained up to date
o.	Adequacy of controls concerning project assets including: i) Vehicle and other assets management (are assets property tagged, is a physical inventory count done on a regular basis?) ii) Fuel management (do drivers maintain a log book?) iii) Travel authorisations (incl. DSA paid to staff)	L	Vehicle log-book has been developed and will be put to use for all project vehicles when procured. Currently the project is using predecessor project's vehicles handed over to IDPPE. Strong controls over Travel authorisations and DSA's paid to staff according to GoM regulations.
p.	Adequacy of vehicles and assets insurance.	M	Vehicles yes. Other fixed Assets not insured due to cost consideration. Project is exploring possible options.
q.	Workshops: i) Availability of list of participants ii) DSA paid to participants iii) Receipts for workshop expenditure	L	Yes

r.	Adequacy of controls and authorization process for use of funds (payments, transfers, Cash/Bank balance management) / and other operational accounts – non-special account.	L	Yes
s.	Banking arrangement and controls (reconciliation of bank statements with financial accounts).	L	Bank reconciliations prepared regularly (monthly). Latest reconciliation statement (31/8/2013) agreed with financing records.
t.	Existence of a proper IT support unit in place.	M	CEDSIF provides IT/e-SISTAFE support for ProPESCA, there have been delays in setting up the system at the provincial levels.
<b>5. Accounting</b>			
a.	Basis of accounting (cash, accrual) and whether accounting standards are in line with IFAD's requirements (e.g. IFRS/IPSAS/IPSAS cash).	L	IPSAS cash basis
b.	Adequacy and reliability of accounting system, (is double entry accounting used, specify software used, is budget data entered into the accounting system, can the accounting system produce regular automated financial reports?).	L	Yes
b.	Recordkeeping (including documentation and filing/archiving)	L	Yes documents are well filed chronologically clear audit trail is maintained for all expenditures
c.	Fixed assets register maintained and reconciled (sample and physical check).	L	Yes asset register is in order with adequate disclosure on
d.	Adequate documentation and controls for Information Systems, including documented accounting procedures, backup of financial records, integration of all sub-systems.	L	Yes – e-SISTAFE is maintained on an external server. Virtually no risk of loss of data.
e.	Adequacy of chart of accounts for project accounting purposes	L	Yes - allows for reporting by category/component/source of financing
f.	Timeliness of recording transactions, regularity of performance and approval of reconciliations, controls on erroneous recordings.	M	This is impaired by the lack of functional equipment at six of the seven Provincial Delegations.
g.	Appropriate/ adequate accounting and reporting of counterpart funds contributions (incl. tax and tax exemptions) as well as beneficiary contributions.	M	The project must establish modalities to account for the GoM contribution to extensionists' salaries. Based on Ministry of Fisheries payroll
<b>6. Financial Reporting &amp; Monitoring</b>			

a.	Completeness, accuracy, usefulness, and timeliness of financial reports.	L	yes
b.	Interim FM reports and linkage to progress reports - timely preparation, submission to IFAD.	M	Interim reports produced on a quarterly basis, linkage to M&E system can be improved (ie. comparison of budget execution with physical achievements)
c.	Preparation of reports showing actual vs budget income/expenditure and AWPB execution rate.	L	Quarterly
d.	Follow up of previous aide-memoirs fiduciary recommendations.	M	32 of 44 recommendations not implemented or still on-going beyond the agreed timeframe
e.	Reasonable alignment between disbursement rate of recurrent versus investment cost categories.	M	High proportion of expenditures on recurrent costs, this will change rapidly once the credit line disbursements begin
<b>7. Internal Audit</b>			
a.	Existence of Internal Audit arrangements.	M	Yes IDPPE is subject to internal audit of the Min of Fisheries, however not on a routine basis. Internal Audit of various agencies is prioritised according to MOF risk assessments
b.	Adequacy of internal audit arrangements (organization - staff capacity).		Not verified
c.	Adequacy of internal audit scope of work and quality of reports.	M	Not Regular
d.	Assessment of matters raised in audit reports.	M	One Internal audit of Cap Delgado Provincial Delegation in April 2013 – Audit report not available.
<b>8. External Audit</b>			
a.	Adequacy of scope and ToR.	L	Yes
b.	Adherence to ToR.	L	
c.	Timeliness of audit report.	L	
d.	Quality of audit.	L	
e.	Implementation of audit recommendations/agreed action plan in place to address these.	L	Yes ML recommendation taken on board. IFAD audit review not yet available.

