

Document of
The International Fund for Agricultural Development

REPUBLIC OF MOZAMBIQUE
RURAL MARKETS PROMOTION PROGRAMME
PROGRAMA DE PROMOÇÃO DE MERCADOS RURAIS
(PROMER)

PROGRAMME DESIGN DOCUMENT
FINAL DESIGN

VOLUME I – MAIN REPORT

Eastern and Southern Africa Division
Programme Management Department, IFAD

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CURRENCY EQUIVALENTS

Currency Unit	=	Meticais (MT)
USD 1.00	=	24.20
0.04132	=	USD 1.00

WEIGHTS AND MEASURES

International metric system, unless specifically described in text

FISCAL YEAR

1 January to 31 December

ABBREVIATIONS AND ACRONYMS

ACIANA	<i>Associação Commercial Industrial e Agricola de Nampula</i>
AMODER	<i>Associação Moçambicana Para o Desenvolvimento Rural</i>
ANE	National Roads Authority
CLUSA	Cooperative League of the United States of America
COSOP	Country Strategic Opportunities Paper
CTA	<i>Confederação das Associações Económicas do Moçambique</i>
DANIDA	Danish International Development Agency
DNPDR	National Directorate for the Promotion of Rural Development
DPOPH	Provincial Directorates of Public Works and Housing
GAPI	<i>Sociedade de Gastao e Financiamento para a Promocao de Pequenas Projectos de Investimentos sarl</i>
MIC	<i>Ministério da Industria e Comércio</i> Ministry of Industry and Commerce
MOU	Memorandum of Understanding
MPD	Ministry of Planning and Development
NGO	Non-governmental organization
PAMA	<i>Programa de Apoio aos Mercados Agricolas</i>
PARPA	National Action Plan for Reduction of Absolute Poverty, 2006-09
M&E	Monitoring, and Evaluation
PROAGRI II	Second phase of the National Programme for Agricultural Investment
PRONEA	Agricultural Support Programme
PY	Programme year
RFSP	Rural Finance Support Programme
RIMS	Results and impact management system
SBAFP	Sofala Bank Artisanal Fisheries Project
UNAC	<i>União Nacional de Camponeses</i> or National Farmers Union
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

Mozambique

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



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD

EXECUTIVE SUMMARY

1. The Rural Markets Promotion Programme (PROMER) represents a partnership between the Government of Mozambique and IFAD aimed at improving the livelihoods of smallholders in the Northern Region of Mozambique through pro-poor rural markets promotion. It builds on a number of successful interventions in the sector and is supportive of government's policies, under the framework of the Action Plan for the Reduction of Absolute Poverty (PARPA II), and IFAD's Strategic Framework, in particular its objective to ensure that poor rural people have access to transparent and competitive markets for agricultural inputs and produce.

RATIONALE, OBJECTIVES, OUTCOMES, TARGETING AND PROGRAMME AREA

2. The design of PROMER has been prompted by a combination of factors, including: priorities given to IFAD by Government; the experience of previous market linkages programmes, in particular the IFAD-supported PAMA; the recognition of persistent challenges of poor performing rural and agricultural markets, which seriously affect the livelihoods of the vast majority of the rural population in the Northern region (two-thirds of which live below poverty line) that depend on agriculture as main source of income; and an awakening of new opportunities from emerging market intermediaries and in particular agri-business investment, in traditional concession crops (cotton and tobacco), traditional food crops (groundnuts, maize and beans) and in new emerging cash crops (biofuel crops, sesame and other oilseeds)

3. The goal of PROMER is to improve livelihoods of poor rural households; and central to achieving this goal the purpose of PROMER is to enable smallholders to increase their agricultural income by marketing their surpluses more profitably. This will be realized by developing interventions that promote more efficient marketing by a range of market intermediaries while at the same time capitalizing on opportunities linked to agribusiness investment within specific value chains and will be complemented by policy, institutional and management support. Thus the programme will combine a horizontal 'market linkages' approach aiming at building the capacity of market intermediaries (traders, agri-dealers and farmers' organisations), with a 'value chain' approach looking at seizing and facilitating opportunities for vertical integration between smallholders and agribusinesses.

4. The following are the main expected outcomes of PROMER:

- Improved smallholder access to and participation in agricultural markets and value chains;
- More efficient market intermediaries, and more effective partnerships, stimulating increases in agricultural production and value addition;
- A more conducive environment for agricultural market operations.

5. The target group of PROMER will be those among the rural poor with the potential and interest to produce for the market. An inclusive approach will be pursued to enable the extremely poor and food insecure, with the necessary labour and other minimum assets to take advantage of the market opportunities that the programme will create. The primary target group will consist of semi-subsistence smallholder farmers and other poor smallholders, the vast majority of whom live below the poverty line. A secondary target group will be small and medium rural traders, not because of their poverty status but because they play a critical role in linking smallholders to markets. Due to their disadvantaged socio-economic position, women will constitute an important sub-set of the primary target group. PROMER will devote specific attention in order to promote their participation and access to the benefits generated.

6. Poverty targeting forms an integral part of the PROMER design in that: (i) poverty characteristics are an important element in district selection; (ii) there is an important focus on

farmers' associations, the majority of whose members are food insecure and live below the poverty line; and (iii) programme activities have been designed so as to facilitate participation of the poorer members of the community.

7. The programme area will be the Northern Region of Mozambique, focused on the Nacala Corridor. This has been selected by the Government and will include: the southern parts of Cabo Delgado and Niassa, the western part of Nampula and the northern part of Zambezia. It is an area with high production potential, a good but in places underdeveloped transport structure and considerable marketing activity. But, also, it is an area where there remain inefficiencies in the system, including a lack of competition and concurrent monopolies, poor market transparency, and disconnect between scattered small-scale producers and centralized larger market operators. Within this area, and based on the analysis of a range of market and poverty related factors, 15 districts have been selected as the programme area. In 2005, the population of these districts combined was estimated to be two million.

PROGRAMME COMPONENTS

8. PROMER interventions will fall under four principle investment components: Developing More Dynamic Market Intermediaries, Enterprise-led Value Chain Initiative, Improving the Market Environment and Policy & Institutional Support and Management

Component 1 Developing More Dynamic Market Intermediaries (USD 13 million)

9. The component will assist market intermediaries, i.e. farmers' organizations and small-scale traders, supporting their marketing activities for a range of commodities, with the aim to provide smallholders with increased options for selling their crops and getting access to improved agricultural inputs. Specifically, the component will:

- Enable traders to expand into agricultural commodities, extend their agricultural marketing business activities from urban-based to rural-based and establish competitive agri-dealer networks through a combination of basic business training, direct counselling, exposure visits, and relationship building with other market participants, phased according to their levels of skills and capacity. Complementary activities for the input markets will include business-driven farm level demonstrations and a guarantee mechanism to reduce business risk for input supply companies.
- Strengthen farmers' organisations primarily at grassroots level to enable them to take advantage of economies of scale and improve the negotiating power of their members in the markets. Higher level institutions will be supported on a demand-driven basis responding to clear needs and proposals expressed by their membership (associations and fora).
- Establish a matching grants facility, and related technical assistance support, to encourage traders and farmers organisations to invest in simple low-cost value-addition activities such as cleaning, grading, packing or blanching.

Component 2 Enterprise-led Value Chain Initiative (USD 7.2 million)

10. The component will assist smallholders and agribusinesses to establish profitable partnerships that produce mutually beneficial arrangements. It will respond to and capitalize on arising opportunities for selected value-chains that will have an active agribusiness as main driver. The initial focus will be on sesame and cotton. Specifically, the component will:

- Identify opportunities for partnerships through overall scoping studies and specific in-depth value chain analyses;

- Facilitate partnerships through Planning and Facilitation (P+F) Teams that will be recruited by PROMER to work with the participants in the selected value-chains, primarily the smallholders and the agribusiness, and will support them to design and implement an investment project to develop such partnerships;
- Finance the agribusiness through a matching grants facility to encourage investment in smallholder-oriented processing, storage, transport and possibly production, and to at least partially defray the potential risks of entering into partnerships with smallholders

Component 3 Improving the Market Environment (USD 11 million)

11. The component will assist smallholders, intermediaries, agribusinesses, and other rural market participants, by improving their hard and soft operating capacity. Specifically, the component will:

- Improve market infrastructure through investments in repair and rehabilitation of rural feeder roads and construction of district and provincial markets.
- Increase access to financial services for the programme beneficiaries by acting both on the demand-side (financial advice and technical assistance to smallholders, their organisations, traders and agribusinesses to increase their bankability) and on the supply side (promoting outreach of financial institutions to the programme area mainly through a partnership with the IFAD-supported Rural Finance Support Programme).
- Improve market transparency through the establishment of a regional market information centre in Nampula, as well as by promoting the dialogue between market participants and Government on relevant issues for agricultural marketing.

Component 4 Policy & Institutional Support and Management (USD 9.2 million)

12. The component will assist in building the capacity of Government, and in particular the National Directorate for the Promotion of Rural Development (DNPDR), to take leadership in overseeing the promotion of rural markets in Mozambique. Specifically, the component will:

- Support DNPDR, and PROMER, in setting up knowledge management systems and processes to capture, organise and manage information on market linkages and value-chain interventions.
- Strengthen the institutional capacity of DNPDR, and its partner institutions (especially the Ministry of Agriculture and the Ministry of Industry and Commerce) to identify and respond to policy and operational issues related to market linkages, including those arising during implementation of PROMER.
- Establish a programme management under DNPDR in Maputo, with satellite implementation cells located in the programme area as well as reference groups at district, provincial and national level to facilitate participation of relevant stakeholders in the planning, monitoring and programme decision making.

13. PROMER will be implemented over seven years based on the estimated programme costs as from the table below. Beside Government and beneficiaries, external financing will be from IFAD (USD 31.1 million) and AGRA (USD 3.5 million).

Mozambique: Rural Markets Promotion Programme (PROMER)
PROGRAMME DESIGN DOCUMENT, FINAL DESIGN – MAIN REPORT

	MT millions	USD millions	% Total Costs
Development of More Dynamic Market Intermediaries	298.7	12.3	33
Enterprise Led Value Chain Initiative	171.3	7.1	19
Improving the Market Environment	236.5	9.7	26
Policy/Institutional Support and Management	210.0	8.6	23
Total Base Costs	916.7	37.7	100
Total Cost with contingencies	1,165.1	40.6	

	The Government		IFAD		PROMER Beneficiaries and Partners		AGRA		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Component 1: Development of More Dynamic Market Intermediaries	1 026	7.9	7 711	59.1	800	6.1	3 517	26.9	13 055	32.2
2. Component 2: Enterprise Led Value Chain Initiative	278	3.8	4 723	65.1	2 250	31.0	-	-	7 252	17.9
3. Component 3: Improving the Market Environment	1 191	10.8	9 817	89.2	-	-	-	-	11 008	27.1
4. Component 4: Policy/Institutional Support and Management	365	4.0	8 883	96.0	-	-	-	-	9 248	22.8
Total PROJECT COSTS	2 861	7.1	31 135	76.8	3 050	7.5	3 517	8.7	40 563	100.0

PROGRAMME IMPLEMENTATION, COORDINATION AND BENEFITS

14. DNPDR, of the Ministry of Planning and Development (MPD), will be responsible for PROMER implementation, including the Programme Management Team (PMT), which will be housed within the Directorate, work with the DNPDR officers and support it for the day-to-day management of PROMER. Implementation of PROMER will be guided by Reference Groups established at national, provincial and district level, composed of stakeholder representatives from both private sector and public sector. The Reference Groups will fulfil an oversight and advisory role throughout the programme period and provide a consultative mechanism for management to solicit the views of stakeholders at each level.

15. The Provincial Directorates of Planning and Development, while not having a line responsibility for implementation of PROMER, will play a facilitating role and help to coordinate support from other provincial agencies, including the Directorate of Agriculture and Directorate of Industry and Commerce and the Provincial Roads Authority, and maintain linkages with agri-businesses. At the district level, the newly established Economic Services, incorporating both agriculture and industry/commerce, will play a similar facilitating role.

16. The design of the programme provides for early implementation of some of the interventions, in particular those related to the development of market intermediaries, which build on the successful experience of PAMA, while the detailed implementation arrangements for the others (e.g. the enterprise-led value chain component) are being finalised. The identification during design of cotton and sesame as commodities that the programme could start work with from the first year will allow for a relatively quick start of the second component as well.

17. There are a number of programmes that are complementary to PROMER and with which PROMER will form partnerships on the basis of MOUs to be agreed at programme start-up. The most important are the following: (i) PRONEA and RFSP, both IFAD-supported; (iii) ADIPSA, Danida-financed; (iv) Emprenda, USAID-financed involving CLUSA and TechnoServe; and (v) the Millennium Challenge Corporation. Synergies and cooperation among IFAD-supported programmes in particular will foster the IFAD country programme approach concept.

18. PROMER will benefit an estimated 20 000 farmers in some 670 farmers' associations, about 375 small-scale traders and about 200 000 individual farmers and non-farmers will benefit from improved road access. There will be, too, related financial benefits: (i) greater income for farmers as a result of more profitable marketing of their production; (ii) greater income for small-scale traders as a

result of an increase in the volume and profitability of their marketing activities; (iii) greater income on the part of agribusiness partners as a result of an increase in the volume of product supplied by participating farmers; and (iv) reduced transportation and marketing costs for those benefiting from road rehabilitation or market construction.

19. PROMER is based on proven initiatives and approaches implemented successfully, in particular by PAMA, which provide sound foundations for investment, while at the same it introduces new and innovative aspects responding to the rapidly evolving economy of the Northern Region.

RURAL MARKETS PROMOTION PROGRAMME
PROGRAMA DE PROMOÇÃO DE MERCADOS RURAIS
(PROMER)

PROGRAMME DESIGN DOCUMENT
FINAL DESIGN

MAIN REPORT

I. INTRODUCTION

1. The Rural Markets Promotion Programme (PROMER in its Portuguese acronym) responds to a key priority of the Government of Mozambique and one of IFAD's strategic goals – improved and profitable smallholder access to markets – and builds upon the experience gained during the implementation of similar programmes, particularly the IFAD-financed PAMA Support Project¹. The design of PROMER has evolved over the past ten months and been progressively deepened, commencing with a lessons learned and reflection workshop in September 2006 and continuing into the main design phase which is elaborated in an intermediate design or formulation report, dated 23 January 2008, subsequently reviewed and approved by the programme's Maputo-based Reference Group². The current document represents the culmination of the design process.

2. The following principles underlie the design of PROMER and have guided the work of the final design mission³: (i) focus on the northern region of the country and on the provinces and districts surrounding the Nacala Corridor; (ii) maintain a high degree of flexibility to enable PROMER to respond to market opportunities and adapt to evolving conditions in the field; (iii) develop complementarities and synergies with other development programmes; and (iv) build on the success and experience of PAMA.

**II. STRATEGIC CONTEXT AND RATIONALE FOR IFAD INVOLVEMENT,
COMMITMENT AND PARTNERSHIP**

A. The Rural Development/Market Linkage Context

3. **Key Factors Affecting Design** The rural economy and in particular the agricultural sector have received insufficient attention in the rapidly evolving economy in Mozambique. Agriculture is typified by low yields, low prices and low returns to labour and land: essentially subsistence-based agriculture in spite of growing economic activity in the country. Only a limited part of agricultural

¹ PAMA is the Portuguese acronym for Agricultural Markets Support Programme.

² The Reference Group is chaired by Salim Valá, National Director for Promotion of Rural Development (DNPDR), Ministry of Planning and Development, and includes: Albertina Alage, Deputy National Director for Agricultural Extension (DNEA), Ministry of Agriculture; Carlos Costa, from the Private sector Association (CTA); Piedade Macamo, Deputy National Director for Treasury (DNT), Ministry of Finance; Jaime Nicols, National Director for Commerce (DNC), Ministry of Industry and Commerce; Diamantino Nhampossa, Executive Director of the National Farmers' Union (UNAC); Rui Ribeiro, Programme Manager of PAMA; and Jose Trindade, Director of AMODER. The Reference Group was formed to oversee the design and implementation of PROMER.

³ The mission comprised: Howard Johnson, institutions specialist and team leader, Melissa Brown, economist/financial analyst; Fred Muhuku, agri-business specialist from AGRA; Jorma Ruotsi, agri-business and rural finance expert; Roxy Samii, knowledge management expert; and Emerson Zhou, marketing/value chain specialist. The mission was supported by Custodio Mucavele, IFAD Country Officer in Mozambique. Alessandro Marini, IFAD Country Portfolio Manager, and Dan Vadjal, Regional Economist, participated in the mission.

production reaches the market: 20% for groundnuts, 14% for beans and rice, and only 13% for maize which is the main food crop. Poorly developed economic infrastructure (especially roads and electricity), limited access to financial services, poor agricultural research and extension services, and limited availability of agricultural inputs represent the major constraints to the growth in the agriculture sector. However, the situation is changing and markets are emerging giving rise to a number of challenges and opportunities:

- Agricultural sector marketing is characterized by an *underdeveloped marketing system* with limited competition, dominated by a few large trading companies and many under-capitalized and poorly informed small traders.
- In spite of low yields, compared to other countries in the region, there is now *increased marketing activity* stimulated by the increase in the numbers of commercially-oriented farmers' organizations, greater understanding by Government of the opportunities available and a more active private sector.
- While there have been encouraging increases in marketing activities by *farmers' organizations* and some development of higher level farmers' institutions to help facilitate marketing, this is still in its early stages of development and limited to a few areas of the country where donor-supported programmes have been operating. There is thus still an enormous untapped potential to develop commercially-oriented and market-focused farmers' associations in Mozambique.
- Improvement in *market infrastructure* is a pressing need in Mozambique. Improvements in the primary road network⁴, for example, need to be matched by continued improvement in feeder roads. Similarly, there is a need to improve storage and post-harvest handling of produce if greater value is to be realized, both by the farmers and small-scale traders.
- With almost 400 000 families reliant on cotton and tobacco for their livelihood, '*concession crops*' continue to be important to the national economy and critical to a large number of smallholders. But, the landscape is changing. The rapid expansion of competing crops, such as sesame, that benefit from more open markets and thus give better returns to farmers, is seeing smallholders moving out of cotton. This is forcing the cotton companies to rethink their operations, operations that are still dominated by a low risk/low input system resulting in some of the lowest yields in the region⁵ and thus low returns to farmers. It is thus a key time to intervene – in a way that benefits both the smallholders and the agribusiness companies.
- The increasing entry of major international agricultural companies into Mozambique to set up large *production/packaging/processing* operations is having an impact on agricultural marketing and is creating opportunities for smallholders to link to these operations.
- On a national and regional level, Mozambique has yet to take advantage of the benefits of a more *open market environment* and of liberalization of trade relations between the Southern African Development Community (SADC) countries. Instead of fully capitalizing on its potential to export crops from highly productive areas in the north of Mozambique to other neighbouring countries and to deficit areas in the south, countries such as South Africa have been meeting shortfalls and are exporting fresh and processed products to the south of the country.

4. **Donor and Programme Experience** As part of the design process, a design workshop was organised and working sessions were held with donors and project managers to ensure complementarities and compatibility and avoid duplication in PROMER with similar donor-supported programmes dealing with agricultural markets, rural development and poverty reduction. The most significant are:

⁴ The Millennium Challenge Fund is planning a substantial investment in the primary road network in the north.

⁵ Mozambique's cotton yields are half those in Zimbabwe and Tanzania and one third of those in Zambia.

- *ADIPSA* is an ongoing Danida-financed programme that is expanding its coverage into the northern region. It has three main components: (i) Enterprise Development; (ii) a Line of Credit, both of which will be complementary activities as neither will be included in PROMER; and (iii) Support for Farmers' Associations, which duplicates a core activity of PROMER, but the demand to strengthen and establish farmers' associations far exceeds the capacity of the two programmes.
 - *Emprenda* is a USAID-financed programme in the northern region involving partnerships between TechnoServe and CLUSA. Activities include: (i) strengthening farmers associations and fora; (ii) promoting exports of association-sourced production by a marketing enterprise called IKURU; and (iii) providing technical assistance to facilitate establishment and operations of agri-business/processing enterprises. All three operations will be complementary to PROMER.
 - *Cabinet for Strategic and Development Studies* is Swedish-supported and is responsible for the Malonda Foundation that was created to promote private sector business opportunities in rural areas. It operates in the province of Niassa. Malonda is providing inter alia business development services and financial support to traders through a venture capital fund managed by AMODER. Experience and lessons learned have been incorporated in PROMER design.
 - *Millennium Challenge Corporation* will be launching shortly a USD 500 million programme over five years for the northern region. Most of the budget is for infrastructure works, primarily major roads, electrification, water and sanitation. These investments will be complementary to PROMER, which will focus on smaller scale infrastructure: feeder roads and agricultural storage.
 - *AIMS* is an inputs support programme financed by USAID, to develop: (i) the organizational structure to implement the Mozambique Ministerial Decree and Regulations for pesticides, seeds, and fertilizer; (ii) a fertilizer inspection manual; and (iii) policy dialogue and an agri-input regulatory framework.
5. Three IFAD-Supported Programmes are particularly relevant to the design of PROMER, namely the *PAMA Support Project*, the *Rural Finance Support Programme (RFSP)* and the *Agricultural Support Programme/National Programme for Agricultural Extension (PRONEA)*. See section II.C, below, for a brief description of these three programmes.

B. Policy Issues and Analysis

6. There are a number of policy documents that provide guidance for the design of a programme dealing with agricultural markets, rural development and poverty reduction. The most important are: (i) Agenda 2025; (ii) National Action Plan for Reduction of Absolute Poverty, 2006-09 (PARPA II⁶); (iii) the Rural Development Policy; (iv) Green Revolution; (v) agricultural sector strategies; and (v) gender policies.

7. **Agenda 2025.** This 'vision document', which was approved by Parliament after the elections installed the current Government in 2003, highlights medium to long term priorities for the future development of Mozambique. It establishes three main pillars for development of the country: governance, human capital and economic development. The provisions were later adopted as key elements of PARPA II (see below). The vision document stresses the importance of agricultural markets to rural development and the need to focus on productivity increases in agriculture, and foresees enhancement of the nation's capacity in agro-processing and transformation of primary products.

⁶ Its Portuguese acronym.