**Attachment II: Summary of Project Fiduciary Risk Assessment at Supervision**

<b>Project:</b> ProPESCA <b>Implementing Agency :</b> Ministry of Fisheries via PMU within the IDPPE		
	<b>Risk Assessment H/M/L</b>	<b>Proposed Mitigation</b>
<b>Inherent Risk</b>	<b>H</b>	<b>N/A</b>
<b>Control Risks</b>		
1. Organization and Staffing	<b>L/M</b>	Ensure adequate staffing at the Provincial Delegation Levels (Maputo, Nambane, Gaza)
2. Budgeting	<b>M</b>	Early preparation of AWPB and concurrent e-SISTAFE coding Improved realism when budgeting and planning
3. Funds flow & Disbursement Arrangements	<b>H</b>	Ministry of Finance must rapidly send requested communication to OFID to allow for first Disbursement Ministry of Finance to countersign amended financing agreement for EU funding to enter into force Improve availability of counterpart funding to the project Need to expedite the process of signing MoUs with IOF manager. This will require an amendment to the financing agreement in light of the decision to substitute FARE as IOF manager Aging outstanding advance to the Designated account needs to be justified.
4. Internal Controls	<b>M/L</b>	Quarterly Supervisions of Provincial Delegation to be undertaken regularly by the PMU.
5. Accounting	<b>M/L</b>	Expedite the installation and operationalization of e-SISTAFE equipment at the Provincial Delegations still pending (Sofala, Cap Delgado, Maputo, Zambezia, Nampula and Gaza)
6. Financial Reporting and Monitoring	<b>M/L</b>	Explore potential add-on of automated report generation function on e-SISTAFE Better follow-up on supervision mission recommendations
7. Internal Audit	<b>M</b>	Establish routine internal audit for ProPESCA
8. External Audit	<b>L</b>	
<b>Overall Project Fiduciary Risk</b>	<b>M</b>	Reduced to Low once proposed mitigation measures are implemented within the agreed timeframe.
H=High, M=Medium, L= Low		
Reliable Financial Management system with robust internal controls. Experience with the centralised FM system e-SISTAFE is so far successful. Slow implementation hence very little disbursements, less than 4% of total funds available spent with over 35% of implementation period elapsed.		



Attachment III: Review of Statements of Expenditure (Checklist)																	
WA n. 7: USD 803 301 (Justification of Amount disbursed under WA n. 2)																	
Item	Item Number of SOE	Category	Cost Centre	Description	Amount	Checklist items : based on whether the respective item are attached to supporting documentation											
						ALL PAYMENTS							GOODS	SERVICES	WORKS	Expenditure consistent with Financing Agreement	Sufficient supporting documentation on file
						Signed contract or Purchase order	Evidence of Receipt, invoice or performance	Bank guarantee for advance payments	Performance guarantee	Copy of No Objection from IFAD	Evidence of Payment/Accounting Records (e-SISAF)	Contract Monitoring Form	Recurrent Cost records	Bill of lading/Shipping Documents	Certificate of Delivery	Certified Supplier's/Consultant's Claim	Certificate of Delivery/Report
1	1	I	Zambezia	Electrificacao (parcial) do MPV de pescado de Zalala	18 993.00	✓	✓				✓	✓					✓
2	2	I	Zambezia	Pavimentacao do patio MPV de Zalala	26 511.89	✓	✓			✗	✓	✓	✓				✓
3	1 through 3	III	HQ	Salaries TAs Jan/Feb 2013	17 056.00					✓	✓	✓	✓				✓
4	59	IV	HQ	Bilhete passagem consultas polos CD & NPL	3 557.81	✓	✓				✓	✓					✓
4	60	IV	HQ	Bilhete passagem consultas polos CD & NPL	2 088.10	✓	✓				✓	✓					✓
5	90	IV	HQ	Material Diverso para capacitacao NQ&MP	1 132.12	✓	✓				✓	✓					✓
6	101	IV	HQ	Lanches e aluguer sala planificacao e consulta polo Cuassiane	2 496.66	✓	✓				✓	✓					✓
7	105	IV	HQ	Almocos II experimentacao p/ padroniz Metedos process pescados	102.74	✓	✓				✓	✓					✓
8	119	IV	HQ	Billetes passagem (PM) CD, SFL e NPL consultas aprofundadas...	2 177.05	✓	✓				✓	✓					✓
9	139	IV	HQ	Reparacao viatura SFL capacitao NQ & MP ZBZ	500.33	✓	✓				✓	✓					✓
10	144	IV	HQ	Material Didactico para capacitacao NQ&MP	3 818.05	✓	✓				✓	✓					✓
11	2 through 9	VII	HQ	Salaries PCU	40 306.00	✓	✓						✓				✓
12	35	VII	HQ	Combustivel vetturas AAI-427-MC & MMI 39-28 (Dec 12 - Feb 13)	1 702.55	✓	✓				✓	✓					✓
13	111	VII	HQ	Curso de Ideranca para os Delegados e Chefs Reparticoes	1 446.02	✓	✓				✓	✓				✓	✓
14	210	VII	HQ	Ajudas de custo NPL capacitao PM&A	2 251.50	✓	✓				✓	✓					✓
15	435	IV	Maputo PD	Ajudas de custo capacitao PCR Montanahe	125.08	✓	✓				✓	✓			✓		✓
16	923 through 938	VII	Maputo PD	Salary top-up for Provincial Delagation staff on ProPESCA (Jan-March 2013)	2 209.50	✓	✓				✓	✓					✓
TOTAL:					126 474.40												