8. **Poverty Reduction Strategy.** The Government's poverty reduction strategy, which is outlined in *PARPA II*, was prepared with the overall goals of reducing the levels of absolute poverty and promoting a rapid, yet sustainable and comprehensive, economic growth. The strategy is organized around three pillars:

- *Governance* – to promote national unity, peace, justice, and democracy; confront corruption, excessive bureaucracy and crime; strengthen sovereignty and international cooperation; and improve the quality of analysis and policy design;
- *Human capital* – to develop labour, technical and scientific capacities; expand and improve the levels of education, sanitation, and access to potable water; reduce the incidence of diseases that affect children, focusing particularly on the fight against HIV/AIDS, malaria and tuberculosis; and to help young Mozambicans realize their entrepreneurial potential; and
- *Economic development* – to promote a conducive environment for productive activity including improving infrastructure, reducing bureaucracy and instituting legislation that stimulates increased productivity and innovation; and promote the rural sector and increased productivity in agriculture, including the transition from a mainly subsistence-oriented agriculture into one that is better integrated with domestic and external markets.

9. **Rural Development Strategy.** This strategy, elaborated under DNPDR's leadership and approved by the Cabinet in September 2007, is linked to Agenda 2025 and *PARPA II*. The main objectives are: (i) competition, productivity and wealth accumulation; (ii) sustainable use and management of natural resources and environment; (iii) diversified and efficient social capital, infrastructures and institutions; (iv) expansion in human capital, innovation and technology; and (v) good governance, and markets. PROMER, which is consistent with the objectives of the Strategy – particularly its goal of improving the livelihoods of poor rural households and its strategy to enable smallholders to produce and market their surplus more profitably – is seen by Government as an important tool in its implementation.

10. **Green Revolution.** The 'Green Revolution' is a policy document, recently elaborated by Government, which adopts a multi-dimensional approach to the agricultural sector. It proposes to increase agricultural production and productivity in a competitive and sustainable way, with a particular focus on smallholder producers. The main pillars are: access to and use of natural resources; improved technology to stimulate increases in productivity; access to markets and market information; access to financial services; and promotion of social and human capital. It advocates: promotion of the associative movement of rural producers and self-esteem and self-reliance among producers; and discourages free distribution of materials and financial recourses.

11. **Agricultural Marketing Strategy (ECA II).** The strategy is guided by a number of basic principles, among which the following are particularly pertinent: (i) free circulation of agricultural products between production zones and markets; (ii) private enterprise as the main driving force in agriculture; and (iii) promotion of both internal trade and exports, for both traditional and non-traditional crops. The objectives of the strategy are cited as follows: (i) facilitation of fluent commercial transactions; (ii) contribution to food security, (iii) sustainable socio-economic development; (iv) reduction of external dependency; and (v) poverty reduction. In order to create a strategic framework for marketing development initiatives at local level a number of provinces have elaborated provincial strategies, two of which have been supported by PAMA.

12. **Strategic Plan for the Development of the Agricultural Sector (PEDSA).** This strategic document is being elaborated by the Ministry of Agriculture to replace an existing one, which dates back to the mid-90s. Intensification and productivity enhancement, market access for inputs and outputs and value-addition for agricultural products (e.g. through agro-processing) will be key elements of the new sectoral strategy. It will provide the framework for the implementation of the second phase of the National Programme for Agriculture (PROAGRI II).

13. **Gender Policies.** Government policy on gender in Mozambique became explicit in 1995 after the elections and favours women's emancipation with the objective to elevate women's participation in society. Current policy direction is provided by the National Policy on Gender of 2006 and the National Plan for the Advancement of Women (2007-2009), which is yet to be approved. Upgrading of women's skills, mainstreaming of gender issues, economic empowerment, and making legislation more responsive to women's needs are some of the priority areas.

14. The above plethora of rural development policies can be confusing and tends not to be fully translated into actionable strategies capable of orienting action by government agencies and civil society. A wide range of policy gaps still exist and continue to affect smallholder farmers' participation in rural markets. These include the following:

- *Concession marketing systems.* Small-scale producers have in recent years complained about the quality of services delivered by companies holding concessions. Studies have shown that the companies' provision of production/technical assistance is poor and their supply of improved seeds and pesticides only passable. The prices offered for the respective commodities have also been largely uncompetitive, in relation to the cost of production, thus making the growing of crops such as cotton increasingly unattractive for smallholders. Smallholder producers, especially those organised in associations, have increasingly called for the introduction of alternative marketing systems
- *Inputs supply systems.* Inputs used by small farmers on cash crops are either supplied through concession holding companies or as donations from government and NGOs. Whilst the concession system presents solutions with respect to guaranteeing recovery of inputs supplied to farmers, it discourages the development of alternative private sector channels from providing inputs and other technical services – which is considered essential for improving yields and for the development of the smallholder agricultural sector.
- *Local administration taxes on market operators.* A number of local authorities within and outside the focal areas impose levies on market operators/traders involved in the marketing of agricultural products. Most of these levies are uncoordinated and they are not uniform and, more important, tend to unnecessarily increase the costs of marketing.

C. IFAD Country Programme

15. The current COSOP⁷, which was approved by the IFAD Board in September 2004, identifies the following strategic foci:

- Strategic Focus 1- Increase the Income of the Rural Poor by: (i) focusing interventions on the development and marketing of high-value cash crops; (ii) promoting public-private partnerships; and (iii) using IFAD funding as leverage to help private operators gain access to investment financing and other types of support in exchange for more equitable distribution of profits between private operators and small-scale producers.
- Strategic Focus 2 - Empower the Rural Poor by: (i) promoting small-scale producers' organizations; and (ii) support decentralization and local partnerships for development, promoting partnerships at the district level.
- Strategic Focus 3 - Cross-cutting Issues including: (i) gender equity; and (ii) HIV/AIDS prevention and mitigation.

16. Since 1982, IFAD has financed nine development projects in Mozambique, totalling USD 144 million of IFAD financing. IFAD's first three projects, following the end of the civil war,

⁷ Country Strategic Opportunities Paper.

focused on rural poverty alleviation, rehabilitation and food security in a regional context. More strategic and thematic programmes followed, after a more conducive institutional, policy and economic environment had emerged. The current country programme is composed of four main projects and programmes for a total cost of about USD 144 million with IFAD financing of about USD 70 million:

- The *PAMA Support Project*, effective since September 2001 and closing in December 2008, was developed in support of Government efforts aimed at the commercialisation of smallholder farming through better access to markets in eight districts in Cabo Delgado and Niassa Provinces in the north and in Maputo Province in the south. The aims are to increase the number of smallholders marketing their produce, to stimulate increased levels of marketed production and to improve competition and sales revenue, benefiting smallholder producers.
- The *Sofala Bank Artisanal Fisheries Project (SBAFP)*, effective since September 2002 and closing in September 2010, aims to improve the social and economic conditions for poor fishing communities in the coastal area from Sofala to Nampula Province. The focus of the project is to assist fishing communities in diversifying their fishing techniques in order to increase their catch and incomes, while at the same time improving their linkages with the markets, access to financial services and management of marine resources.
- The *Rural Finance Support Programme (RFSP)*, effective since August 2005 and closing in March 2014, aims to improve sustainable access to financial services by individuals, groups and enterprises in rural areas. In its key intervention, credit and grant funds are made available through a demand-driven mechanism, called the Innovation and Outreach Facility, to support financial institutions to penetrate rural areas and expand their outreach and range of products offered. At the same time smallholders, artisanal fishers and other poor people in remote rural communities are supported to create savings and credit groups and financial associations.
- The *Agricultural Support Programme*, an eight-year programme declared effective in December 2007, supports the *National Programme for Agricultural Extension (PRONEA)* under the agricultural Sector Wide Approach (SWAp), the National Programme for Agricultural Development (PROAGRI). PRONEA promotes a new extension approach based on demand-driven service provision and accountability to end-users. It focuses on capacity building of and service delivery through multiple service providers, both public and private.

17. Two other initiatives by IFAD in Mozambique are worth noting as they, also, form part of the IFAD Country Programme:

- A joint FAO/IFAD/WFP programme for *Building Commodity Value Chains and Market Linkages for Farmers' Associations* has been designed as part of the "One UN" programme in Mozambique. The programme, which is due to start in the second half of 2008 for a total period of two years, is worth USD 1.4 million and aims at linking smallholder farmers' associations to the WFP local procurement of food. The programme area will mainly be around WFP distribution centres in the Central Region, with some limited outreach in Nampula Province.
- A grant of USD 200,000 has been approved in early 2008 for "*Institutional Strengthening for Uniao Nacional dos Camponeses – National Farmers' Union (UNAC)*". The project, which is expected to start in the second half of 2008 for a period of eighteen months, will concentrate in the Northern Region (Nampula and neighbouring provinces). It will support key objectives of the UNAC Strategic Plan, including: (i) increasing the capacity to provide services to its members at lower level; (ii) strengthening the linkages between UNAC and grassroots groups and associations; and (iii) facilitating the resolution of key policy issues.

III. POVERTY, SOCIAL CAPITAL AND TARGETING

A. Rural Poverty

18. Poverty levels have declined from 70% to 54% from 1996/97 to 2002/03 and Government's target is to reach 45% by 2009. However, half the population of about 20 million still live below the poverty line. Rural poverty levels are particularly high and often difficult to tackle due to, among other reasons: poor penetration of the market economy; extremely low agricultural productivity compared to other countries in the region; limited access to services essential to productivity enhancement; limited options and low prices when farmers sell their crops; and few opportunities for income-generating activities. This is compounded by limited access to social services, low education levels, and high levels of illiteracy (38.7%⁸), especially in rural areas and among women and particularly in the intended areas in which PROMER will be implemented where illiteracy is double the national average.

19. Rural women are particularly vulnerable and one of the poorest segments of the population – especially in the northern areas where the programme will be operating. The vast majority of women work in agriculture (90%) where they are primarily engaged with food crops, which offer few opportunities to earn income. Furthermore, women have limited access to factors critical to increasing their incomes such as technology, extension services and credit⁹ and in many communities they are expected to remain within the village. This further handicaps women in taking up income earning opportunities or even marketing production surpluses, which remain primarily male-dominated. Women are subject to poor health conditions as a result of high fertility rates, lack of mother-and-child health care and physical weakness owing to poor diet and heavy work.

20. Rural households in Mozambique are particularly vulnerable to the impact of climate change, both in terms of increasing temperature levels resulting in higher incidence of droughts and increased exposure to flooding due to the large number of sizeable rivers culminating at the coast of Mozambique. During recent disasters, poor rural households in Mozambique have been found to be particularly at risk due to lack of safety nets and limited access to alternative income earning opportunities when their agricultural holdings and homes are destroyed. The impact of climate change is more important in the south (droughts and floods) and centre (floods), while the northern regions are generally less affected.

B. Geographical Scope of the Programme¹⁰

21. Government has identified an opportunity in the northern regions, focused on the Nacala Corridor, for an IFAD programme focused on unlocking agricultural markets. It is an area with substantial and often untapped agricultural potential and advantageous access to growing markets, both local and international. PAMA, over the past six years, has been implementing in a limited number of districts a range of activities that respond to this potential and allow smallholders and local traders to operate more effectively and more profitably, thereby increasing commodity flows, raising incomes and in turn reducing poverty. PAMA, and other donors and NGOs, have demonstrated that implementing poverty-targeted market support activities can result in sustainable improvements for smallholder livelihoods.

22. **Programme Area.** Government has decided that the area for programme intervention should include: the southern parts of the provinces of Cabo Delgado and Niassa, the western part of Nampula and the northern part of Zambezia. The availability of a rail and highway network and deepwater port facilities in Nacala facilitate the outbound movement of surplus production to domestic and international markets and the inbound movement of goods from the port and the city of

⁸ Human Development Report, 2007-2008, UNDP, figure for the year 2005.

⁹ Gender bias of supporting institutions, compounded by illiteracy, represents a particular constraint.

¹⁰ Working Paper 1, Programme Area, Target Group and Targeting Mechanisms, provides details.

Nampula to areas inland and to Malawi. However, in spite of the advantages brought by good infrastructure, markets in the region are characterized by a number of inefficiencies, including lack of competition and monopsonistic practices, lack of market transparency, and a disconnect between scattered small-scale producers and centralized large-scale market operators. These inefficiencies limit the participation of smallholders, and small traders, in the market and constrain the returns that smallholder farmers might otherwise make from selling their crops.

23. It was decided that PROMER will focus on those districts that feed into the Corridor, rather than in districts at the heart of the Corridor (see map of the programme area). Since they have received less donor support and lower levels of investment than the core districts, they represent an opportunity for PROMER to make a major contribution in improving market efficiencies to the benefit of smallholders and thus to poverty alleviation. Based on assessment of a number of key factors¹¹, 15 districts were selected for inclusion in the programme, as follows: Ancuabe, Balama, Chiure, Montepuez and Namuno Districts in Cabo Delgado Province; Malema and Ribaue Districts in Nampula Province; Cuamba, Mandimba, Marrupa, Maua, Mecanhelas, and Metarica Districts in Niassa Province; and Alto Molocue and Gurue Districts in Zambezia Province¹². The population of the 15 districts was estimated to be about two million in 2005.

C. Target Group¹³

24. Almost the entire population in the programme area are rural dwellers with over 95% of the population depending on small scale agriculture as its primary source of livelihood. Land holdings are relatively small and yields are low, which contribute to the generally high incidence of poverty in the area: about two thirds¹⁴ of people in the 15 districts fall below the poverty line, and there is a 'poverty gap'¹⁵ of 28%. Social indicators confirm the prevalence of widespread poverty. Houses are generally simple, with mainly earthen floors and thatched roofs, and households own few assets. Production is primarily subsistence oriented, in spite of good agricultural potential. Rates of illiteracy are particularly high, at 90% for women and 68% for men.

25. PROMER will target those among the rural poor with the potential and interest to produce for the market¹⁶. An inclusive approach will be pursued to enable the extremely poor and food insecure that have the necessary labour and other minimum assets to take advantage of the market opportunities that the programme will create.

26. The primary target group will consist of semi-subsistence smallholder farmers and other poor smallholders. These two categories have similar characteristics, although the former mainly practice subsistence farming with occasional surplus sales, are often food insecure even during normal years and can be classified as extremely poor. The second category practices mixed farming with some purely market-oriented crops. They are generally not food insecure during normal rainfall years, although they are very vulnerable to risks and external shocks and are classified as poor; and the vast majority live below the poverty line. They are characterized by small landholdings, low productivity, low and erratic incomes, and weak integration in functioning but inefficient markets.

27. A secondary target group will be small and medium rural traders, not because of their poverty status - most will not be below the poverty line - but because they play a critical role in linking

¹¹ The criteria applied were: accessibility; poverty level; agricultural potential/surplus production; trade activity; complementarity/avoiding duplication with other projects; and including operational area of PAMA.

¹² Working Paper 1 provides a profile of the districts, an analysis by criteria and the ranking.

¹³ Working Paper 1, Programme Area, Target Group and Targeting Mechanisms, provides details.

¹⁴ A weighted average based on figures from 1996/97 households' survey, as no district-level poverty data were available in the 2002/03 survey.

¹⁵ The depth of poverty or poverty gap is the gap in income that people have to bridge in order to reach the poverty line.

¹⁶ A categorisation of the target group is presented in Key File Table 4.

smallholders to markets and facilitating the flow from producers to wholesalers and markets¹⁷.

28. The programme will not target the poorest households that do not have the basic pre-requisites for market-oriented farming as they often face debilitating circumstances and are unable to produce a surplus for the market. They will be beyond the reach of most of the instruments that PROMER has at its disposal and will more appropriately be reached by safety-net and humanitarian interventions. Nevertheless, some programme activities, such as literacy training and labour-based road construction, will have potentially important benefits for these households and their involvement will be actively promoted. They will also benefit through employment opportunities created locally by better performing farmers.

29. Due to their disadvantaged socio-economic position, women will constitute an important subset of the primary target group. The programme will devote specific attention in order to promote their participation and access to the benefits generated. While women traders will not constitute a specific target group under, gender-specific constraints that limit the number of women among traders will be carefully analysed and addressed and the programme will seek to maximize the inclusion of women traders in its activities.

D. Targeting Strategy and Gender Mainstreaming

30. *Poverty targeting* has been incorporated in programme design by: (i) considering poverty characteristics during district selection; (ii) focusing on farmers' associations, the majority of whose members are food insecure and live below the poverty line; and (iii) designing programme activities so as to facilitate participation of the poorer members of the community. Poverty targeting will be an integral part of the focal area planning process, which will take place at the beginning of the programme and be regularly updated. This will give programme management a practical tool to continue to incorporate poverty, gender and HIV/AIDS targeting during implementation.

31. The programme will include seven means to identify and address the *targeting of women*. First, during initial planning, the programme will elaborate a gender strategy, based on the findings of a gender study, which will employ gender-sensitive diagnostic/planning tools¹⁸. This process will assist the PMT in analysing and further mainstreaming gender aspects in PROMER. In particular, it will provide useful elements for identifying gender aspects that are related to PROMER interventions and need to be captured by the monitoring system as well as for identifying appropriate gender-sensitive selection criteria for component 2. Second, a minimum of 30% participation of female members in lower level farmers' associations will be required¹⁹ as a condition for the programme to work with an association. Third, having women among association leadership will be actively promoted under the programme. Fourth, the special needs of women will be included in the training curriculum for associations and fora. Fifth, functional literacy training, which has proven to be of special interest to women, will be an integral part of programme implementation. Sixth, under roads rehabilitation initiatives, using labour-based technology, contracts will include the stipulation that at least 25% of the local workers hired will be women. Seventh, programme investment will provide for a matching grant fund²⁰ specifically for women groups, for activities of special interest to women, such as joint cultivation, horticultural production for local sale, and small scale agro-processing.

¹⁷ Evidence from a recent impact assessment by Ernst & Young of the rural traders development component of PAMA ("Avaliação do programa de desenvolvimento dos comerciantes rurais - Niassa e Cabo Delgado", March 2008) has shown that the small rural traders supported under this component have served about 25-30,000 smallholder farmers, the vast majority of which are cultivating a maximum of 1 ha of land and producing about 150,200 kgs of surplus for sale.

¹⁸ A range of such tools are described in the 'Gender and Poverty Targeting in Market Linkage Operations' prepared by IFAD in 2002, especially the Sourcebook and Toolkit for Practitioners, which will be used by the Programme.

¹⁹ This will require a small incremental over that already achieved under PAMA – 23%.

²⁰ This fund is costed under the farmers' organisation sub-component.

32. The programme will also address issues relevant to *households affected by HIV/AIDS*, through reducing stigma by increasing awareness about HIV/AIDS, its prevention and consequences. It will, also, pursue possibilities for mitigating the consequences of HIV/AIDS, based on experience from other programmes and initiatives in the country: by stimulating farmers' association initiatives aimed at mutual help for members who are faced with problems such as labour shortages or medical bills; by promoting local savings schemes that can form a safety net for affected households; and by selecting members of farmers' associations who will be specifically trained as peer educators. All of the above will be mainstreamed in programme activities through integration in: the terms of reference of contracted service providers, the curriculum for farmers' associations and radio broadcasts focused on market information.²¹

IV. PROGRAMME DESCRIPTION

A. The Knowledge Base: Lessons from Previous and Ongoing Projects

33. There are a number of lessons learned, both from IFAD's experience in Mozambique and that of other donors, which have been relevant in designing PROMER. Of particular relevance is:

- *Flexibility.* Flexibility in programme design is critical as it allows management to develop and adjust interventions in response to the actual situation and to evolving demands.
- *Use of service providers.* Contracting service providers is a means of realizing this flexibility. While it has proved to be successful in Mozambique, and has been adopted by a number of programmes including most of ongoing IFAD-financed ones, the shortage of experienced service providers in Mozambique is a constraint that requires active management of contracts.
- *Selection of the Lead Implementing Agency.* It was found that DNPDR was the most suitable institution in which to locate a multi-sectoral market linkage programme. Experience indicates that it is necessary to build close links between the staff of the lead agency and those directly in charge of programme management and implementation in order to facilitate the development of a knowledge base and promote active discussion.

34. A second set of lessons learned, which draws largely on PAMA experience,²² refers to aspects more specifically related to designing market linkages interventions.

- *Farmers groups.* Strengthening of farmers' groups and associations has been found to create the necessary foundation to enable smallholders to improve their terms of trade vis-à-vis the market. Specific lessons learned include: (i) use a simple approach focusing on pooling resources and collective negotiations rather than aiming to develop rural 'group enterprises'; (ii) absence of a higher level of associations can be a constraint as it affects sustainability of the primary level farmer groups; and (iii) training in functional literacy is necessary in interventions to strengthening farmer groups, especially to facilitate the inclusion of women.
- *Specific interventions to improve the rural roads network.* In spite of the axiom that roads unduly complicate a programme by bringing in a completely different set of problems and a separate set of institutions, the access roads components of both PAMA and SBAFP have been particularly successful and visible. Three lessons emerge: (i) employ participatory processes to identify roads; (ii) integrate the programme within responsible government bodies to help guide implementation and assure maintenance thereafter; and (iii) use local contractors, but provide for close follow-up and supplementary training.

²¹ A specific budget has been allocated under component 4 to provide expertise as needed for such mainstreaming.

²² See in the Project Life File the document prepared by PAMA (August 2007), 'Programme Implementation Experience: Emerging Issues and Lessons Learnt'.

- *Production improvement.* The lack of a production-enhancing component was found to be a constraint to the implementation of PAMA, particularly for geographic areas with limited surplus production – which is a problem arising in many of the districts in the north. Related to this were: minimal coverage by government agricultural extension, an almost non-existent input supply system²³, and negligible production credit on offer. The lesson is that market-oriented programmes need to employ an approach that focuses on areas with potential for surplus production combined with support to initiatives that stimulate production increases.
- *Access to financial services.* Access to financial services is a key factor for the implementation of programmes aiming at stimulating economic activities by the rural poor. A number of programmes, including PAMA, SBAFP and ADIPSA, include a credit line. While there is consensus regarding the need of such credit, best practice will suggest that inclusion of a line of credit should be avoided if alternative solutions can be found to facilitate access to credit by programme participants.
- *Private sector and producer partnerships.* The reality in rural areas of Mozambique is that there are a limited number of private enterprises that are willing to partner with smallholders, though the number is increasing. The lesson is that programmes working in this arena need to adopt a proactive approach in order to stimulate linkages with new, emerging and even established operators, and develop ‘win-win’ partnerships, if the smallholder is to become more actively involved and benefit by supplying produce to such enterprises. In some cases, private sector operators might need a package of support to strengthen their business (e.g. business planning and management advice, identification of market opportunities, and access to capital) and to become effective partners for the target group.

B. Opportunities for Rural Development and Poverty Alleviation²⁴

35. The design of PROMER has been prompted by a combination of factors, including priorities given to IFAD by Government, recognition of persistent challenges of continually poor performing rural markets in general and agricultural markets in particular and an awakening of new opportunities from emerging market intermediaries and in particular agri-business investment.

36. Government attaches high priority to developing transparent and competitive agricultural input and output markets within which the poor can engage profitably; increased economic activity and dynamism brought about by the establishment of new agribusiness and processing ventures, makes it a particularly favourable time to launch a rural markets promotion programme. PROMER will build on the success of PAMA while at the same time expand its scope both geographically and, more important, conceptually, by actively facilitating partnerships between agribusinesses and smallholders and small scale traders. The ongoing implementation of complementary IFAD-financed programmes – RFSP and PRONEA in particular – present unique opportunities for synergies that could benefit PROMER while at the same time strengthen these programmes. Finally, the existence of a well functioning government institutional structure (i.e., DNPDR) for such a programme, with strong and motivated leadership, that has been integrally involved in the design of the programme, and which is committed to its implementation, bodes well for its success.

37. There is also a strong technical rationale for the programme to respond to opportunities for rural development and poverty alleviation, by investing in the promotion of pro-poor rural markets by facilitating linkages of smallholders with both intermediaries, such as small-scale traders and farmers organisations, and agribusinesses. Approximately 90% of the population in the Northern Region depends on agriculture for their livelihoods. The vast majority are poor and about two-thirds are below the poverty line. This is due primarily to low returns from agriculture activities, caused by a dearth of competition, inefficient marketing systems and ineffective market intermediaries, combined

²³ Apart from concession crops

²⁴ i.e. rationale for the programme.

with poor knowledge and skills and a lack of effective rural institutions. A large portion of the population participates only marginally, if at all, in the market economy and almost always from a disadvantaged position as price takers. Under these circumstances, there is limited scope to improve livelihoods. The low returns and negative terms of trade have caused smallholders to adopt low risk strategies and minimize the use of external inputs, resulting in some of the lowest yields in southern Africa; this is in spite of the good agricultural potential of the northern region. Unless the terms of trade and returns from selling surpluses are improved, this situation will persist as will the prevalence of poverty.

38. A number of specific market opportunities have arisen and are continuing to arise in the proposed area of PROMER activities, with the expansion of existing and entry of new agribusinesses, as well as fast growing export and domestic markets, and the prospects for the medium term are positive. Analysis conducted during design²⁵ points to a number of opportunities:

- In *traditional concession cash crops* such as tobacco and in particular cotton, where problems related to production incentives in the concession systems have caused inefficiencies that call for re-engineering mutual process dependencies between smallholders and concession operators;
- In *traditional food crops* such as groundnuts, where a large South African company is investing in a processing plant in Nacala with capacity of 6 000 Mt/year, or maize and beans with WFP increasingly looking at local procurement through linkages with farmers' associations and small scale traders;
- In *new emerging cash crops* including: sesame, which is generally considered to have a significant growth potential for Mozambique and is likely to create opportunities for agribusiness investments in simple processing (e.g. hulling, cleaning and grading); biofuels (e.g. sweet sorghum and sugar cane) for which a rapidly growing interest has been shown by several foreign companies; and oilseeds such as sunflower and castor beans, for which investment in processing is already ongoing, mainly by medium-to-large national companies; and niche markets' products such as fair trade products and plumpynut.

C. Programme Goal, Objectives and Outcomes

39. The programme's development goal is to *improve livelihoods of poor rural households*; and central to achieving this goal the purpose of PROMER is to ***enable smallholders to increase their agricultural income by marketing their surpluses more profitably***. This will be realized by developing interventions, focused around market intermediaries for a range of commodities and agribusinesses for a selection of commodities, and will be complemented by policy, institutional and management support. These interventions will fall under four principle investment components: Component 1 Developing More Dynamic Market Intermediaries, Component 2 Enterprise-led Value Chain Initiative, Component 3 Improving the Market Environment and Component 4. Policy/Institutional Support and Management.

A summary overview of PROMER and the investment components is presented in the diagram on the following page; the details of the components and the relationship between the components and corresponding activities are discussed in Section F below.

40. Anticipated Programme Outcomes. The following are expected to be the main outcomes from the programme²⁶:

- Improved smallholder access to and participation in agricultural markets and value chains;

²⁵ See Working Papers 3 'Enterprise-led Value Chain Initiative' and 12, 'Financial Analysis'.

²⁶ See the Logical Framework – Annex 2.

- More efficient market intermediaries, and more effective partnerships, stimulating increases in agricultural production and value addition;
- A more conducive environment for agricultural market operations.

D. Programme Approach

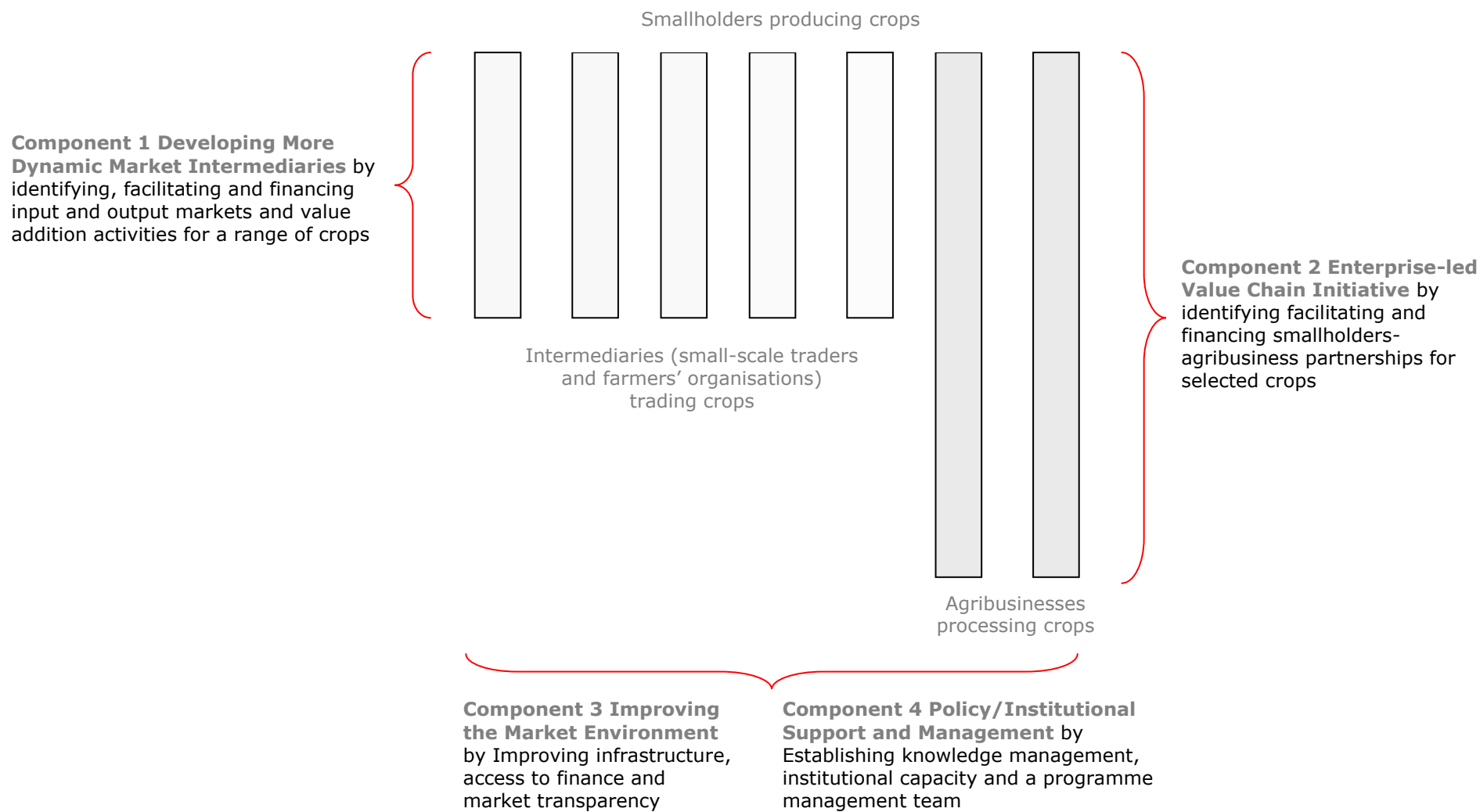
41. As the programme approach has evolved and deepened during the design process, a number of principles have been maintained that have helped to structure and elaborate the specific interventions. Considerable debate took place with national stakeholders, during the initial stages of design, over whether the programme should adopt an area-based approach, similar to PAMA and ADIPSA, or instead a value chain commodity-based approach. The eventual decision to *combine the two approaches*, to make PROMER dynamic yet robust, reflects the economic setting in rural Mozambique, characterised by a very high degree of dynamism, still combined with pockets of volatility, inefficient marketing systems and underdeveloped capacity of market intermediaries. Despite commodity-specific economic opportunities are continuously emerging, a large scale investment programme adopting a ‘pure’ commodity-based approach, thus focusing exclusively on a few selected commodities, will not be justified in this context and PROMER was thus designed to flexibly respond to a range of demands and be able to utilize a range of ‘tools’.

42. Thus the programme has a clear geographical definition - i.e. areas in the Northern Region with market potential – and a mix interventions that will allow to combine a more horizontal ‘market linkages’ approach aiming at building the capacity of market intermediaries (traders, agri-dealers and farmers’ organisations), with a ‘value chain’ approach looking at seizing and facilitating opportunities for vertical integration between smallholders and agribusinesses. The ultimate goal is to increase options for smallholders to profitably market their surpluses. A stylised overview of the programme approach is presented in the diagram overleaf.

43. A particular feature which underpins the design of the programme is the drive to build in flexibility and responsiveness to opportunities. These aspects have been included in the design: (i) by building strong complementarities between the development of market intermediaries and the facilitation of smallholders-agribusiness partnerships, and (ii) by adopting a strong commercially-oriented and business-driven approach to identifying investment opportunities, aimed at focusing on those selected commodities (e.g. cotton and sesame to start with) that have a demonstrable impact on the target group and aimed at maintaining sufficient dynamism and flexibility to enable quick and effective responses to opportunities as and when they arise.

44. Two other features have underpinned the design of the programme: (i) the *harmonizing* of activities with complementary projects and programmes – for example, in adjusting the design to ensure synergies with other programmes such as ADIPSA and combining initiatives with complementary programmes such as RFSP and PRONEA; and (ii) ensuring that all programme interventions, while being market -oriented, result in clear benefits for the target group, i.e. the rural poor including the extremely poor.

Stylised overview of the PROMER approach



E. Alignment with Country Rural Development Policies and IFAD Strategies

45. **Mozambique Rural Development Policies and Strategies.** The programme is fully consistent with the main country strategic orientations as stated in *PARPA II* and the *Rural Development Strategy*: both strategies emphasize the importance of assisting smallholder households in making the transition from a mainly subsistence-oriented agriculture into a more market-oriented one, characterized by higher productivity and better integration with input and output markets. Given its consistency with the above national strategic documents, PROMER is also aligned with: (i) the *Green Revolution*, including its aim of improving access to markets and market information, better access to financial services and promoting farmers associations; (ii) the *Strategic Plan for the Development of the Agricultural Sector*, with its emphasis on productivity enhancement and intensification, market access for inputs and outputs and value-addition for agricultural products; and (iii) the *Agricultural Marketing Strategy* through PROMER's development of markets promotion of agricultural commercialization; facilitation of both internal trade and exports, and transformation of primary products. PROMER will also promote partnerships with agribusinesses for the transformation of smallholder agriculture; improve economic infrastructure; and create a conducive policy and institutional environment for business investment in agriculture.

46. **IFAD Strategies and Policies.** PROMER is consistent with IFAD's Strategic Framework 2007-10, which highlights the importance of ensuring that poor rural people have access to transparent and competitive markets in order to empower them to achieve higher incomes and improved food-security. It is also consistent with the IFAD policies as stated in the COSOP, in particular with the goal to integrate smallholder agriculture and artisanal fisheries into the market economy and turn them into profitable economic activities. Support is thus envisaged not only for smallholders, but also for marketing and processing enterprises, with a view to promoting rural economic diversification and the creation of alternative sources of income and jobs, opening new outlets for marketing agricultural production, and expanding the supply of inputs and technical assistance. Moreover, the COSOP acknowledges that the development of associations of small-scale producers is an essential element of the IFAD strategy of intervention in order to: (i) facilitate the delivery of cost-effective and responsive services to their members; and (ii) foster their integration in the market economy and organization of commodity chains.

47. PROMER is also in line with IFAD's policies on rural enterprises and rural finance, by promoting rural entrepreneurs – both farmers' associations and small-scale traders and agri-dealers – through a combination of mechanisms: improved access to financial services by 'increasing the number of financial institutions in rural areas' and providing matching grants but avoiding creation of a targeted line of credit; provision of business and entrepreneurship training combined with risk mitigation funds; promoting market access; and engaging in policy dialogue²⁷.

F. Programme Components

Component 1 – Developing More Dynamic Market Intermediaries (USD 13 million)

48. **Objective and Strategy.** The objective of the component is *to promote the development of farmers' organizations and small and medium rural businesses*. The component responds to the dual nature of smallholder marketing: with both small-scale traders and farmers associations playing parallel, sometimes competitive, but in many ways complementary roles in facilitating the marketing of smallholder surpluses. It will work with both, with the aim of providing smallholders with increased options for selling their crops and getting access to improved agricultural inputs. While the support provided will aim to improve the marketing and, more importantly, the profitability of

²⁷ Programme initiatives reflect best practice as presented in 'IFAD's Rural Enterprise Policy', page 22 to 25 and in 'IFAD's Rural Finance Policy', page 23.

marketing for the full range of smallholder commodities, there will be a particular focus on those commodities that have the greatest potential to produce good returns for smallholders, and in turn for small-scale traders. This support is divided into two sub-components:

- Support for Input and Output Traders;
- Support for Farmers' Organisation.

49. **Component Description.** Each of the two sub-components and its constituent investment activities, outputs, risks and exit strategies are discussed below and detailed in Working Paper 2.

50. **Sub-Component 1 –Support for Input and Output Traders.** The sub-component seeks to provide market-based, sustainable solutions to two principal problems faced by smallholders in the programme area: limited marketing opportunities for their agricultural surpluses and lack of access (and use) of improved inputs.²⁸ To respond to the above problems, the component will enable participating traders to expand into agricultural commodities and/or extend their agricultural marketing business activities from urban-based to rural-based; while on the input side it will promote the establishment of open and competitive agri-dealer networks. The programme will target both newly emerging and more experienced traders, including a number of those who have participated in PAMA training, and support them to reach higher levels of operational competency, to expand their outreach and to access new market opportunities.

51. The programme will use a combination of basic business training, direct counselling, exposure visits, and relationship building with other market participants. Training will cover topics that are common to both input and output traders, such as business management; basic record keeping and accounting; stock control and credit management, as well others that are more business-specific, such as legislative/contractual issues; storage, handling and marketing; product technical knowledge.²⁹ Particular emphasis will be given to the area of relationship building with different partners, such as input supply companies; established agri-dealers for franchising or other forms of strategic affiliation; large market intermediaries and niche market developers; institutional buyers such as WFP; and financial institutions.

52. The sub-component will use a phased approach. Potential interested participants will be identified at the beginning of the programme through a quick assessment study. Depending on their level of skills and capacity, traders will be first involved in a basic capacity building exercise and then will be eligible for additional support for professional and relationship building once they successfully graduate from the former.³⁰ Furthermore, the formation of traders associations, involving both small and medium traders, will be tested on a pilot basis to determine the best way to set up and operate such associations.

53. Two complementary activities will also be implemented to support the development of input traders. The first activity, promotion of demand for inputs, will focus primarily on conducting *farm level demonstrations* aimed at increasing awareness among farmers of the benefits of using improved inputs. In an environment such as currently exists in Mozambique, success of the supply side is totally contingent on the success in developing demand. The demonstrations, run over a two-year period and established within farmers associations, will be driven from the 'business end', with the input supply companies and the input traders taking the lead. Field days and study tours will also be organized. Forms of incentives to stimulate initial take-up, such as seed vouchers (already tested with some

²⁸ Except for those crops under the concession system (i.e. cotton and tobacco).

²⁹ Training curricula will be developed by experts based on international best practices and a review of former experiences in the country (PAMA, ADIPSA and others).

³⁰ The same system of classification used in PAMA will be applied, whereby traders are classified in 'classes' depending on their level of skills and capacity and support is tailored to the needs of the traders in each class to allow them to gradually progress and graduate.

success in similar schemes being implemented by the Rockefeller Foundation³¹ and MINAG) and ‘starter kits’ will also be tested and if successful integrated into the activity. In addition, the programme will produce a series of *posters and pamphlets* translated into local languages to promote use of improved seeds and other inputs.

54. The second complementary activity, which has proved to be essential in promoting increased use of improved inputs, addresses the issue of Financial Support. A *Supplier Credit Risk Mitigation Fund*³², employing a guarantee mechanism, will be put in place to minimise business risk to input supply companies, thus enabling agri-dealers to acquire stocks from suppliers on credit³³. Other forms of *risk mitigation* will also be investigated and pilot tested during programme implementation. Complementary to this will be support for *financial intermediation* with banks and other financial intermediaries, which will be facilitated through the activity ‘Facilitating Access to Finance’ (Component 3).

55. Over the programme period, it is projected that PROMER provide support to about 240 output traders and 375 agri-dealers. Based on the experience of other similar programmes, it is expected some overlapping among these categories as some traders will be likely to undertake both enterprises.

56. ***Sub-Component 2 – Support for Farmers’ Organizations.*** The Programme will implement a series of capacity building activities to strengthen the organisation and management of both farmers’ associations and fora/unions³⁴ thereby enabling them to take advantage of economies of scale and improve their negotiating power: (i) Support for Farmers’ Associations and Fora, (ii) Literacy Training; (iii) Development of Higher Level Support Institutions; and (iv) Supplementary Support for Production.

57. The first activity, Support for Farmers’ Associations and Fora, will focus initially on associations formed under PAMA – thus enabling the programme to start operations right away. In the districts of Cabo Delgado and Niassa Provinces that were included under PAMA, PROMER will focus primarily on upgrading associations to a point where they could operate independently as self-sustaining organizations. It will also expand outreach in these districts, covering an estimated 20 additional farmers’ associations per district. In Cabo Delgado, the initiative will be coordinated with ADIPSA, which will also be operating a farmers’ organization support programme. Where there is only limited additional scope for further development of farmers’ associations, PROMER programme resources will be allocated to other districts and to districts in the other three programme provinces.

58. At the start of the Programme a manual for association development and market linkage will be developed, taking the most successful features from the experience of PAMA and existing programmes. The manual will also include a model for the development of higher level support organisations. A section comprising guidelines for trainers listing best practices and lessons learned will be included.

59. In parallel with the above implementation, the programme will conduct a needs assessment and planning exercise in new districts in Niassa, Nampula and Zambezia Provinces, and implement a training programme for selected farmers’ associations based on its findings. In addition to association

³¹ The Rockefeller Foundation is, together with the Bill and Melinda Gates Foundation, the founder of the Alliance for Green Revolution in Africa (AGRA), which will be providing funding and technical expertise for the implementation of this sub-component.

³² This builds on the successful experience by the Rockefeller Foundation, and now AGRA, in a number of its programmes as well as by IFAD in the ‘AGENT’ Programme.

³³ 90 days’ credit; 75% guarantee.

³⁴ ‘Fora’ bring together multiple adjacent farmers’ associations, usually own a store and generally bulk produce from member association for medium-sized traders in order to attract higher prices.

training, the programme will organize relationship development and study visits for selected association members to other associations.

60. It is projected that some 650-700 farmers associations and 30-35 fora and five district unions will be included.

61. The second activity, Literacy Training, responds to extremely high illiteracy rates, especially among women. There is a pressing need for literacy training in the programme area, partly related to commercial and association activities such as keeping records and reading weighing scales. The programme will offer functional literacy training for association members, after which they will be integrated in ongoing government programmes. An estimated 150 persons per district per year for five years will be involved – over 10 000 people.

62. The programme will promote the Development of Higher Level Support Institutions through technical assistance to district unions, commodity associations and UNAC in order to: strengthen marketing services, play an advisory/capacity building role, improve representation in policy fora, and train new leaders of associations. Institutional support to unions will be contingent on their meeting a set of agreed criteria, the most important being demand from member associations/fora and commitment to supporting the unions both in terms of time and resources. Exchange visits to other countries with successful higher level farmers' organizations will also be organized. Support for Commodity Associations, initially be focused on the National Cotton Forum (FONPA), will also be provided. Support for UNAC will commence in 2010 after completion of support provided by the current IFAD grant and include resources to strengthen advocacy and improve support to district unions in the programme area.

63. In a linked intervention, the problem of low productivity and poor quality of produce will be addressed by establishing a partnership with the government's national extension programme (PRONEA) to promote supplementary support for production. As the phasing in of PRONEA support to programme districts is not perfectly synchronized with PROMER, especially during the first three years, and until PRONEA will cover all districts by 2011 as per its implementation plan,³⁵ PROMER will provide funding to support PRONEA's activities in some programme districts, as a temporary, gap-filling measure, in strict coordination with PRONEA.

64. Small Scale Value Addition Matching Grant Facility. This activity is transversal to the whole component as it aims to improve the marketability of key commodities and is targeted at both farmers associations and small/medium traders. It will meet 50% of the cost of the approved investment in processing/value addition, covering both capital investment and working capital, for a maximum matching grant per recipient of USD 25 000. Two complementary activities will also be implemented: awareness raising to support farmers associations and traders in identifying potential investments in simple low-cost value-addition activities (such as cleaning, grading, packing or blanching); and technical assistance support in developing business/ investment plans, equipment selection and procurement, facilitating access to raw materials and business-specific capacity building.

65. **Outputs.** The outputs will be: *(i) increased capacity of farmers' associations and traders to effectively market surplus production and handle agricultural inputs, (ii) stronger institutions effectively representing farmers' interests at national and local levels and (iii) increased quality, quantity and value of selected smallholder crops.*

66. **Risks.** The potential risks associated with the component are: *(i) availability of qualified service providers to undertake component activities* – while this will be a constraint that PAMA also has had to face, provision of capacity building for service providers at the beginning of contract implementation combined with active support/monitoring by the PMT will mitigate this risk; and

³⁵ The PRONEA phasing of districts is still being finalised, which does not allow at this stage to determine exactly from which year the PROMER districts will be covered by PRONEA.

(ii) *other donor-supported initiatives engage or are proposed to engage in similar activities within the programme's districts* – while there is enough room for various programmes to operate in parallel and more demand than can be met by any one donor, coordination and harmonization with other donors' initiatives has been incorporated into programme design.

67. **Exit Strategy.** The exit strategy for the component is built into the programme's implementation strategy that focuses on working with farmers' associations and traders at different levels and helping them progress to a level³⁶ at which they are effective and able to sustain their own operations.

68. **Component Investment.** The component will involve investment in: service provider contracts for technical assistance, training, business development services and production support, specialist TA for training of trainers and developing manuals, contract(s) for functional literacy training, a matching grant fund, mobilization and bicycles for farmers' association animators, material support for associations/fora, support package for UNAC, recurrent costs.

69. **Implementation Arrangements.** The component will be implemented by the PROMER management team (PMT) with the local management cells (Component 4) playing the lead in coordinating operations in the field. Implementation will be carried out through a series of service provider contracts, sourced locally or internationally, to facilitate implementation of the different elements. Based on PAMA experience, special support will be included within local service provider contracts in which the service provider needs strengthening to be able to effectively implement the assignment. An international training specialist for each sub-component will be recruited to: review the existing training curriculum (including from other programmes and projects), assess the effectiveness of training conducted by PAMA, and prepare a generic training manual.

70. For the sub-component on 'Support for Input and Output Traders', two (or more) main service provider will be contracted for capacity building and counselling of traders. A further, specialized service provider will be sub-contracted for the implementation of the input demonstrations. This service provider will have to coordinate with PRONEA extension staff, the local trader and one or more input supply companies. Based on the experience with implementation of similar activities by the Rockefeller Foundation (and now AGRA) the management of the 'Supplier Credit Risk Mitigation Fund' will be with the main service provider that is contracted to manage the rest of the activities.

71. For the sub-component on 'Support for Farmers' Organizations', three main service providers will also be contracted for farmers' association development, including support at district level. Literacy training will be managed by the same service provider. Support to UNAC and other national level organizations (e.g. FONPA) will be through a direct contract with the beneficiary organisation. Regarding the 'Supplementary Support for Production', the PMT will sign a Memorandum of Understanding (MOU)³⁷ at the beginning of the programme with PRONEA and develop a work programme to ensure that: (i) the extension services supported by PRONEA are able to respond to the demands arising from the programme's market support initiatives; (ii) temporary support by PROMER, in the agreed programme districts where PRONEA will not be operating from the first year, is harmonized with the extension approach generally being taken by PRONEA. The results from this activity – which will generate useful experience and lessons for the rest of the PRONEA districts – will be captured as part of the PROMER's monitoring and knowledge management operations.

72. The same service providers supporting traders and farmers associations will also be responsible to identify jointly with interested traders/associations opportunities for small scale value addition investment as well as to support them to related investment proposals. Such proposals will

³⁶ Designated as Level 'A' in PAMA support to farmers' associations and traders – to be adopted also by PROMER.

³⁷ A proposal for the contents of the MOU is presented in section V.C below.

also include requests for specific technical assistance inputs. The procedures for review and approval of the investment proposals will be the same as for the matching grants for component 2 (see below): the service provider will assist interested investors to prepare business plans and matching grant proposals which will be sent to the PMT for technical review and once cleared by the PMT as having met the criteria for such grants, the applications will be sent to the Value Chain Advisory Committee³⁸ for review and approval (or rejection). The same service providers will also conduct workshops designed to raise awareness among beneficiaries regarding technological options available to them to improve post harvest handling of crops to reduce spoilage and improve marketability.

Component 2 – Enterprise-Led Value Chain Initiative (USD 7.2 million)

73. **Objective and Strategy.** The objective of the component is *to increase the agriculture-related incomes of smallholders by enabling them to enter into profitable partnerships with agribusinesses for selected commodities*. The component will be flexible and responsive – responding rapidly to new opportunities as they arise – and will operate both at the ‘demand’ and ‘supply’ end of pro-poor commodity value chains with the aim of improving the income opportunities for the participating farmers. The focus will be on those commodities where there is an active agribusiness that will act as driver. It will typically affect the nature of the partnerships between the businesses and the smallholders. It will also deal with the forms of external financing secured and business processes practiced. In the process, the component will add value at various stages of the chain in the form of quicker response time, lower levels of loss and deterioration, reduced risks, faster delivery, and where applicable, conformance with Fair Trade or Organic Certification requirements. In essence, the component capitalizes on and responds to arising opportunities to develop “smallholders-agribusinesses partnerships”, which produce mutually beneficial arrangements.

74. **Component Description.** A detailed description of the component is provided in Working Paper 3. Here below is a summary of the main investment activities:

75. *Identifying Value Chain Opportunities.* The starting point for the identification of partnerships is a Commodity-based Market Opportunities Study, carried out for the whole programme³⁹ in PY1 to facilitate the planning of PROMER activities. The study will be the basis for more detailed analyses (see below) that will allow the programme management to identify priority interventions. The selected commodities will have to involve a ‘value chain driver’ – i.e. major agribusinesses that are actively investing in the commodities, for assembly and/or processing, and that are produced by smallholders. Beside marketability and profitability, specific criteria for value chain selection will be developed at inception of the programme that will allow to capture aspects related to: (i) targeting (number and average size of producers; average expected additional revenue/income for producers; number of total jobs created and proportion of casual jobs vs. temporary/seasonal jobs vs. formal stable employment, with particular emphasis on women and youth); (ii) gender, on the basis of the results of the specific study and strategy that will be undertaken during the initial planning phase; and (iii) climate change robustness of the farming systems involved. Preliminary analysis done during design⁴⁰ indicates cotton and sesame as two potential commodities that the programme will most likely start to focus on.

76. Component funding will provide for consecutive detailed studies. Starting with the first two selected commodities, Value Chain Analysis Studies will be used to determine the allocation of PROMER resources to such commodities. This process will be repeated twice more during the programme period when Market Opportunities Re-assessment Studies will be carried out to re-examine market developments in the programme area, update the initial commodity-based market opportunities study and identify fresh opportunities for developing agribusiness partnerships. The

³⁸ Roles and functioning of the Committee are explained under Component 2.

³⁹ Budgeted for under Component 4, as part of the Focal Area Planning Process.

⁴⁰ See value chain models in Working Paper 12, Economic and Financial Analysis

results of this study will allow the programme to re-assess and reconsider the selection of specific commodities.

77. *Facilitating Agri-business Partnerships.* For each value chain, training/TA will be provided for smallholders and traders focused on technical issues linked to such topics as production, storage and transport arrangements. Also included will be high-level technical assistance to the agribusiness as well as exposure visits and workshops. A core activity under the component will be the establishment and operation of Planning and Facilitation (P+F) Teams, one hired for each selected value chain. Each team will comprise an experienced Team Leader⁴¹ supported by short-term experts. The P+F Teams will cover technical, economic and investment aspects, but also socio-economic and gender-related subjects. As an integral part of the process, funding will be provided for a Value Chain Advisory Committee that will be responsible for final identification and selection of value chains and the allocation of PROMER resources to the selected value chain projects.

78. *Matching Investment Grant Facility.* To facilitate smooth value chain operations and to strengthen the longer-term commitment of agri-businesses to these activities, the component will include matching grants as a risk-reducing mechanism to meet part of the financing needs of agribusiness partners. The matching grants will cover a maximum of 40% of the investments considered crucial for active development of the value chain operations. Investment will be in processing, storage and transport, and could also include support for production. The agribusinesses will be required to provide a minimum of 60% of the cost of these investment projects from their own resources. The maximum grant for each of the selected six value chains will be limited to USD 250 000 per project or USD 1.5 million for the whole activity.

79. The component will draw on support from other PROMER components, including:

- Capacity building support to farmers' associations/fora (from Component 1);
- Training support to rural small-scale traders (from Component 1);
- Matching grants for storage/processing investments by farmers' organisations or traders (from Component 1);
- Rural feeder roads rehabilitation (from Component 3);
- Technical support to increased access to rural finance services (from Component 3);
- Support to increased use of improved inputs (from Component 1).

80. **Output.** The output will be *profitable partnerships between smallholders and agri-business enterprises*.

81. **Risks.** One potential risk is associated with the component: failure to attract sufficient numbers of agribusiness to participate as partners with smallholders. Though a proactive approach combined with a demand-led approach will significantly reduce the risk of failing to identify suitable agribusiness partners.

82. **Exit Strategy.** Once the projects have been launched and are under implementation and the management contracts have been completed, the commercial partnerships between the agribusinesses, smallholders will have been established and, if profitable for both parties, they will continue without any further programme support.

83. **Component Investment.** The component will involve investment in: studies/surveys, technical assistance contracts, training events and workshops, and value chain investments by agribusinesses and matching grants.

⁴¹ Each with a 180 day allocation over the two-year focused support period.

84. **Implementation Arrangements.** The overall responsibility for implementation will be with the PMT, supported by the *Value Chain Advisory Committee*⁴² chaired by the Director of DNPDR. The four committee members will be recruited from the private sector and will be experienced representatives of the Mozambican agribusiness sector, the financial sector and/or NGOs experienced in value chain development in the Northern Region. Its key tasks and responsibilities will include: (i) advice to the PROMER's PMT, (ii) assistance in selecting the most promising value chains and appropriate value chain-specific P+F Teams, (iii) assessment of the strategic action plans jointly develop by the P+F teams and value chain stakeholders, (iv) approval or rejection of matching grants to agribusinesses.

85. Most of the planning and facilitation work will be carried out by the *P+F Teams*, supported and monitored by the PMT. The responsibilities of each P+F Team will include: (i) jointly defining the investment plans and translating them into time-linked actions plans, (iii) preparing and signing partnership agreements between the agribusinesses and smallholders, (iv) monitoring implementation performance, (vi) coordinating inputs from other PROMER components, (vii) securing inputs and services from various programme components.

86. The criteria for utilization of *matching grants* will be detailed in PY1; however, the following guidelines will apply: (i) agribusinesses must be operating with one of the selected commodities, (ii) a matching grant will cover a maximum of 40% of each investment project, with the rest of the financing to be raised by the investing company, (iii) a maximum value of the matching grants per any selected value chain will be USD 250 000, (iv) an investment must transform arms-length transactional relationships between smallholders and agribusinesses into long-term, pro-poor partnerships, (v) supported investments be required to make it possible to develop, intensify and extend produce buying activities.

Component 3 – Improving the Market Environment (USD 11 million)

87. **Objective and Strategy.** The objective of the component is *to enable market participants to operate more knowledgeably and effectively*. The component will address three of the key factors that affect the ability of smallholders, traders and other market players to interact with the market: (i) market access/market infrastructure, (ii) access to finance and (iii) market transparency.

88. The allocation of funds to improve *market access* will employ a participatory process in the selected districts⁴³ to identify the priority feeder roads for rehabilitation and a labour-based approach using local contractors. In *facilitating access to finance*, the programme will help in developing and mainstreaming innovative ways in which financial intermediaries can work with the Programme's market players rather than providing a line of credit. *Improving Market Transparency* will aim to ensure that those with minimal and irregular market information – particularly smallholders, farmers' associations and small traders – have access to information to allow them to buy, sell and more effectively negotiate agreements.

89. **Component Description.** The investment activities for each of the three sub-components are described briefly below and detailed in Working Papers 4, 5 & 6.

90. ***Sub-Component 1 – Market Infrastructure.*** The sub-component Market Infrastructure is dominated by the rural access road programme; however, limited funding will also be made available to finance rehabilitation of markets and associated storage facilities. Programme investment in the sub-component is divided into three broad categories:

- **Market Infrastructure Investment.** Funds will be made available to respond to needs for

⁴² It will meet twice a year.

⁴³ Based on the approach and principles tested and proven successfully under PAMA.

improvements/rehabilitation to agricultural markets, based on a demand assessment determined during the focal area planning process that takes place in PY1. Provision has been made for the construction of 15 district level market infrastructures and 4 provincial level infrastructures, with funding to include both hardware and software elements⁴⁴.

- **Feeder Road Rehabilitation.** This will include rehabilitation and spot repair to existing rural roads⁴⁵ needed to improve access to markets and the main road network. Similar to the investments in markets, the selection of the roads to be rehabilitated will be determined through a participatory planning process. The exact length of roads to be rehabilitated will depend on the nature of the repairs and the number and nature of bridges and other structures, but it is expected that the length will range from 450 to 500 km, or about 20% of total programme costs.
- **Supervision, Training and Other Support.** In addition to the investment in infrastructure, the sub-component costs include the following: (i) supervision budget to supplement that of the provincial delegates of ANE and recruitment of road civil engineers to support road planning and supervision; (ii) training of local roads contractors in human resources and business management skills; (iii) other support, including a provision for mobility and an HIV/AIDS programme.

91. ***Sub-Component 2 – Facilitating Access to Finance.*** The sub-component will complement the other programme activities and include four activities: (i) Technical Assistance to Improve Bankability of Value Chain Participants, (ii) Rural Finance Training to Farmers Associations and Traders, (iii) Short-term Institutional Support to Development Finance Institutions and (iv) Support to Financial Institution Outreach in PROMER Area.

- **Technical Assistance to Improve Bankability of Value Chain Participants.** The support will complement the investments made under the second component with value chain partners by providing *advice and training* for participants (farmers, their associations, traders and agribusinesses) to facilitate financial intermediation within the commodity chain and to make the chain participants more bankable for the interested financial institutions. Instrumental to this will be the drawing up of an action plan describing the activities for which financial intermediation is needed. The sub-component provides for a 30-day consultancy for each of the six PROMER-supported value chains.
- **Rural Finance Training to Farmers Associations and Traders.** This support is geared to complement the training and support provided to farmers' associations and small-scale traders under the component, Developing More Dynamic Market Intermediaries. It will involve a *training module on 'access to finance'* that will be delivered as a part of the regular PROMER training programme for the farmers' associations and traders. Financing provides for: (i) 30 training events for 300 new farmers' associations; (ii) 15 training events for 300 'old' associations that have already received general training under PAMA; and (iii) five separate training events for 100 small-scale traders.
- **Short-term Institutional Support to Development Finance Institutions.** Recognizing that credit is one of the key factors in marketing operations – substantiated during PAMA⁴⁶ – the sub-component will include *financial support for institutions already operating in the region and aiming to extend their operations in the programme area*. Currently there are only two development finance institutions with any presence there: GAPI and AMODER. While

⁴⁴ 'Hardware' such as stalls, market slabs, storage structures, etc and 'software' to include market management systems.

⁴⁵ Including bridges, culverts and other structures.

⁴⁶ An Irish-financed FAMA sub-project worked jointly with PAMA to provide financial services in the area. It covered both credit line funds and institutional support for two institutions, GAPI and AMODER. A recent evaluation indicates that FAMA, funding operators through traders and farmers' associations, have reached large numbers of smallholders. Around USD 500 000 of the credit line funds are still intact and remain revolving in the PAMA districts.

PROMER will work to attract new financial institutions to its operational area, as a short-term solution, the cooperation with GAPI and AMODER will continue under the new programme and the USD 500 000 credit line remaining in these institutions from PAMA implementation will be complemented by limited amounts of short-term institutional support to enable them to expand their operations into new districts in the PROMER area. This support will consist of training to new staff members, increased staff mobility and minor operational support for new satellite offices⁴⁷. Thus financial services for marketing operations in the PROMER area will be secured, until the progress in financial sector development will create a more competitive financial market with a larger number of active institutions providing financial services.

- Support to Financial Institution Outreach in PROMER Area. This activity will link with the RFSP Innovation and Outreach Facility and promote the expansion of financial institutions into the 15 PROMER districts. Cooperating with the RFSP and using the already functional procedures and financing terms of the Facility, *geographically-designated matching grant support* will be provided for those financial institutions that are planning to start their operations in the 15 districts covered by PROMER. This will enable the participating financial institutions to apply for on-lending credit capital, on the favourable IOF terms (from RFSP's existing large credit line), to start their lending operations in the PROMER area.

92. **Sub-Component 3 – Improving Market Transparency.** The sub-component will comprise three elements that will allow the programme management team to deal effectively with market transparency and dialogue:

- Regional Market Information Support will provide market participants with information regarding prices, projected supply and demand balances, stock levels, prices in neighbouring markets which may have local market effects and practical and actionable insights into non-traditional market opportunities. In conjunction with this, the Programme will establish a regional market information centre based in Nampula, linked to other provincial centres, that will effectively transform 'market data' into interpreted and decision relevant 'market information'. A key part of its operations will be radio broadcasts, building on the successful development of a similar programme under PAMA.
- Support for Effective Engagement with Government on Market Linkages comprises two elements: (i) Marketing Dialogue Fora and (ii) Marketing Policy Fora. The former will entail assisting MIC in transforming its annual fora, which have traditionally entailed communication primarily in one direction to announce government policies and marketing strategies, into effective platforms for interaction between government, farmers, traders and other market actors⁴⁸. The latter will organize value chain focused market seminars targeted at district and provincial leaders to help develop an effective lobby for government policies which supports specific value chains and the economic interests of the programme target area in national policy deliberations,
- Support for Improved Dialogue with Market Intermediaries will finance the networking of the traders and other market intermediaries, including farmers' fora/unions, within the Nacala Corridor to address common constraints, *inter alia*: availability of reliable and economic transport services, access to working capital, and lack of transparency in taxation by local authorities.

93. **Output.** The output will be *improvement in the quantity and quality of market related infrastructure and services.*

⁴⁷ About USD 220 000 has been allocated for AMODER and GAPI, to be disbursed over the first three years of PROMER implementation.

⁴⁸ This dialogue will include issues relating to: the identification of critical road infrastructure, access to public warehousing facilities, cross boarder trade, the production situation and implications for food security, as well as the market distortions arising out of government programmes such as inputs distribution.

94. **Risk.** The potential risk associated with the component is that: *in spite of the support provided to facilitate access to finance, the response by financial intermediaries will not meet the demand generated by the programme* – this is a real risk, and one that was confronted by PAMA by establishing a line of credit with GAPI and AMODER. For PROMER, however, the dynamics are different: there is greater liquidity in the system, a track record of lending to traders and farmers' organizations now exists in the area, banks and other financial institutions are actively looking for new investment opportunities, there is generally more interest in extending lending to rural clients, and RFSP is actively supporting rural lending. Also, with funds made available to facilitate the extension of financial services by GAPI and AMODER to PROMER districts, time is created for other financial intermediaries to establish their operations.

95. **Exit Strategy.** The exit strategy for the component needs to be looked at in terms of the three sub-components: (i) *Feeder Roads*: PAMA experience has demonstrated that rehabilitated roads will be maintained if they are classified and included in the provincial government annual maintenance budgets, as is planned under PROMER; (ii) *Facilitating Access to Finance*: GAPI and AMODER successfully and sustainably extended credit under PAMA – a similar approach will be pursued under PROMER; more generally, matching grants to financial institutions are expected to make it easier for them to operate on a longer term sustainably basis in the PROMER area; and (iii) *Market Information*: the proposed programme will become part of the Ministry of Agriculture's own programme and has been allocated a high priority by the Ministry.

96. **Component Investment.** The main programme cost will be: contracts with local contractors, a contract for supervisory engineers, and recurrent costs for government oversight by Provincial Directorates of Public Works and Housing and provincial delegations of ANE for the market infrastructure sub-component; technical assistance and specialist advisory support plus matching grant funds for financial institutions for the access to finance sub-component; and service provider contracts to manage the radio programmes, and contracts to cover technical assistance, training, seminars, data collection/surveys for the market transparency sub-component.

97. **Implementation Arrangements.** A different approach will be adopted for each of the three sub-components, as presented below.

98. The implementation of the *feeder roads programme* will adopt a very similar approach to that successfully employed by PAMA. Overall responsibility will be with MPOPH/ANE, mainly at provincial level, which will work with the programme management team to identify/prioritize, through the focal area planning process and subsequent surveys, the roads and associated infrastructure work (bridges, culverts, etc.) for rehabilitation. The programme will use small scale local road contractors who will receive supplemental training to complement training provided by PAMA and others.

99. The implementation arrangements of the *Facilitating Access to Finance* differ between activities. 'Technical Assistance to Improve Bankability of Value Chain Participants' will be dealt with by contracted individual rural finance experts, whereas development of the training modules and actual delivery of training under 'Rural Finance Training to Farmers Associations and Traders' will be contracted out to a local service provider. For 'Short-Term Institutional Support to Development Finance Institutions', agreements between PROMER and the MFIs GAPI and AMODER, laying out roles and responsibilities in the planned operations and the institutional support being offered are being prepared. While the financing activities are likely to be closely linked to the PROMER promotion activities in the area, the actual lending operations, including client selection, will be carried out wholly according to the internal operational rules and procedures of these two institutions. Responsibility for implementation of 'Support to Financial Institution Outreach in PROMER Area' will be with the Innovation and Outreach Facility of RFSP. At programme start-up, an MOU will be signed between PROMER and FARE covering the operations to be financed under this activity⁴⁹.

⁴⁹ A proposal for the contents of the MOU is presented in section V.C below.

100. The approach to implementation for the *Market Transparency* initiative will depend on the four activities. ‘Regional Market Information Support’ will require that the PMT contract a business information service provider to assist the Provincial Directorates of Agriculture/Industry and Commerce to set up and run the information programme. It will involve participation from: the government SIMA-SIMAP, ADIPSA, EMPRENDIA and AIMS. For the second activity, ‘Support for Effective Engagement with Government on Market Linkage Issues’, PROMER will work with MIC and DNPDR to facilitate the implementation of both the marketing fora and the annual value chain seminars in the programme area. Under ‘Support for Improved Dialogue with Market Intermediaries’, fora will be organized jointly with ACIANA, the Nampula-based Regional Chamber of Commerce.

Component 4 – Policy/Institutional Support and Management (USD 9.2 million)

101. **Objective and Strategy.** The objective of the component is *to assist in developing a capacity in government to take the leadership in overseeing market linkage/value chain development in the country*. This involves strengthening a number of facets of government in the oversight role being played by DNPDR, including: facilitating lesson learning and dissemination as part of a broader knowledge management function; coordinating government programmes, NGOs and donors in support of the sector; supporting private sector initiatives and fostering partnerships; and promoting ongoing policy formation linked to its translation into practical strategies and legislation. To professionally fulfil this role, DNPDR’s capacity to guide and monitor development, to capture experience and be an active and fully informed player in the sector will be strengthened. In support of this goal, the component includes three elements: (i) knowledge and information management, (ii) policy/institutional support and (iii) programme management.

102. **Component Description.** Each of the three sub-components are presented below in investment terms and discussed further in the following section, Implementation Arrangements.

103. ***Sub-Component 1 – Knowledge Management and Coordination***⁵⁰. The sub-component will facilitate knowledge sharing and learning: within DNPDR; between and among key stakeholders; and with market linkage projects such as PROMER. DNPDR will play the leading and coordinating role. The focus of the support will be on ‘agricultural marketing and market linkages’; however, the programme will invest in processes, systems and physical means to establish a general knowledge management capability in the Directorate.

104. Sub-component investment will broadly support DNPDR and PROMER within it. The two initiatives are closely linked with the learning and knowledge emerging from PROMER feeding into DNPDR’s broader knowledge management system. To complement this, DNPDR knowledge on market linkage and value chain development initiatives will inform implementation of PROMER activities.

105. The first activity, Support for DNPDR in Knowledge Management, comprises:

- *Incremental operating costs* linked to the designation of an officer to act as the knowledge management coordinator;
- *Training and capacity building* to upgrade/develop knowledge/information management, records management, library management, writing skills and competencies of DNPDR staff, including PROMER, and staff of key ministries and other partners;
- Support for *learning and sharing processes and mechanisms* in the form of workshops and seminars, plus the creation of a ‘community of practice’ to bring together ‘virtually’ national and international experts on market linkage issues;

⁵⁰ Working Paper 7, Knowledge and Information Management, provides more detail.

- Development of *key knowledge assets* including: an electronic storage and retrieval system or database; upgrading its document centre; developing an intranet and upgrading its website;
 - Promotion of *dissemination and outreach* by creating targeted public advocacy and communication products such as policy notes/briefs, human stories, periodicals, newsletters and radio programmes. As part of this process, DNPDR will revamp its rural magazine to become the directorate's flagship external newsletter.
106. The second activity is Support for PROMER in Knowledge Management. It comprises:
- *Development of a knowledge management strategy* for the programme to enable the PMT to incorporate knowledge management in service provider contracts and provide the associated training.
 - *The creation of knowledge management and public advocacy products* so as to better disseminate the results of studies, lessons, good practices and human stories, in conjunction with similar IFAD-support initiatives in Kenya, Tanzania and Malawi.
 - Support to *institutionalize reflection and after-action review* sessions through quarterly focal group meetings at provincial level to share experiences, disseminate knowledge and discuss lessons, challenges and issues.
 - Support to *create a bilingual sub-site*, within the DNPDR's website.
107. **Sub-Component 2 – Policy/Institutional Support.** The sub-component provides resources to allow DNPDR to play an active role in promoting policy dialogue and formation, and linked to that institutional strengthening.
108. The first activity, Financing for Policy Support, includes:
- Development of a system of *responses to policy/legislative issues arising during programme implementation* by setting up dialogue and response mechanisms to debate issues and solutions and feed into national policy debate/formation.
 - *Focus on key policy/legislative issues* in the agricultural market arena; some five to six will be addressed over the life of the programme. Unlike those policy issues arising from the previous initiative, these five or six issues will require a substantial and specialized input over a longer period of time – the work done by PAMA to address the issue of farmers association registration is a case in point; it took a number of years of work, dialogue and lobbying to convince policy makers pass new legislation.
 - Assistance in *preparing/upgrading provincial agriculture market strategies*, using participatory processes at district and provincial levels.
109. The activity, Institutional Support, includes:
- Technical assistance to provide *training of DNPDR officers* in a range of activities linked to overseeing the market linkage/value chain arena and backstopping PROMER, including both technical and management topics. In PY1, DNPDR management will submit a training needs assessment and a plan for utilization of these funds.
 - Funds for *training of DNPDR's partner institutions* MINAG and MIC at national level.
 - Budget for *training district and provincial officers* in management of implementation of market linkage initiatives, comprising resource persons, workshops and logistical costs⁵¹.
 - Support for *oversight, planning and monitoring by programme reference groups*, at national,

⁵¹ Including a training needs assessment for MIC and MINAG.

province (4) and district (15) levels, including budget for meetings and field visits to programme areas, plus support will to the Districts' Economic Services units in the 15 districts to strengthen their ability to deal with market linkage activities.

110. **Sub-Component 3 – Programme Management.** The sub-component will provide the resources for the establishment and operation of the PMT in Maputo, to be established within DNPDR, and satellite programme implementation cells located at two major marketing centres in the Northern Region: Cuamba and Pemba. Funding also covers monitoring and evaluation: including baseline surveys, a RIMS survey and mid-term/completion reviews, and preparation of a gender strategy at the beginning of the Programme⁵². During the first six months of PY1, a focal area planning process will be organized on a district-by-district basis by the PMT as a basis for programme implementation.

111. **Outputs.** The outputs will be: *greater dissemination of market information and knowledge within government, private sector, civil society, and development partners; increased capacity within government to address market linkage issues; and effective planning, M&E, technical support, administrative and programme management systems.*

112. **Risk.** The main risk associated with the component is that *DNPDR could find it difficult to coordinate the different parties involved in market linkage operations – especially other participating government departments.* DNPDR has a clear institutional mandate in this respect, confirmed by the leading role it has played in the formulation of the Rural Development Strategy and it is now playing in its implementation. While there could be some reluctance to fully harmonize initiatives within government, the effective functioning of the PROMER Reference Group – which contains representatives from the participating government agencies and from the private sector – will facilitate such cooperation, as it has done during the design process.

113. **Exit Strategy.** The exit strategy for the component needs to be looked at in terms primarily of the functioning of DNPDR and other national and local government institutions. The support provided under the programme is explicitly intended to build up the capacity within government to play, on a sustainable basis, an active and informed role in guiding market linkage/value chain development in the future.

114. **Component Investment.** The breakdown of programme investments, as presented in the programme cost tables will be as follows:

- *Knowledge and Information Management (USD 1.4 million).* To include: staff and operating costs (KM coordinator), internal travel and exchange visits, TA and training, and hardware and software linked to electronic storage and retrieval system, document centre and website.
- *Policy/Institutional Support (USD 1.6 million).* Including mainly: TA, training, studies, seminars and study tours.
- *Programme Management (USD 5.7 million).* Comprising both investment costs in office equipment, vehicles, workshops and training, short-term TA, costs associated with running the monitoring and evaluation system and the associated recurrent costs including staff salaries, allowances and vehicle/equipment running and maintenance..

115. **Implementation Arrangements.** The implementation of the *Knowledge Management and Information* sub-component will be under the responsibility of the Knowledge Management Coordinator within DNPDR's Information and Documentation Unit. S/he will work closely with PROMER's M&E/KM expert who will be charged with those activities directly linked to the implementation of the programme. The Coordinator's task will be two fold: (i) to establish and operationalize the knowledge management 'infrastructure' in DNPDR – documentation centre,

⁵² Programme Management will be discussed in more detail in the following section on Implementation Arrangements.

database, intranet, website, communities of practice, etc., and, at the same time, (ii) start the process of assembling agricultural market information and capturing experience/lessons learned from national, provincial and district market linkage activities/programmes. The information generated by the M&E/KM expert in PROMER will form part of the broad information assembled by DNPDR and also provide important information for PROMER on lessons learned and shared knowledge to facilitate programme implementation.

116. Implementation of the *Policy/Institutional Support* sub-component will come directly under the responsibility of the Director of DNPDR. He will be supported by a number of experts in the Directorate and within the PMT, with PROMER's Agri-Business/Value Chain Specialist taking the lead. The major challenge in the policy arena will be to develop a process in which the different parties responsible for planning, monitoring and implementing PROMER will identify policy/legislative issues affecting programme implementation on a regular and ongoing basis. While this will be primarily a bottom up process, with the programme Reference Groups and service providers being the key participants⁵³, there will also be regular feedback of information to each level with the PMT playing a catalytic role. During this process, a number of critical market-linked issues are expected to arise that will need substantial inputs in order to produce a workable solution. These have been budgeted separately in order to facilitate the identification, documentation and preparation of policy briefs, plus the associated lobbying. While the former activity will come mainly within the capacity of the PMT, with some specialized consultant inputs, the latter initiative is expected to require a greater degree of outside expertise. Institutional support activities are closely linked to those of knowledge management and will involve considerable interaction with the participating institutions at each level.

117. **Planning Process.** This process will provide the basis for implementation of each of the programme's components and provide the means for the programme to delineate the areas within the 15 districts where the programme will operate. It will be divided into two distinct phases: (i) a region-wide, Commodity-based Opportunities Assessment; and (ii) a district-based, Focal Area Planning process.

118. The *Commodity-based Opportunities Assessment* will cover the full Northern Region and investigate the range of smallholder crops and other commodities, and the associated value chains, to determine the potential for programme interventions and to identify the ten or so most attractive commodities/value chains for the programme to focus on.

119. *District-Based Planning* will be a consultative process involving the range of stakeholders⁵⁴ with particular attention paid to include women as part of mixed gender and women-only focus group sessions. HIV/AIDS and climate change dynamics will be included as cross-cutting issues to enable them to be integrated in programme design. As part of this planning process, the members of the programme's District Reference Groups will be selected, and will thereby become key participants in the planning process. The outputs from the process, carried out district-by-district, will be: District Reference Groups formed/operational; target groups and gender-specific and HIV related constraints and opportunities identified; areas of programme intervention selected; recommendations for priority value chains, roads and investments submitted to PMT; and preliminary strategies for implementation of the programme's investment components defined.

120. **Linkage among Components.** As the chart presented earlier in the Section shows, there are considerable complementarities among the programme components. The matrix below indicates the linkages for each.

⁵³ This requirement will be included within the service provider contracts.

⁵⁴ Including: smallholders, traders, agri-business operators, government services, NGOs and projects.

	Linkages within the Programme among Components/Sub-Components
Component 1: Market Intermediaries	Farmers' associations and traders supported under the component will benefit from: improvements in roads and market infrastructure (Component 3A); credit facilitated for both traders and farmers' associations (Component 3b); and improved market information (Component 3C).
Component 2: Value Chain Initiative	Value chain projects, done jointly with value chain partner enterprises, will benefit from support provided to farmers' associations (Component 1) and benefit from roads/bridges rehabilitated (Component 3A). There will also be linkages with: training of rural small-scale traders, matching grants for storage and processing investments by farmers' organisations, and from support to increased use of appropriate seasonal inputs by farmers (Component 1); plus technical support for increased access to rural finance services to chain participants (Component 3B).
Component 3a: Market Infrastructure	The roads rehabilitated will improve access of smallholders, local/community traders and value chain partners and thus have important linkages with Components 1 and 2.
Component 3b: Facilitating Access to Finance	As mentioned above, the improved access to finance will benefit farmers and traders supported under Component 1 and value chain development under Component 2.
Component 3c: Market Transparency	As mentioned above, the improved market information will benefit farmers and traders supported under Component 1.
Component 4a: Knowledge Management	Activities under knowledge management will improve the effectiveness of each of the components.

V. IMPLEMENTATION AND INSTITUTIONAL ARRANGEMENTS

121. While the implementation of individual components was discussed in the previous chapter, this section focuses on how the programme will be organized and managed, what will be the roles of DNPDR and the other participating agencies, what will be the interaction with other programmes/projects, how programme activities will be implemented and integrated with the IFAD country programme, and what will be the financial management arrangements.

A. Institutional Development and Outcomes

122. The programme's institutional strategy will be to work through, complement and strengthen the main players in the market linkage/value chain arena – including government agencies, NGOs, agri-business enterprises and service providers – with the National Directorate for the Promotion of Rural Development (DNDPR) being the main focus to enable them to be more effective in coordinating, stimulating and implementing initiatives that will result in improved marketing of smallholder production.

123. The *institutional outcomes* of the programme will be:

- DNPDR effectively coordinating initiatives and taking the lead in policy and development fora in the market linkage/value chain arena;
- Provincial and district government agencies knowledgeable about market linkage/value chain initiatives and effectively coordinating implementation of programmes and projects;
- Service providers involved in market linkage development, rural finance and feeder road construction effectively implementing programmes and projects.

B. Programme Management Arrangements

124. The Director of DNPDR will have overall responsibility organizationally for PROMER, but line responsibility for day-to-day programme implementation will be delegated to the Head of the Programme Management Team (PMT). The organizational structure and relationships between the PMT members and staff of DNPDR and other agencies are shown in Annex 4, Organization Chart, and presented below.

125. **Programme Management Team.** PMT will be composed of a team of individuals contracted by DNPDR and managed by a Coordinator who will be responsible to the Director of DNPDR. The Director will maintain overall responsibility for the programme and all key decisions will be cleared through him; day-to-day implementation of programme activities will be with the Programme Coordinator and the individual team members who will work closely with their counterparts in DNPDR. The PMT will be split between Maputo where the core programme group will be, within DNPDR, and the Northern Region where two satellite management cells will be established. The responsibilities and staffing of each of these management units are outlined below:

- *Maputo Core Programme Group.* The Group will have overall responsibility for programme implementation and include the senior technical and financial officers needed to plan, implement and monitor programme progress and impact. It will be charged with all financial management for the programme, including procurement, disbursement, and accounting. The staffing of the Group, which will be gender balanced, will comprise: Programme Coordinator, Financial Manager, Accounts Assistant, Agri-Business/Value Chain Specialist, Planning/M&E/ Knowledge Management Specialist (also Gender Focal Point), office management/administration and support staff, plus part-time experts, including: roads/infrastructure specialist/engineer, sociologist/gender specialist, M&E specialist, and agricultural extension expert. The Programme Coordinator, Agri-Business/Value Chain Specialist, Planning/ M&E/ Knowledge Management Specialist will have dual roles: they will be responsible both for implementing their respective programme activities and helping to support DNPDR's operations and strengthen its capacity to fulfil its mandate in overseeing development in the sector and coordinating development initiatives by donors and NGOs. Each expert will work with a counterpart in DNPDR.
- *Programme Management Cell – Cuamba.* This management unit will cover the programme districts in Niassa (6,) Nampula (2) and Zambezia (2) and have technical responsibility to oversee the day-to-day implementation of programme activities in these districts and the monitoring of their progress against targets and impact. It will not, however, carry responsibility for financial management and procurement (which will remain with the Maputo office). The staffing will comprise: two experts, one senior and one junior, with market/value chain, project management and M&E experience, plus an office manager and support staff.
- *Programme Management Cell – Pemba.* This management unit, a smaller one that will cover the programme districts in Cabo Delgado (5), will have similar responsibilities as those of the Cuamba Cell. The staffing will comprise: one senior expert with market/value chain and project management experience, plus an office manager and support staff.

126. **Financial Management.** The Finance Manager of the PMT will have *responsibility for financial management* of the Programme, including: funds disbursement, preparation of withdrawal applications, management of the Special Account and local currency accounts, financial reporting and arrangement for audits. A financial management manual acceptable to IFAD will be developed at programme inception.

127. Service providers contracted by PROMER will be required to provide reports on both a physical and financial basis to the PMT. They will also be required to adhere to the financial management procedures developed within the PROMER financial management manual, the details of which will be included in the contract between the PMT and the service provider.

128. *Procurement* under PROMER will be managed by the PMT office in Maputo. It will handle procurement for almost all programme activities including all service provider contracts, grants, market infrastructure expenditure, and other expenditures on goods and services. The PROMER satellite offices in Cuamba and Pemba will only procure smaller locally-sourced items needed for the operation of the two satellite units. Other implementing partners such as service providers, or other government agencies, will be responsible for procurement within the framework of contracts for implementation of specific programme activities. A procurement plan for the first 18 months of the Programme will be prepared at programme inception.

129. Procurement will be done according to Government procurement systems as consistent with IFAD procurement guidelines. Specific thresholds for different procurement methods will be communicated by IFAD in the Letter to the Borrower that will be sent to the Government upon declaration of programme effectiveness. All contracts valued at USD 50 000 or more will be subject to prior review by IFAD. Contracts valued at less than USD 50 000 will be subject to ex-post review during supervision missions.

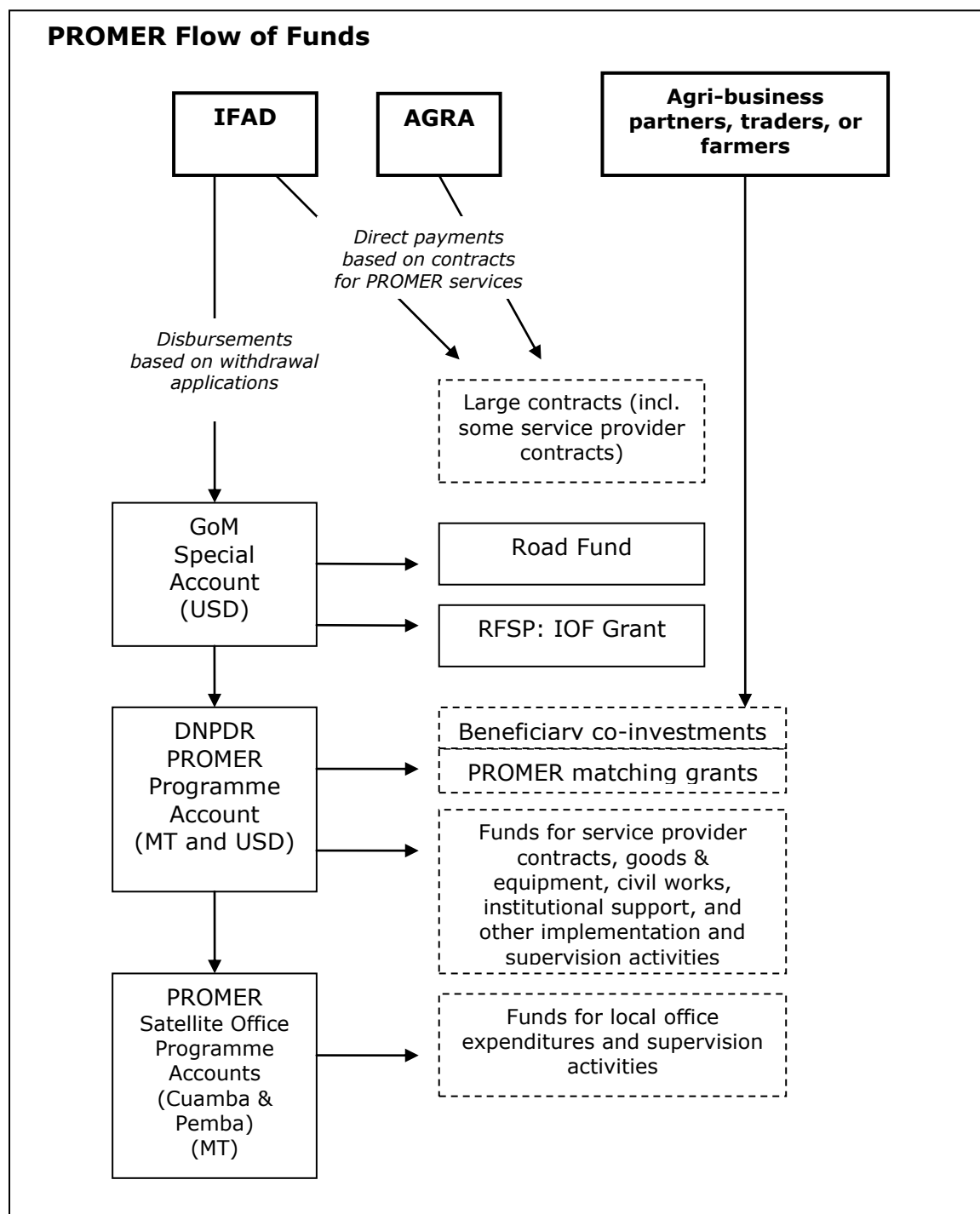
130. Programme *disbursement* will be based on approved annual work programmes and budgets (AWPBs). Funds will be disbursed under the following categories: (i) civil works (including the roads fund and market infrastructure); (ii) Goods, Vehicle and Equipment; (iii) Technical Assistance, Studies and Training; (iv) Contracted Services; (v) Matching Grants; (vi) Outreach Grants for Financial Institutions; (vii) Salaries and Allowances; and (viii) Incremental Operating Expenses.

131. The Alliance for a Green Revolution in Africa (AGRA)⁵⁵, which will co-finance the programme with an amount of about 3.5 million USD (see section VI.C), has different financial management, procurement and disbursement procedures than the ones described above and applying to the IFAD loan. Such procedures will be described and agreed upon between AGRA and the Government (DNPDR) in a separate agreement/MOU that will be elaborated at programme inception.

132. In order to ensure that PROMER will be managed and implemented as a whole programme, the agreement between AGRA and DNPDR will reflect the following principles: (i) the selection of the service provider implementing the activities financed by AGRA, will be done according to AGRA procurement rules, but with the involvement and endorsement of the PMT; (ii) the day-to-day management and performance monitoring of the service provider will be delegated by AGRA to the PMT (this will be spelled out in the contract for service provision and might require a tri-partite agreement involving the service provider, AGRA and the PMT); (iii) the planning of activities by the service provider will be included in the PROMER AWPBs that will be prepared by the PMT and submitted for approval to both AGRA and IFAD; (iv) the disbursement of funds for AGRA-financed activities will be made directly by AGRA to the contracted service provider, in accordance to the approved AWPBs; (v) after the initial disbursement, subsequent replenishments will be made only after the PMT has certified that the work has been done in accordance with the contract; and (vi) AGRA will supervise the PMT (and the service provider) through regular missions, both jointly with IFAD and independently as required.

⁵⁵ AGRA is funded by the Gates Foundation and the Rockefeller Foundation.

133. The flow of funds for the programme is shown in the figure below.



C. Phasing of Programme Implementation

134. The design of PROMER provides for early or rapid implementation of some of the programme activities while the preparatory activities and the detailed implementation arrangements for others are being finalised. Many of the activities that form part of the first component, Development More Dynamic Market Intermediaries, which follow on from successful PAMA

interventions and will be implemented in areas where considerable information already exists, will be able to start implementation at the beginning of PY1. This applies in particular to activities related to support to farmers organisations and rural traders. Other activities under this component will be implemented later to allow the PMT to carry out a rapid planning process in the new districts⁵⁶ included in PROMER. Activities to support small-scale value addition will start later on, from PY2 onwards, as they will depend on the identification of potential investors most likely graduating from the capacity building and professional training interventions with farmers' associations and traders.

135. Similarly, while activities under the second component, Enterprise-led Value Chain Initiative, will commence in PY1, there will be a period of interaction with agribusiness enterprises and value chain analysis before the P+F contracts could be put in place. The identification, done during design, of cotton and sesame as two potential crops that the programme could start work with from PY1, will also ensure a quick start for this component, while further detailed analysis is done to identify other opportunities.

136. Implementation of feeder road rehabilitation will be contingent on the participatory planning and identification of priority road that will take place during the planning process. Programme support for knowledge management will commence at the beginning of PY1 with the appointment of the DNPDR Knowledge Management Coordinator.

D. The Collaborative Framework

Main Implementing Agencies and their Roles

137. Institutionally, the programme will come under the auspices of the Ministry of Planning and Development, with the DNDPR having the direct responsibility. Being a multi-sectoral programme, PROMER will work with a number of different agencies, at national, provincial and district levels. In Maputo, in addition to DNPDR, it will work most closely with, the Ministry of Agriculture (MINAG), Ministry of Industry and Commerce (MIC) and the Ministry of Public Works and Housing (MPOPH)/National Roads Authority (ANE). These arrangements are mirrored at provincial level, in Cabo Delgado, Niassa, Nampula and Zambezia, with DPIC, DPA and DPOPH/ANE Provincial Delegations⁵⁷ being the key agencies and the Provincial Directorate of Planning and Finance hosting the programme in each province. While they will not have line responsibility for programme implementation, they will play a facilitating role, help to coordinate support from other development partners and maintain linkages with private agri-business players. At the district level, the District Services for Economic Activities, which combines agriculture, and industry and commerce, will coordinate technical aspects with District Extension Services also playing an important role. The institutional arrangements and participation of the key players in PROMER planning and decision making will be captured in Programme Reference Groups that will be established at each level.

138. The *Reference Groups* will facilitate participation by PROMER's development partners in the planning, monitoring and implementation of the programme. They will include representation from government agencies as well as from civil society and private sector. They will meet quarterly and undertake regular field visits to programme areas to assess progress and impact. The Maputo-based Reference Group that has guided programme design, will continue into implementation with adjustments as required to reflect the implementation responsibilities⁵⁸

⁵⁶ Those districts in which PAMA has not been operating.

⁵⁷ DPIC – Provincial Directorate of Industry and Commerce; DPA – Provincial Directorate of Agriculture; DPOPH – Provincial Directorate of Public Works and Housing.

⁵⁸ The current Design Reference Group includes membership from DNPDR (Chair), MINAG/DNEA, MIC/DNC, MINFIN/DNT, CTA, UNAC & AMODER. For implementation, participation will be extended to FARE/RFSP and MPOPH/ANE; while AMODER will withdraw given they will be among the implementing service providers. Representatives from Bank Association and/or Association of Microfinance Institutions could

139. The roles of the main government institutions in PROMER implementation will be:

- *DNPDR*: implementing agency and responsible for programme management through a contracted programme management team; coordination and oversight plus leadership in policy and knowledge management; chairs Programme Reference Group in Maputo;
- *MINAG/DNEA*: technical support for agricultural production and post-harvest handling; direct responsibility to provide extension support through PRONEA in programme districts and to work jointly with the programme's market information/transparency initiatives;
- *MIC/DNC*: support for/coordination of trade and commercial activities; direct responsibility to provide inputs for market transparency initiatives and development of provincial marketing strategies;
- *MINFIN/DNT*: as representative of the Borrower will have overall financial responsibility for the programme;
- *FARE*: as executing agency for RFSP, it will facilitate the partnership with PROMER to support outreach of financial institutions into the 15 programme districts managing resources from PROMER (matching grants) and its own resources (credit line);
- *Road Fund*: direct responsibility for channelling funds to ANE for the programme's road rehabilitation and subsequently for funding maintenance of the rehabilitated roads;
- *DPPF*: coordination of participating government agencies, representation of DNPDR at provincial level;
- *DPA*: responsible for coordinating agricultural activities in programme districts and for provincial level technical support and linkages to research; with DPIC, preparing/updating and implementing provincial agricultural market strategies;
- *DPIC*: responsible for linkages with the private sector and with DPA for preparing/updating/implementing provincial agricultural market strategies; coordinating implementation of marketing fora as well marketing information programmes;
- *DPOPH/ANE*: direct responsibility for planning and overseeing the implementation of the programme's feeder road programme;
- *District Administration*: oversight and coordination for programme activities in each of the 15 programme districts; District Administrator chairing the District Reference Group;
- *District Services for Economic Activities*: provides technical advice to the programme-supported farmers' groups, technical backstopping for the input demonstrations.

Links with Complementary Projects

140. There are a number of institutions and programmes that are supporting and/or complementary to market linkage/value chain initiatives in the northern Region. Discussions were held with the management teams of each during programme design, and adjustment of programme design were made to ensure harmony:

- *PRONEA/PROAGRI*. Promotion of agricultural marketing and value chains is contingent on smallholders producing sufficient quantities of good quality produce. This implies raising yield levels from their current low levels and growing those crops that the market is demanding. PRONEA's support for improved agricultural extension will be instrumental in achieving this goal. A Memorandum of Understanding (MOU) will be signed at start-up between the two programmes to harmonize efforts in the 15 programme districts. The MOU will define that: (i) PROMER will provide bridging finance for provision of extension services in those districts where PRONEA will not start operations at the same time as PROMER; (ii) once PRONEA

be included.

covers those districts PROMER will withdraw its financing and all activities related to extension services will be covered under PRONEA budget; (iii) planning of PROMER activities at district level will actively include district extension workers; (iv) contracting and management of service providers for extension services during the transition phase will be assured by the PROMER PMT but using as much as possible PRONEA standards and procedures; (v) technical supervision of the contracts will be assured by MINAG staff (from neighbouring PRONEA districts if necessary) with costs for DSA and transport supported by PROMER. This initiative will have complementary benefits for PRONEA as it will help to develop effective models for integrating extension approaches with market demand and processes.

- *Rural Finance Support Programme (RFSP)*, will be critical to the implementation of PROMER as a means of channelling financing to financial intermediaries that wish to establish operations in the programme's 15 districts. An MOU between the two programmes will be signed at programme start-up defining that: (i) USD 1.3 million of the PROMER funds will be allocated to be used as matching grants in the IOF operations, (ii) these funds will be used to increase the outreach of registered financial institutions in the 15 PROMER districts, (iii) all investment rules, criteria and procedures agreed for the IOF operations and documented in the IOF Operations Manual will be used when allocating matching grants from the PROMER funds, and (iv) funds from the general IFAD/AfDB-funded credit line of the IOF could be approved to supplement the matching grants earmarked for the PROMER area.
- *ADIPSA*. This programme has similar activities to PROMER and the areas of operation partially overlap, in particular in Cabo Delgado. Harmonization of approaches and regular communication will be essential – particularly regarding the support for farmers' organizations, which are a core element of both programmes. An MOU will be drawn up between the two programmes to coordinate programme interventions and arrangements for contracting service providers. As both programmes identified capacity of service providers as a key constraint, a joint capacity building programme will be agreed and implemented to explore synergies and reduce costs.
- *Emprenda*. An MOU will also be drawn up with Emprenda to facilitate harmonization of approaches to farmer organization development and to coordinate support for value chain enterprises. The MOU will also include linkages with IKURU, also supported by Emprenda, which is an important buyer for production from PROMER smallholders.
- *Malonda Foundation*. Coordination will also be important with Malonda, which is operating a programme which includes support for traders in Niassa Province as one of its activities. There are useful lessons learned both from its support for trading activities and its approach to financing. For those districts where both programmes are operating, an MOU outlining the modalities of cooperation will be drawn up.
- *Millennium Challenge Corporation*. To ensure effective coordination with MCC, twice-yearly working sessions will be organized that will focus particularly on ensuring the programme's investments in feeder roads is harmonized with the investment being made by MCC in the primary road network. Information on PROMER initiatives to strengthen and invest in value chains will also be included in these sessions.

Integration within the IFAD Country Programme

141. As noted in section II.C PROMER will be supportive of the goals and strategies of the IFAD COSOP. Furthermore, PROMER will be fully consistent with the country programme approach: (i) by actively promoting synergies and cooperation with two other complementary IFAD-financed programmes (PRONEA and RFSP) and (ii) by liaising regularly with the other IFAD-financed programme in the country (SBAFP) to share experience and lessons learned in common thematic issues (credit and market linkages operations). In this respect, PROMER will be instrumental in helping to build up and strengthen the Country Programme Team on the basis of operational tasks and functions, such as the harmonization of work programmes, regular working sessions,

complementary financing of operations and cross-learning among programmes.

142. PROMER will also provide opportunities for synergies with two other IFAD-linked initiatives in the country: (i) the joint FAO/IFAD/WFP programme for *Building Commodity Value Chains and Market Linkages for Farmers' Associations*, which will pilot-test approaches to link smallholder farmers' associations to the WFP local procurement of food that could then be mainstreamed and up-scaled within PROMER; (ii) the grant for *"Institutional Strengthening for Uniao Nacional dos Camponeses – National Farmers' Union (UNAC)"*, which will complement PROMER support for higher level farmers organizations.

E. Results-based M&E⁵⁹

143. Objective and Approach. The programme will establish a results-based M&E system linked to planning through annual work programme and budgets, monitoring of programme activities at all levels by programme management, production of progress reports based on performance indicators established in the logframe, and periodic evaluation of programme impact. Particular attention will be given to the monitoring of gender aspects related to PROMER interventions, as identified by the gender study and strategy elaborated at the beginning of the programme. In particular, M&E under PROMER will involve the following elements:

- Planning exercises. PROMER will take place through a strategic planning exercise at the start of programme implementation and through regular annual works plans and budgets.
- Supervision and monitoring of service providers. The PMT will undertake quarterly monitoring visits of service providers and as part of the service provider contracting process, a set of indicators and milestones will be agreed upon for service providers and reflected in their annual work programmes. Each contract will specify the programme/activity targets, a set of the appropriate performance indicators, an agreed implementation time schedule and the procedures and format for the delivery of information, including narrative sections analysing critical factors of success/failure and case studies.
- Monitoring and reporting on quarterly, semester and annual basis. Quarterly, semester and annual reports will be produced by implementing units. Reports will provide information on planned physical/financial outputs, including information about progress towards achieving results, assessing short-term and potential long-term impact, and providing lessons learned.
- Data collection through baseline data assembly and surveys. A general baseline assessment will be generated by the PMT at the beginning of the programme through a contract with specialised consultants. Detailed data will also come from service providers who will be required to collect baseline data on their target population as part of their contract. In order to guarantee a consistent base to assess programme impact, the consultants responsible to carry out the general baseline will also provide as part of the assignment the conceptual frame and requirements for the supplementary baseline by the individual SPs. In addition, the programme will mount a RIMS survey shortly after programme start-up to assess the target group's situation regarding household assets and child nutrition. However, if there is adequate RIMS survey data available from other IFAD-financed projects in the country (less than three years old), a new RIMS survey will not be required.
- Impact and Evaluation Studies. Impact assessment will be carried out both by service providers and the PMT through contracted impact assessment of programme components and a second and final RIMS survey. In addition to the RIMS surveys and monitoring of welfare impact, the PMT will also undertake special qualitative assessments. This exercise will draw on the methodology used in the 'Most Significant Change' technique, which is based on collection of open-ended stories or interviews with participants. About 30 stories will be collected per district. The process will be assessed during the mid-term review.

⁵⁹ Working Paper 10, Results-based Monitoring and Evaluation provides details.

VI. PROGRAMME BENEFITS, COSTS AND FINANCING

A. Benefit Analysis and Impact

144. **Beneficiaries.** Total population in the programme area⁶⁰ is around 2.1 million individuals with approximately 450 000 farm households (GoM District Reports, 2005). PROMER will support 20 000 farmers in some 670 farmers' associations. Around 375 small scale traders will also directly benefit from PROMER support for market intermediaries. A number of indirect beneficiaries could also be expected through PROMER support for specific value/supply chain initiative. PROMER investments in market road infrastructure will benefit an additional 200 000 to 300 000 people.

145. **Benefits by Component.** The benefits anticipated for the four investment components are as follows:

- *Developing More Dynamic Market Intermediaries.* The direct benefits will go to the smallholders who participate in farmers' associations that receive support under the programme and thus attain higher incomes from crops marketed. Small traders will also benefit by having an alternative channel for their sales of grain, beans and oil seeds, thus being able to increase their margins and invest in their businesses. Indirect benefits will go to all smallholders in the region through the creation of a more dynamic and competitive agricultural market.
- *Enterprise-Led Value Chain Initiative.* The direct benefit will be an increased and reliable market for smallholders' cash crop production. There will also be direct benefits for participating agribusinesses in terms of increased volume of produce and thus increased throughput. Indirect benefits will come from the employment created.
- *Improving the Market Environment.* The feeder road programme will bring direct benefits to those communities through improved access. As the PAMA report on experience and lessons learned noted, feeder road rehabilitation was one of the most visible and most appreciated development initiatives. Facilitating access to finance will provide a means of financing programme activities. Improved market transparency will benefit all market participants, apart for large traders and some concession companies that have up to now been able to use lack of knowledge by smallholders to reap access profits.
- *Policy/Institutional Support and Management.* The benefits of knowledge management and policy improvements will be less direct but will help to create a more conducive environment for market linkage/value chain activities.

146. **Financial Benefits.** Programme activities will be expected to generate a range of financial benefits, including: (i) greater income for farmers as a result of more profitable marketing of their staple and cash crop production⁶¹; (ii) greater income for small scale traders or processors as a result of an increase in the volume and profitability of their marketing activities; (iii) reduced transportation and marketing costs for the population benefiting from road rehabilitation or market construction; and (iv) greater income on the part of agri-business partners as a result of an increase in the volume of product supplied by participating farmers. Although the focus on programme activities will be determined only during the course of implementation programme impact is likely to be felt on the traditional cash crops such as tobacco and cotton; newer cash crops such as sunflower, sesame, possibly banana, or potentially biofuels (through sorghum or sugar production). The greatest impact of the project on staple crop marketing is likely to be on maize, beans or groundnuts, as they represent

⁶⁰ Defined as the 15 selected districts in the provinces of Niassa, Cabo Delgado, Nampula and Zambezia.

⁶¹ There could also be increased income for farmers from an increase in total volume produced, due to more attractive purchasing arrangements, but this has not been included in the calculation of financial benefits.

the primary marketed staple crops in the programme area.

147. **Financial Analysis.** Financial analysis was undertaken to calculate the beneficiary coverage and income gains required to achieve a minimum break even rate of return of 12% and different enterprise and farm models were examined to determine if the required productivity and income gains required to achieve the break even rate are realistic. This included two detailed models for the value chain initiatives.

148. The analysis separated road construction, which has a substantial number of indirect beneficiaries, from other PROMER investments. For non-roads PROMER investments, the analysis found that with a low number of beneficiaries (the lower case scenario with 33 500 benefiting households), the average annual incremental income per beneficiary required to generate a 12% rate of return will be 1 243 Meticaïs, on a per worker basis (in 2008 Meticaïs), or a 22% increase in annual income. In the high case scenario, with 125 000 beneficiaries, the average annual incremental income per beneficiary required will be 348 Meticaïs on a per worker basis or a 6% increase in income. For roads investments, in a low case scenario with 463 km of road constructed and approximately 93 000 beneficiaries, the average annual incremental savings per beneficiary required to generate a 12% rate of return will be 450 Meticaïs. In the high case scenario, with 877 km constructed and approximately 175 000 beneficiaries, the average annual incremental savings (or income) per beneficiary required will be 240 Meticaïs.

149. In general, the minimum required income increases and transportation savings are considered feasible although the Programme will be financially more attractive with a higher number of beneficiaries. There are a number of marketing opportunities for small scale traders in the harvest and post harvest season through purchase and re-sale, and longer term purchase and storage (up to 150% in some cases). Continued adoption of cash crops, such as sesame that show substantially higher profits and better farm gate prices, will reduce the number of households needed to achieve the 12% rate of return. Detailed crop budgets also show substantial increases for improved production practices or input use, both of which are to be promoted by the project. A farmer switching from maize to sesame production, for instance, will realize an incremental increase in income of USD 76/ha, depending on labour costs, which will exceed the minimum incremental income requirements established by the break even analysis. Evidence from a PAMA impact assessment also indicated that beneficiaries experienced significant transportation savings, on average a 53% decline in transport costs for those experiencing cost savings (not all beneficiaries experienced savings), and a substantial increase in the volume and frequency of available transport.

150. Value chain models also show returns meeting the minimum required rates. The value chain model in cotton shows that with a package of matching grant support for services, farm equipment (sprayers) and improved treated seed could substantially increase production within a concession area, increasing the quality of cotton ginned and increasing profits for both farmers and concession companies. A grant of USD 250,000 could cover the incremental cost of providing a package of support for a concession company and its 34,000 small scale farm producers, and result in an incremental increase in profits for farmers of 31% and a 33% increase in lint production for the concession company. Smaller scale investment in sesame processing and the establishment of a 500 metric ton cleaning facility also show positive returns with a package of support provided for capital investments in the cleaning facility and services to improve production on farm. The IRR for the investment (using a 5 year horizon) is 74%.

151. **Gender Impact.** The programme is expected to have a positive impact on women and their participation in the marketing system and the community as a whole, including⁶²:

- Women's empowerment. Through specific targeting of women's participation in farmers'

⁶² Working Paper 1, Programme Area, Target Group and Targeting Mechanisms, provides details.

associations (30% minimum) and training programmes geared specifically to women and focusing on women's interests, women will participate more in the decisions on the marketing of the family's production thus raising their knowledge and status in the community. Courses aimed at training women leaders will further expand opportunities for women.

- *Women's literacy.* Marked improvements will be achieved in the level of women's literacy through the integration of functional literacy programmes in the Programme's farmers' organization initiatives. In PAMA, these programmes were among the most popular with women⁶³.
- *Women's income.* In addition to an increase in women's earning power through participation in farmers' associations, women will be able to earn money through jobs in labour-based road construction; local road contractors will be required to hire at least 25% women from adjacent communities. Furthermore, by accessing an investment fund for women's groups set up by the Programme for income generating activities - production, trade and processing activities – women again will be able to generate their own income.

152. **Environmental Impact.** PROMER is unlikely to have a major impact on the environment and has been classified as Category B. A major part of its operations are focused on strengthening farmers' organizations and small trader operations and in promoting improved marketing and related management of agricultural commodities. It will also support the improvement in agricultural productivity, through crop diversity, adoption of higher value cash crops and improvements in quality of produce. Furthermore, it will promote use of improved seeds and adoption of improved agricultural practices, which will thus reduce extensive and often environmentally destructive cultivation practices, such as slash and burn.

B. Summary Programme Costs

153. **Estimated Programme Costs.** The Programme will be implemented over a seven-year period. The total costs are estimated at USD 40.6 million with a base cost of USD 37.7 million. Physical and price contingencies are 2% and 6% of the base costs respectively. Foreign exchange content is 28%. The estimated level of duties and taxes included in project costs is about 8%.

Table 1. Summary Programme Costs by Component

	MT millions	USD millions	% Total Costs
Development of More Dynamic Market Intermediaries	298.7	12.3	33
Enterprise Led Value Chain Initiative	171.3	7.1	19
Improving the Market Environment	236.5	9.7	26
Policy/Institutional Support and Management	210.0	8.6	23
Total Base Costs	916.7	37.7	100
Total Cost with contingencies	1,165.1	40.6	

Table 2. Summary Programme Costs by Expenditure Accounts

	MT millions	USD millions	% Total Costs
Civil Works	157.4	6.5	17
Goods, Vehicles and Equipment	22.6	0.9	2

⁶³ Understandable with levels of illiteracy among women averaging 90%.

TA, Studies, Training, Workshops	138.0	5.7	15
Service Provider Contracts	298.0	12.3	33
Matching Grants	133.4	5.5	15
Outreach Grants for Financial Institutions	31.7	1.3	3
<i>Total Investment Costs</i>	<i>781.1</i>	<i>32.1</i>	<i>85</i>
Salaries and Allowances	120.8	5.0	13
Incremental Operating Costs	14.8	0.6	2
<i>Total Recurrent Costs</i>	<i>135.6</i>	<i>5.6</i>	<i>15</i>
Total Base Costs	916.7	37.7	100
Total Cost with contingencies	1,165.1	40.6	

C. Programme Financing

154. The programme will be funded by four parties: IFAD, the Alliance for Green Revolution in Africa (AGRA), programme beneficiaries and government, as presented in the table below. AGRA will finance the costs associated with the sub-component on Support to Inputs and Output Traders. Programme beneficiaries will participate through matching the grants provided by the programme for value chain projects and for value adding investments in the market chains. Government's contribution is limited to taxes and duties. IFAD will finance USD 31.1 million or 77% of the total costs, equivalent to SDR 19.1 million at the exchange rate at loan negotiation.⁶⁴

155. Additional funds that have not been included in programme costs will be leveraged through the partnerships with other programmes, namely PRONEA for the support to extension services and RFSP for the credit line for financial institutions wishing to expand their outreach to PROMER areas.

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

	The Government		IFAD		PROMER Beneficiaries and Partners		AGRA		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Component 1: Development of More Dynamic Market Intermediaries	1 026	7.9	7 711	59.1	800	6.1	3 517	26.9	13 055	32.2
2. Component 2: Enterprise Led Value Chain Initiative	278	3.8	4 723	65.1	2 250	31.0	-	-	7 252	17.9
3. Component 3: Improving the Market Environment	1 191	10.8	9 817	89.2	-	-	-	-	11 008	27.1
4. Component 4: Policy/Institutional Support and Management	365	4.0	8 883	96.0	-	-	-	-	9 248	22.8
Total PROJECT COSTS	2 861	7.1	31 135	76.8	3 050	7.5	3 517	8.7	40 563	100.0

VII. PROJECT RISKS AND SUSTAINABILITY

A. Risk Analysis

156. There are two major potential risks for the programme as a whole that need to be highlighted:⁶⁵

- Since most of the programme will be implemented by service providers, its success critically depends on the level of competence and experience of these service providers. The range of activities that make up PROMER demands a level of implementation competence and experience that could be difficult to find within Mozambique. This is an issue that faces many programmes, including PAMA, as well discussed in their “lessons learnt” document.⁶⁶ In

⁶⁴ IFAD loan will be denominated in Special Drawing Rights (SDR).

⁶⁵ Component-specific risks are discussed in the respective working papers.

⁶⁶ PAMA (August 2007), ‘Programme Implementation Experience: Emerging Issues and Lessons Learnt’, in the

carefully studying the issue, it was concluded that PAMA were able to manage the constraints effectively through a combination of local and internationally-based service providers and by providing ‘up front’ and ‘within the contract’ training and support to the selected local service providers. A similar approach will be adopted under PROMER.⁶⁷

- The second risk relates to access to credit and other forms of financing. If programme supported farmers’ associations/fora and small and medium traders are not able to access finance, it will be a real constraint for the programme. This was seen as a constraint for PAMA prior to its accessing an Irish Aid-financed credit fund placed with GAPI and AMODER. However, as presented earlier in the document, there are now a number of factors that indicate that it should be possible for programme participants to access credit funds. There is considerable funding available within the RFSP Innovation and Outreach Facility, and while those funds are not directly available to PROMER’s clients but only to financial intermediaries that request the funds, the mechanism set up under the programme’s ‘Facilitating Access to Finance’ should help to create opportunities to make credit available to programme participants. Also, liquidity in GAPI and AMODER, from both their own resources and from rolling over the PAMA-sourced funds, will be available to programme participants and the facilitation of the extension of the services of both organizations within the programme area should help these institutions meet the demands of PROMER’s traders and possibly its farmers’ groups.

B. Exit Strategy and Post-Programme Sustainability

157. A major focus of the programme is sustainability: whether it be the strengthening of DNPDR to better fulfil its coordination, oversight and policy roles, or bringing farmers’ associations from a level where they need considerable support to where they graduate from the programme and are able to carry out their own business dealings and effectively negotiate their own terms with concession companies and other buyers, or working with small-scale traders to enable them to become agri-dealers that can manage their businesses profitably and without external technical support, or helping to establish win-win private-public partnerships in certain value chains which being profitable to both parties are sustainable. Also, the core programme management group in Maputo and its satellite cells in the programme area will not continue after the programme terminates. But, in the process of implementing the programme, the officers involved will have built up considerable technical and managerial experience, in individual experts and in partner institutions, that is badly needed in a growing economy like Mozambique’s.

VIII. INNOVATIVE FEATURES, LEARNING AND KNOWLEDGE MANAGEMENT

A. Innovative Features

158. The Programme is based on proven initiatives implemented successfully over the past few years in Mozambique, including similar activities implemented by PAMA, which are providing sound foundations for investment. In particular, working with both farmers’ organizations and traders – in contrast to many programmes that focus exclusively on farmers’ organizations or sometimes exclusively on traders – was an innovative and effective approach adopted by PAMA for improving market efficiency. By developing mechanisms that improve their ability to market a range of smallholder crops, the smallholder is given greater choice and additional competition is introduced into the marketing system. PROMER will adopt and scale-up this approach.

159. Based on such sound foundations, PROMER will however introduce new and innovative aspects responding to the rapidly evolving economy of rural areas. Two components/sub-components

Programme Life File.

⁶⁷ See Working Paper 9, Assessment of Service Providers

are innovative in this respect in the context of the Northern Region:

- The *Enterprise-Led Value Chain Initiative* will use an innovative mechanism to foster commercial partnerships between agri-business companies and smallholders. A very limited number of organisations are already operating in Mozambique, including in the Northern Region, adopting a value-chain approach to link smallholders to agri-business (e.g. Technoserve in cashew). However, an open, demand-driven facility to facilitate these partnerships, such as the one envisaged under this component, is the first of its kind in the country.
- Although the *development of input agri-dealers* is being successfully implemented in different countries, including by the Rockefeller Foundation and subsequently AGRA, PROMER will be the first to introduce this aspect in Northern Mozambique. This follows changes in the economic environment such as the uptake of new cash crops (sesame, soya beans, etc.) beside the traditional concession crops (cotton and tobacco) that open up opportunities for private sector-led commercialisation of agricultural inputs

160. Two further innovative features of PROMER deserve to be mentioned because of the importance they have in the context of the IFAD new operating model:

- Knowledge management is being given increasing importance in IFAD. PROMER will reflect this by devoting a specific sub-component to facilitate knowledge sharing and learning. The innovative feature will be that besides providing the tools for learning and dissemination of knowledge and experiences generated under PROMER, this sub-component will institutionalise knowledge management capacity in a Government institution, DNPDR, as a tool to learn and extract best practices, strengthen coordination among actors in a particular sector and promote evidence-based policy dialogue.
- PROMER will adopt a true ‘country programme approach’, actively building partnerships and synergies with ongoing IFAD-financed programmes (RFSP and PRONEA) to complement its investment, rather than establishing its own tools and mechanisms to respond to all the needs of its target group (i.e. access to financial services and agricultural production support).

B. Programme Knowledge Products and Learning Processes

161. The learning processes that PROMER will establish, and the expected knowledge products that will be generated, are explained in detail in the description of component 4 (section III.F) and in Working Paper 7, ‘Knowledge and Information Management’. Briefly, knowledge management under the programme will put in place processes to systematically document, capture, analyze and disseminate learning emerging from national market linkages projects and programmes, including PROMER. It will do so by strengthening KM capacity of DNPDR and equip the PROMER PMT to implement a KM strategy for the programme and build the KM capacity of service providers. DNPDR and PROMER will share their knowledge and experience by organizing learning events at national and provincial level. They will also disseminate the knowledge and learning emerging from the programme using a wide variety of knowledge and public advocacy products, such as a suite of market linkage courses, annual publications, newsletters, impact and thematic studies, human stories, policy briefs, communities of practice, database on rural market linkages, intranet and websites.

C. Regional Knowledge Networking

162. Through its investment in knowledge management, PROMER will collect a wealth of knowledge, information, lessons learnt and best practices that will feed into regional knowledge networks, such as those promoted by IFAD through the regional thematic programme on “Strengthening Support Capacity for Enhanced Market Access and Knowledge Management (SCAPEMA)” and more generally through the FIDAFRIQUE networking regional programme.

Particular attention will be put in establishing an effective network with other IFAD-financed programmes dealing with value chains and market access in the region, such as in Tanzania, Zambia and Malawi.

163. As part of institutionalizing learning and sharing processes, under the leadership of DNPDR the programme will create a ‘community of practice’ on market linkages bringing together regional, national and international experts. The envisaged national market linkage learning and sharing event will draw on regional expertise and link to existing regional market linkage networks.

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- Concept Note
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- PDT Minutes
- Inception workshop: PAMA Experience and Options for Future Programme
 - Workshop Programme and Agenda
 - Paper 1: PAMA Programme Implementation Experience – Emerging Issues and Lessons Learnt
 - Paper 2: Options for the new Market Linkage Programme
 - Workshop proceedings
 - Terms of Reference Roxanne Samii
 - Terms of Reference Laura Grasso
 - Back-to-Office Report Roxanne Samii
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- In-Country Clinic Exercise
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Minutes meeting RG, Nov. 2007
PDT Minutes
Reviewers Recommendation Note

Final Design

Mission Terms of Reference
Power Point Presentation for Design Workshop with Local Stakeholders

Proceedings of Design Workshop with Local Stakeholders

Aide-Memoire

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Programme Logical Framework

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions/Risks
Programme Goal and Objectives			
Development Goal: To improve livelihoods of poor rural households	1. Increased income of rural households 2. Improvement in asset ownership index of rural households <i>[RIMS indicator]</i> 3. Improved social indicators, including reduction in child malnutrition and enrolment in primary education for both girls and boys <i>[RIMS indicator]</i> 4. Literacy rate, by gender <i>[RIMS indicator]</i>	(1-2) Household Income and Expenditure Surveys (3) National Nutritional Surveys (3) Poverty assessments (1-4) Programme baseline and impact surveys	
Programme Purpose : To enable smallholders to increase their agricultural income by marketing surpluses more profitably	1. Change in the % and volume of surplus production marketed by participating farmers and traders 2. Change in % and volume of cash crop production by participating farmers in programme area 3. Increase in farmer returns to land and labour (agricultural value added per ha or per worker)	(1-3) Programme baseline and impact surveys (2) Government statistics at the provincial and national level (3) Programme progress reports	Mozambique continues to pursue sound economic policies and poverty alleviation strategies The terms of trade for smallholders remain favourable and increases their returns for the crops and other agricultural products
Programme Outcomes			
Improved smallholder access to and participation in value chains and agricultural markets	1. Change in the volume of produce sourced from smallholder farmers within selected commodity value chains 2. Number of value chain activities or agri-business partnerships operating after 3 years	(1-2) Programme baseline and impact surveys (2) Programme progress reports	The terms of trade for smallholders remain favourable and increases their returns for the crops and other agricultural products
More efficient market intermediaries and more effective partnerships stimulating increases in agricultural production and value addition	1. Number of licensed small and medium traders, agro-dealers, and agro-processors and their volume of trade increases by gender 2. Farmers reporting production/yield increases by gender <i>[RIMS indicator]</i> 3. Increase in the volume of intermediate processing or value addition undertaken by farmer organizations or small traders/agro-processors	(1-3) Programme baseline and impact surveys (1-3) Programme progress reports	Traders and agro-processors expand activities in a manner that benefits smallholders Marketing and value addition activities through farmer organizations result in higher farmgate prices for smallholders and/or shared profits for members

A more conducive environment for agricultural market operations	1. Number of market facilities/infrastructure operating after 3 years (by type) <i>[RIMS indicator]</i> 2. Implementation of policy reforms or initiatives at national and provincial levels 3. Reduction in costs of storage, transport, and financial services within programme areas or for programme beneficiaries 4. Number of new financial institutions operating in programme area (by type)	(1 and 3) Programme baseline and impact surveys (1-3) Programme progress reports	Larger policy and institutional environment remains favourable Availability of complementary investments in market infrastructure and services (particularly production related advisory services and financial services)
Programme Outputs			
1. Developing More Dynamic Market Intermediaries			
Increased capacity of farmers' associations and traders to effectively market surplus production Stronger institutions effectively representing farmers' interests at national and local level	1. Change in the number of higher level farmer organizations established and type of services provided (at least 10 district farmer unions established by project end) 2. # of farmers associations and traders "graduate" or # achieving level A status (at least 50% by project end) 3. # of agro-dealers active in input supply by gender [at least 150 by project end] 4. People attending literacy classes (disaggregated by gender) (at least 750 participants by project end) <i>[RIMS indicator]</i> 5. Groups operational/functional, by type (at least 700 groups by project end) and # with women in leadership positions <i>[RIMS indicator]</i> 6. # of people or groups accessing technical advisory services facilitated by project by gender <i>[RIMS indicator]</i>	(1-5) Programme progress reports	Market intermediaries/institutions are able to increase efficiency, competitiveness and/or bargaining power, which results in higher prices to farmers

2. Enterprise-Led Value Chain Initiative			
Profitable partnerships between smallholders and agri-business enterprises	<p>1. Number of partnerships developed between smallholders and agri-business enterprises (as least 5 new partnerships established)</p> <p>2. Number of farmers and farmer organizations participating in agri-business partnerships (at least 50 Farmers' Associations participating by project end)</p> <p>3. Positive change in capital investment accumulated and annual profit realized by farmers organizations, traders, processors or buyers within targeted commodity value chains</p> <p>4. # of processing facilities established (at least 5 by project end) <i>[RIMS indicator]</i></p>	<p>(1-4) Programme progress reports</p> <p>(3) Enterprise or organization financial statements</p>	Partnerships developed with agri-business are viable and sustainable in the long term without continued programme support
3. Improving the Market Environment			
Improvement in the quantity and quality of market related infrastructure and services	<p>1. # and type of market infrastructure/facilities built (by km of road to closest sale point or size/volume capacity of market infrastructure) <i>[RIMS indicator]</i></p> <p>2. # of market information radio broadcasts, newsletters and publications and level of community awareness of them (as measured by surveys)</p> <p>3. # of participating farmers associations and traders accessing credit for marketing or production activities (by type and volume of credit received)</p> <p>4. # of active borrowers in supported financial institutions, by gender <i>[RIMS indicator]</i></p> <p>5. # of financial service institutions newly established in 15 programme districts</p>	<p>(1-5) Programme progress reports</p> <p>(1) Government statistics at the provincial and national level</p> <p>(2 -3) Specialized surveys</p>	Programme investments result in lower transaction costs and increased availability of services which are widespread enough to benefit large numbers of beneficiaries

5. Management and Policy/Institutional Support			
Effective planning, M&E, technical support, administrative and programme management systems	1. Programme disbursement rates	(1-4) Programme progress reports	
Greater dissemination of market intelligence and stakeholder engagement on market linkage initiatives within government, private sector, civil society, and development partners	2. Timely production of physical and financial reports		
Increased capacity within government to address market linkage issues	3. # of seminars, publications or other types of knowledge products produced		
	4. # of people trained [<i>RIMS indicator</i>]		

ANNEX 3

SUMMARY COST TABLES

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Summary Tables

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Mozambique
PROGRAMA DE PROMOÇÃO DE MERCADOS RURAIS (PROMER)
Components Project Cost Summary

	(MT '000)					(US\$ '000)				
	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
1. Component 1: Development of More Dynamic Market Intermediaries	210 392	88 355	298 747	30	33	8 658	3 636	12 294	30	33
2. Component 2: Enterprise Led Value Chain Initiative	100 413	70 927	171 339	41	19	4 132	2 919	7 051	41	19
3. Component 3: Improving the Market Environment	172 818	63 736	236 554	27	26	7 112	2 623	9 735	27	26
4. Component 4: Policy/Institutional Support and Management	173 418	36 623	210 041	17	23	7 137	1 507	8 644	17	23
Total BASELINE COSTS	657 041	259 640	916 681	28	100	27 039	10 685	37 723	28	100
Physical Contingencies	13 169	3 310	16 479	20	2	542	136	678	20	2
Price Contingencies	177 437	54 470	231 907	23	25	1 652	509	2 161	24	6
Total PROJECT COSTS	847 646	317 421	1 165 067	27	127	29 232	11 330	40 563	28	108

Mozambique
PROGRAMA DE PROMOÇÃO DE MERCADOS RURAIS (PROMER)
Expenditure Accounts Project Cost Summary

	(MT '000)					(US\$ '000)				
	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
I. Investment Costs										
A. Civil Works										
Roads	122 414	30 603	153 017	20	17	5 038	1 259	6 297	20	17
Market Infrastructure	3 499	875	4 374	20	-	144	36	180	20	-
Subtotal Civil Works	125 913	31 478	157 391	20	17	5 182	1 295	6 477	20	17
B. Goods, Vehicles and Equipment										
Vehicles	3 888	5 832	9 720	60	1	160	240	400	60	1
Goods, Equipment and Materials	6 445	6 445	12 890	50	1	265	265	530	50	1
Subtotal Goods, Vehicles and Equipment	10 333	12 277	22 610	54	2	425	505	930	54	2
C. Technical Assistance, Studies, Training and Workshops										
Technical Assistance	28 209	28 209	56 417	50	6	1 161	1 161	2 322	50	6
Training	31 139	10 380	41 519	25	5	1 281	427	1 709	25	5
Studies	8 447	8 447	16 894	50	2	348	348	695	50	2
Workshops and Meetings	16 406	-	16 406	-	2	675	-	675	-	2
Publications	3 372	3 372	6 743	50	1	139	139	278	50	1
Subtotal Technical Assistance, Studies, Training and Workshops	87 572	50 407	137 979	37	15	3 604	2 074	5 678	37	15
D. Service Provider Contracts										
Service Provider Contracts	208 616	89 407	298 022	30	33	8 585	3 679	12 264	30	33
E. Matching Grants										
PROMER Matching Grants	29 646	29 646	59 292	50	6	1 220	1 220	2 440	50	6
Matching Grants - Counterpart portion	46 778	27 338	74 115	37	8	1 925	1 125	3 050	37	8
Subtotal Matching Grants	76 424	56 984	133 407	43	15	3 145	2 345	5 490	43	15
F. Outreach grants for financial institutions	15 844	15 844	31 688	50	3	652	652	1 304	50	3
Total Investment Costs	524 701	256 396	781 097	33	85	21 593	10 551	32 144	33	85
II. Recurrent Costs										
A. Salaries and Allowances										
Salaries	85 541	-	85 541	-	9	3 520	-	3 520	-	9
Allowances	35 245	-	35 245	-	4	1 450	-	1 450	-	4
Subtotal Salaries and Allowances	120 785	-	120 785	-	13	4 971	-	4 971	-	13
B. Incremental Operating Expenses										
Rent, Building and Equipment O&M	8 310	-	8 310	-	1	342	-	342	-	1
Vehicle O&M	3 244	3 244	6 488	50	1	134	134	267	50	1
Subtotal Incremental Operating Expenses	11 554	3 244	14 798	22	2	475	134	609	22	2
Total Recurrent Costs	132 340	3 244	135 584	2	15	5 446	134	5 580	2	15
Total BASELINE COSTS	657 041	259 640	916 681	28	100	27 039	10 685	37 723	28	100
Physical Contingencies	13 169	3 310	16 479	20	2	542	136	678	20	2
Price Contingencies	177 437	54 470	231 907	23	25	1 652	509	2 161	24	6
Total PROJECT COSTS	847 646	317 421	1 165 067	27	127	29 232	11 330	40 563	28	108

Mozambique
PROGRAMA DE PROMOÇÃO DE MERCADOS RURAIS (PROMER)
Expenditure Accounts by Components - Base Costs
(US\$ '000)

	Component 1: Development of More Dynamic Market Intermediaries	Component 2: Enterprise Led Value Chain Initiative	Component 3: Improving the Market Environment	Component 4: Policy/Institutional Support and Management	Total	Physical Contingencies	
						%	Amount
I. Investment Costs							
A. Civil Works							
Roads	-	-	6 297	-	6 297	10.0	630
Market Infrastructure	-	-	180	-	180	10.0	18
Subtotal Civil Works	-	-	6 477	-	6 477	10.0	648
B. Goods, Vehicles and Equipment							
Vehicles	-	-	-	400	400	-	-
Goods, Equipment and Materials	69	-	10	451	530	-	-
Subtotal Goods, Vehicles and Equipment	69	-	10	851	930	-	-
C. Technical Assistance, Studies, Training and Workshops							
Technical Assistance	260	531	765	765	2 322	-	-
Training	215	574	375	545	1 709	-	-
Studies	75	184	60	376	695	-	-
Workshops and Meetings	235	203	197	41	675	-	-
Publications	-	-	-	278	278	-	-
Subtotal Technical Assistance, Studies, Training and Workshops	785	1 492	1 396	2 005	5 678	-	-
D. Service Provider Contracts							
Service Provider Contracts	9 700	1 809	547	208	12 264	-	-
E. Matching Grants							
PROMER Matching Grants	940	1 500	-	-	2 440	-	-
Matching Grants - Counterpart portion	800	2 250	-	-	3 050	-	-
Subtotal Matching Grants	1 740	3 750	-	-	5 490	-	-
F. Outreach grants for financial institutions	-	-	1 304	-	1 304	-	-
Total Investment Costs	12 294	7 051	9 735	3 064	32 144	2.0	648
II. Recurrent Costs							
A. Salaries and Allowances							
Salaries	-	-	-	3 520	3 520	-	-
Allowances	-	-	-	1 450	1 450	-	-
Subtotal Salaries and Allowances	-	-	-	4 971	4 971	-	-
B. Incremental Operating Expenses							
Rent, Building and Equipment O&M	-	-	-	342	342	5.0	17
Vehicle O&M	-	-	-	267	267	5.0	13
Subtotal Incremental Operating Expenses	-	-	-	609	609	5.0	30
Total Recurrent Costs	-	-	-	5 580	5 580	0.5	30
Total BASELINE COSTS	12 294	7 051	9 735	8 644	37 723	1.8	678
Physical Contingencies	-	-	648	30	678	-	-
Price Contingencies	761	201	626	574	2 161	2.2	48
Total PROJECT COSTS	13 055	7 252	11 008	9 248	40 563	1.8	726
Taxes	1 521	278	1 191	365	3 356	3.1	105
Foreign Exchange	3 862	2 982	2 895	1 592	11 330	1.3	146

Mozambique
PROGRAMA DE PROMOÇÃO DE MERCADOS RURAIS (PROMER)
Expenditure Accounts by Components - Totals Including Contingencies
(US\$ '000)

	Component 1: Development of More Dynamic Market Intermediaries	Component 2: Enterprise Led Value Chain Initiative	Component 3: Improving the Market Environment	Component 4: Policy/Institutional Support and Management	Total
I. Investment Costs					
A. Civil Works					
Roads	-	-	7 419	-	7 419
Market Infrastructure	-	-	208	-	208
Subtotal Civil Works	-	-	7 627	-	7 627
B. Goods, Vehicles and Equipment					
Vehicles	-	-	-	414	414
Goods, Equipment and Materials	72	-	10	472	555
Subtotal Goods, Vehicles and Equipment	72	-	10	886	969
C. Technical Assistance, Studies, Training and Workshops					
Technical Assistance	272	566	817	803	2 457
Training	223	605	397	576	1 801
Studies	79	195	63	392	729
Workshops and Meetings	254	217	213	44	728
Publications	-	-	-	300	300
Subtotal Technical Assistance, Studies, Training and Workshops	828	1 582	1 489	2 115	6 014
D. Service Provider Contracts					
Service Provider Contracts	10 415	1 920	578	219	13 132
E. Matching Grants					
PROMER Matching Grants	940	1 500	-	-	2 440
Matching Grants - Counterpart portion	800	2 250	-	-	3 050
Subtotal Matching Grants	1 740	3 750	-	-	5 490
F. Outreach grants for financial institutions	-	-	1 304	-	1 304
Total Investment Costs	13 055	7 252	11 008	3 220	34 535
II. Recurrent Costs					
A. Salaries and Allowances					
Salaries	-	-	-	3 784	3 784
Allowances	-	-	-	1 557	1 557
Subtotal Salaries and Allowances	-	-	-	5 342	5 342
B. Incremental Operating Expenses					
Rent, Building and Equipment O&M	-	-	-	386	386
Vehicle O&M	-	-	-	300	300
Subtotal Incremental Operating Expenses	-	-	-	686	686
Total Recurrent Costs	-	-	-	6 028	6 028
Total PROJECT COSTS	13 055	7 252	11 008	9 248	40 563
Taxes	1 521	278	1 191	365	3 356
Foreign Exchange	3 862	2 982	2 895	1 592	11 330

Mozambique
PROGRAMA DE PROMOÇÃO DE MERCADOS RURAIS (PROMER)
Project Components by Year -- Totals Including Contingencies
(US\$ '000)

	Totals Including Contingencies							
	2009	2010	2011	2012	2013	2014	2015	Total
1. Component 1: Development of More Dynamic Market Intermediaries	581	2 486	2 534	2 213	2 055	1 870	1 315	13 055
2. Component 2: Enterprise Led Value Chain Initiative	7	2 042	2 402	1 396	1 208	188	8	7 252
3. Component 3: Improving the Market Environment	452	1 871	3 002	2 384	2 068	1 154	77	11 008
4. Component 4: Policy/Institutional Support and Management	1 625	1 410	1 406	1 114	1 475	1 140	1 077	9 248
Total PROJECT COSTS	2 665	7 809	9 345	7 108	6 806	4 352	2 477	40 563

Mozambique
PROGRAMA DE PROMOÇÃO DE MERCADOS RURAIS (PROMER)
Expenditure Accounts by Years -- Totals Including Contingencies
(US\$ '000)

	Totals Including Contingencies							
	2009	2010	2011	2012	2013	2014	2015	Total
I. Investment Costs								
A. Civil Works								
Roads	-	875	1 964	1 945	1 714	920	-	7 419
Market Infrastructure	-	68	69	71	-	-	-	208
Subtotal Civil Works	-	943	2 034	2 016	1 714	920	-	7 627
B. Goods, Vehicles and Equipment								
Vehicles	283	-	-	-	131	-	-	414
Goods, Equipment and Materials	183	143	35	2	191	-	-	555
Subtotal Goods, Vehicles and Equipment	466	143	35	2	323	-	-	969
C. Technical Assistance, Studies, Training and Workshops								
Technical Assistance	378	377	693	340	366	209	93	2 457
Training	206	447	473	312	267	80	17	1 801
Studies	212	112	153	111	87	37	17	729
Workshops and Meetings	9	108	153	125	115	129	89	728
Publications	-	64	32	67	33	70	34	300
Subtotal Technical Assistance, Studies, Training and Workshops	805	1 109	1 504	955	867	524	250	6 014
D. Service Provider Contracts								
Service Provider Contracts	464	2 771	2 707	2 186	1 958	1 748	1 299	13 132
E. Matching Grants								
PROMER Matching Grants	-	628	728	478	478	128	-	2 440
Matching Grants - Counterpart portion	-	850	950	575	575	100	-	3 050
Subtotal Matching Grants	-	1 478	1 678	1 053	1 053	228	-	5 490
F. Outreach grants for financial institutions	269	505	530	-	-	-	-	1 304
Total Investment Costs	2 004	6 948	8 488	6 212	5 914	3 420	1 549	34 535
II. Recurrent Costs								
A. Salaries and Allowances								
Salaries	393	538	548	559	570	582	594	3 784
Allowances	178	229	213	238	221	248	230	1 557
Subtotal Salaries and Allowances	571	766	761	797	792	830	824	5 342
B. Incremental Operating Expenses								
Rent, Building and Equipment O&M	42	54	56	57	58	59	60	386
Vehicle O&M	48	40	41	42	42	43	44	300
Subtotal Incremental Operating Expenses	90	94	96	98	100	102	104	686
Total Recurrent Costs	661	861	857	896	892	932	928	6 028
Total PROJECT COSTS	2 665	7 809	9 345	7 108	6 806	4 352	2 477	40 563

Mozambique
PROGRAMA DE PROMOÇÃO DE MERCADOS RURAIS (PROMER)
Components by Financiers
(US\$ '000)

	The Government		IFAD		PROMER Beneficiaries and Partners		AGRA		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
1. Component 1: Development of More Dynamic Market Intermediaries	1 026	7.9	7 711	59.1	800	6.1	3 517	26.9	13 055	32.2	3 862	7 673	1 521
2. Component 2: Enterprise Led Value Chain Initiative	278	3.8	4 723	65.1	2 250	31.0	-	-	7 252	17.9	2 982	3 991	278
3. Component 3: Improving the Market Environment	1 191	10.8	9 817	89.2	-	-	-	-	11 008	27.1	2 895	6 922	1 191
4. Component 4: Policy/Institutional Support and Management	365	4.0	8 883	96.0	-	-	-	-	9 248	22.8	1 592	7 291	365
Total PROJECT COSTS	2 861	7.1	31 135	76.8	3 050	7.5	3 517	8.7	40 563	100.0	11 330	25 877	3 356

Mozambique
PROGRAMA DE PROMOÇÃO DE MERCADOS RURAIS (PROMER)
Disbursement Accounts by Financiers
(US\$ '000)

	The Government		IFAD		PROMER Beneficiaries and Partners		AGRA		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
1. Civil Works	1 106	14.5	6 521	85.5	-	-	-	-	7 627	18.8	1 525	4 996	1 106
2. Goods, Vehicles and Equipment	246	25.4	723	74.6	-	-	-	-	969	2.4	526	197	246
3. Technical Assistance, Studies, Training and Workshops	0	-	5 907	98.2	-	-	107	1.8	6 014	14.8	2 193	3 821	-
4. Service Provider Contracts	1 410	10.7	8 312	63.3	-	-	3 410	26.0	13 132	32.4	3 940	7 288	1 904
5. Matching Grants	-	-	2 440	44.4	3 050	55.6	-	-	5 490	13.5	2 345	3 145	-
6. Outreach Grants for Financial Institutions	-	-	1 304	100.0	-	-	-	-	1 304	3.2	652	652	-
7. Salaries and Allowances	-	-	5 342	100.0	-	-	-	-	5 342	13.2	-	5 342	-
8. Incremental Operating Expenses	99	14.5	587	85.5	-	-	-	-	686	1.7	150	436	99
Total PROJECT COSTS	2 861	7.1	31 135	76.8	3 050	7.5	3 517	8.7	40 563	100.0	11 330	25 877	3 356

Mozambique
PROGRAMA DE PROMOÇÃO DE MERCADOS RURAIS (PROMER)
Expenditure Accounts by Financiers
(US\$ '000)

	The Government		IFAD		PROMER Beneficiaries and Partners		AGRA		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
I. Investment Costs													
A. Civil Works													
Roads	1 076	14.5	6 343	85.5	-	-	-	-	7 419	18.3	1 484	4 859	1 076
Market Infrastructure	30	14.5	178	85.5	-	-	-	-	208	0.5	42	136	30
Subtotal Civil Works	1 106	14.5	6 521	85.5	-	-	-	-	7 627	18.8	1 525	4 996	1 106
B. Goods, Vehicles and Equipment													
Vehicles	166	40.0	248	60.0	-	-	-	-	414	1.0	248	-	166
Goods, Equipment and Materials	80	14.5	474	85.5	-	-	-	-	555	1.4	277	197	80
Subtotal Goods, Vehicles and Equipment	246	25.4	723	74.6	-	-	-	-	969	2.4	526	197	246
C. Technical Assistance, Studies, Training and Workshops													
Technical Assistance	0	-	2 401	97.7	-	-	56	2.3	2 457	6.1	1 228	1 228	-
Training	0	-	1 750	97.2	-	-	51	2.8	1 801	4.4	450	1 350	-
Studies	0	-	729	100.0	-	-	-	-	729	1.8	364	364	-
Workshops and Meetings	-	-	728	100.0	-	-	-	-	728	1.8	-	728	-
Publications	0	-	300	100.0	-	-	-	-	300	0.7	150	150	-
Subtotal Technical Assistance, Studies, Training and Workshops	0	-	5 907	98.2	-	-	107	1.8	6 014	14.8	2 193	3 821	-
D. Service Provider Contracts													
Service Provider Contracts	1 410	10.7	8 312	63.3	-	-	3 410	26.0	13 132	32.4	3 940	7 288	1 904
E. Matching Grants													
PROMER Matching Grants	-	-	2 440	100.0	-	-	-	-	2 440	6.0	1 220	1 220	-
Matching Grants - Counterpart portion	-	-	-	-	3 050	100.0	-	-	3 050	7.5	1 125	1 925	-
Subtotal Matching Grants	-	-	2 440	44.4	3 050	55.6	-	-	5 490	13.5	2 345	3 145	-
F. Outreach grants for financial institutions	-	-	1 304	100.0	-	-	-	-	1 304	3.2	652	652	-
Total Investment Costs	2 762	8.0	25 206	73.0	3 050	8.8	3 517	10.2	34 535	85.1	11 180	20 099	3 256
II. Recurrent Costs													
A. Salaries and Allowances													
Salaries	-	-	3 784	100.0	-	-	-	-	3 784	9.3	-	3 784	-
Allowances	-	-	1 557	100.0	-	-	-	-	1 557	3.8	-	1 557	-
Subtotal Salaries and Allowances	-	-	5 342	100.0	-	-	-	-	5 342	13.2	-	5 342	-
B. Incremental Operating Expenses													
Rent, Building and Equipment O&M	56	14.5	330	85.5	-	-	-	-	386	1.0	-	330	56
Vehicle O&M	44	14.5	257	85.5	-	-	-	-	300	0.7	150	107	44
Subtotal Incremental Operating Expenses	99	14.5	587	85.5	-	-	-	-	686	1.7	150	436	99
Total Recurrent Costs	99	1.7	5 928	98.3	-	-	-	-	6 028	14.9	150	5 778	99
Total PROJECT COSTS	2 861	7.1	31 135	76.8	3 050	7.5	3 517	8.7	40 563	100.0	11 330	25 877	3 356

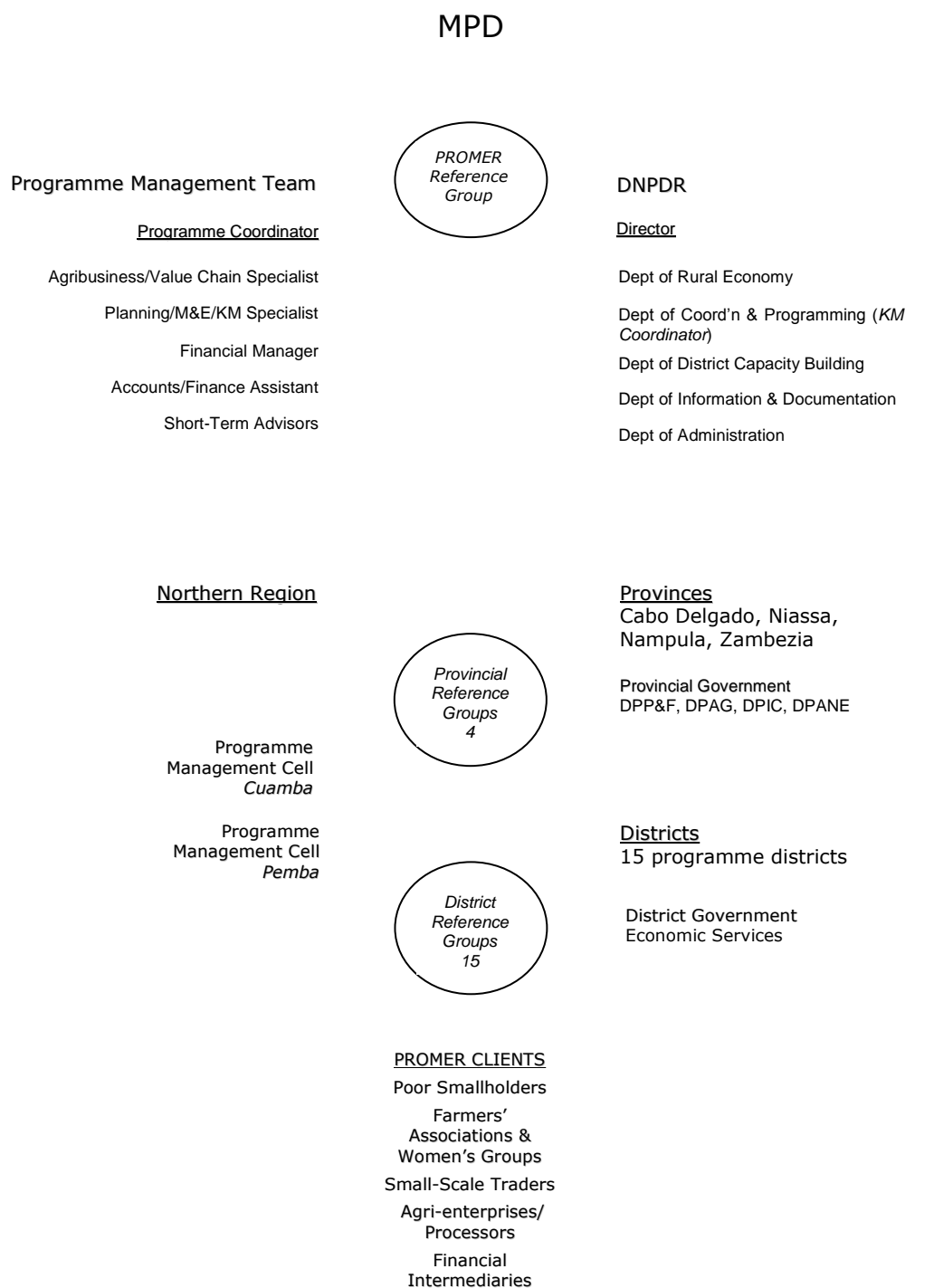
Mozambique
PROGRAMA DE PROMOÇÃO DE MERCADOS RURAIS (PROMER)
Local/Foreign/Taxes by Financiers
(US\$ '000)

	The Government		IFAD		PROMER Beneficiaries and Partners		AGRA		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Foreign	-0	-0.0	9 142	80.7	1 125	9.9	1 064	9.4	11 330	27.9
II. Local (Excl. Taxes)	0	-	21 993	85.0	1 925	7.4	1 959	7.6	25 877	63.8
III. Taxes	2 861	85.3	-	-	-	-	495	14.7	3 356	8.3
Total Project	2 861	7.1	31 135	76.8	3 050	7.5	3 517	8.7	40 563	100.0

Mozambique
PROGRAMA DE PROMOÇÃO DE MERCADOS RURAIS (PROMER)
Disbursements by Semesters and Government Cash Flow
(US\$ '000)

	Financing Available				Costs to be Financed		
	PROMER			Total	The Government		
	IFAD	Beneficiaries and Partners	AGRA		Project Costs	Cash Flow	Cumulative Cash Flow
1	1 066	-	175	1 240	1 333	-92	-92
2	1 066	-	175	1 240	1 333	-92	-185
3	2 955	425	278	3 658	3 905	-246	-431
4	2 955	425	278	3 658	3 905	-246	-677
5	3 602	475	284	4 360	4 673	-312	-989
6	3 602	475	284	4 360	4 673	-312	-1 301
7	2 707	288	289	3 284	3 554	-270	-1 571
8	2 707	288	289	3 284	3 554	-270	-1 841
9	2 550	288	295	3 132	3 403	-271	-2 112
10	2 550	288	295	3 132	3 403	-271	-2 383
11	1 668	50	301	2 019	2 176	-157	-2 540
12	1 668	50	301	2 019	2 176	-157	-2 697
13	1 020	-	136	1 157	1 239	-82	-2 779
14	1 020	-	136	1 157	1 239	-82	-2 861
Total	31 135	3 050	3 517	37 702	40 563	-2 861	-2 861

ANNEX 4 – ORGANIZATION CHART



* Provincial Reference Groups linked Provincial Consultative Councils

* District Reference Groups as sub-committee of District Development Committees

KM = knowledge management

Key File Table 1: Rural Poverty and Agricultural Marketing Issues in the Context of PROMER

Priority Area	Major Issues	Actions Needed
Smallholder Productivity and Profitability (for agriculture and livestock production)	<ul style="list-style-type: none"> • Small holding size, plus uncertain climate, and manual systems • Excessive reliance on over-burdened women for farm work • Difficulty in accessing markets and lack of available finance • Limited farmer know-how and no effective information back-up • Lack of business skills in the smallholders and farmers associations • Minimal use of improved inputs in agricultural production (lowest in the region) • Appropriate better technology not available/accepted • Outreach of extension service extremely limited • Irrigation systems inefficient/non-functional due to lack of farmer conviction and negligent operation and no maintenance 	<ul style="list-style-type: none"> • Encourage farm area increase with improved, versatile but low-cost practices • Address need for work-saving farm/household technologies • Provide intensive farmer training and make knowledge easily available • Train farmers/groups in farm financial and business management • Promote, provide incentives for agri-business/service provider development • Research/technology development: Links with PRONEA/ASP • Reform/transform extension services and support pluralistic provision • Promote improved irrigation maintenance, repair and replacement
Marketing, Trading, Input Supply and Credit (availability, costs and prices, and credit)	<ul style="list-style-type: none"> • Distance/difficulty of input supply sources/produce market access • Scarcity of private sector sources/outlets, limited competition: hence high on-farm input prices and low crop/stock sale values • Market information limited, not easily accessible to small farmers • Local transport for produce not available or excessively expensive • Product quality is often below that demanded, especially internationally • Policies/legislation not conducive to free, dynamic market and not supportive of farmers' associations • Individual farmer buyer/seller not viable; paucity of group action • Lack of harmonised policy and fragmentation of donor action in rural finance sector • Limited availability, accessibility and risk of production credit • Rural financial services problematical, high cost • Limited tradition/development of savings/credit culture 	<ul style="list-style-type: none"> • Improve roads network, local marketing facilities (via group/private sector) • Promote competition between traders and linkages between farmer groups/associations and buyers • Boost province and district market information centres, radio broadcasts • Encourage competition/transport improvement, see above • Provide training/exposure on quality/packing as part of group activity • Lobbying/dialogue with Government • Develop a strategic policy/legal framework and support innovative approaches in rural finance (through RFSP and other projects) • Facilitate greater outreach of banks/financial intermediaries and capacity build/support institutions • In conjunction with improved farming practices/technology, promote improved farmers access to credit • Incorporate financial awareness/control principles in farmer group training

Key File Table 1: Rural Poverty and Agricultural Marketing Issues in the Context of PROMER - Continued

Priority Area	Major Issues	Actions Needed
Technical Support and Advisory Services Provision (deficiency of research/technology outputs and extension impact)	<ul style="list-style-type: none"> Persistence with ineffective and unsustainable extension methods Top down, scientific/technocratic approach, not aligned to farmers' needs or the realities of household finances and markets Inadequate demonstration, dissemination focus on rainfed subsistence agriculture and smallholder livestock systems No real farmer voice in services provision Limited relevance of most research/technology development Absence of effective research-extension-farmer relationships 	<ul style="list-style-type: none"> Enforce reform policy: province, district extension ethos and capability Re-orient extension to Community focus with locally resident farmer and women promoters/resource persons Upgrade local public sector service provision capacity/communication Facilitate, support and optimize private, NGO sector extension provision through outsourcing/contract services Empower farmer groups/associations to link to service decision makers Intensify dialogue on research and means of dissemination Focus on farmer defined subjects, including socio-economic/market aspects Emphasize information, communications and marketing advisory services Carry through in full the client-oriented research reform agenda
Poverty and Livelihoods Predicament (subsistence, dependence and poverty circle)	<ul style="list-style-type: none"> Key causes: poor infrastructure, low prices, limited and distant markets and poor farm productivity Uncertainty of family food sufficiency -- seasonal hunger gap Inadequacy of household cash income for essential purchases Vicious circle of poverty, especially for disadvantaged households Limited scope for wage labour, other income earning pursuits Prevalence of HIV/AIDS, other major disease problems and emigration for work -- reduced work availability/proficiency 	<ul style="list-style-type: none"> Raise small farm productivity and competitive position through technical improvement and group organization Diversify cropping pattern for better resilience, reduced vulnerability and enhanced assurance of yield and saleability of cash crops Break poverty circle with judicious use of IPM/IPN and/or inputs Develop/identify employment generating and value adding activities Factor into Programme/interventions design consideration of specific measures for labour saving and work burden reduction
Farmer Organization, Representation and Gender Balance Issues	<ul style="list-style-type: none"> Limited farmer organization and voice in local/district governance Low female literacy levels and understanding of opportunities, especially in rural/remote areas Limited access to assets and employment opportunities for women Cultural norms of low status/maltreatment of women and girls 	<ul style="list-style-type: none"> Promote/support farmer group formation and involvement in agricultural planning, services provision and local affairs in general Provide female vocational/literacy training including marketing/business Advocate and target emancipation of women in social/community affairs and representation in Programme management and activities

Key File Table 2: Institutional Capabilities Matrix

Institution	Strengths	Weaknesses	Opportunities/Threats	Remarks
Ministry of Planning and Development (MPD)	<ul style="list-style-type: none"> Strong donor support Strong leadership Power for inter-ministerial coordination Leads the planning process and resource allocation 	<ul style="list-style-type: none"> Too many tasks concentrated in the same Institution Confusion and tasks overlap Weak network of provincial and district offices 	<ul style="list-style-type: none"> Vision and openness Support/make policy, advocacy Support for capacity building 	<ul style="list-style-type: none"> Rural Development Strategy formulated, clear implementation mechanisms not yet in place Expected capacity building programme for DNPDR
Ministry of Agriculture (MINAG)	<ul style="list-style-type: none"> Strong donor support Good network of provincial and district offices 	<ul style="list-style-type: none"> Confusion and tasks overlap among its institutes and <i>fundos</i> Marked centralization Weak leadership Poor coverage by field extension workers 	<ul style="list-style-type: none"> Support/make policy, advocacy New Directors just nominated for key Directorates Assistance to de-concentration Support for capacity building 	<ul style="list-style-type: none"> PRONEA/ASP formulated and effective PDSA under formulation, due mid-2008 Expected capacity building programme for MINAG on Marketing Information System
Ministry of Industry and Trade (MIC)	<ul style="list-style-type: none"> Strong donor support Good network of provincial offices 	<ul style="list-style-type: none"> Internal capacity to deal with the core tasks of the sector 	<ul style="list-style-type: none"> Support/make policy, advocacy Regional free trade Support for Capacity building at provincial and district level 	<ul style="list-style-type: none"> Agricultural Marketing Strategy has been formulated, but needs to be operationalized disseminated and implemented
International NGOs	<ul style="list-style-type: none"> Much involved in extension, participation and farmer group organization More intensive coverage 	<ul style="list-style-type: none"> High operating costs Poor coordination Possible non-sustainability Loose contract terms, poor monitoring and exit targets 	<ul style="list-style-type: none"> Complement public services Do research, technology dev't Social capabilities strong Linkage to markets/commerce 	<ul style="list-style-type: none"> Need tight, performance contracts Suitable Programme partners
National NGOs	<ul style="list-style-type: none"> Strong financial support from international donors 	<ul style="list-style-type: none"> Highly dispersed and less linked to local communities Poor coordination Medium operating costs 	<ul style="list-style-type: none"> Link to NGO resource base Sound participatory know-how Capable of some training 	<ul style="list-style-type: none"> Need tight, performance contracts Suitable Programme partners
UNAC (including Unions)	<ul style="list-style-type: none"> Strong connection to farmers Strong leadership 	<ul style="list-style-type: none"> Lack of funds, experience Difficulty in hiring staff 	<ul style="list-style-type: none"> Stronger donor support Capacity building programmes Services provision 	<ul style="list-style-type: none"> Priority Programme partners Need capacity building
Private Sector (including farmers)	<ul style="list-style-type: none"> Presence in economy growing Network of private associations Existence of Farmers Unions Existence of fiscal incentives for agriculture and rural areas 	<ul style="list-style-type: none"> Many companies still weak, inexperienced Associations need strengthened 	<ul style="list-style-type: none"> Strengthen associations for rural presence Business training for small and medium enterprises 	<ul style="list-style-type: none"> Candidates for Programme participation Farmer and women promoter potential

Key File Table 3: Complementary Donor Initiative/Partnership Potential

Donor/Agency	Nature of Project/Programme	Project/Programme Coverage	Status	COMPLEMENTARITY/ POTENTIAL SYNERGIES
African Development Bank	<ul style="list-style-type: none"> Rural Finance Support Programme (RFSP, co-financed by IFAD). Promote expansion of outreach of financial services to rural areas. 	<ul style="list-style-type: none"> Country wide 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Strong complementarity in expanding outreach of financial services to programme area. MoU will be signed at programme start-up.
DANIDA	<ul style="list-style-type: none"> Support to Agency for the Development of Private Initiatives in the Agricultural Sector (ADIPSA in its Portuguese acronym). Enterprise development, credit line for SMEs and support for farmers' associations. 	<ul style="list-style-type: none"> Manica, Tete, Nampula, Cabo Delgado 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Good. In Cabo Delgado and Nampula: coordination in area coverage; cost-sharing for training of service providers; access of PROMER beneficiaries to ADIPSA line of credit. MoU will be signed at programme start-up
European Union	<ul style="list-style-type: none"> Support Programme to Farmers' Associations. Facilitation of commercial partnerships between farmers' associations and agribusiness enterprises. 	<ul style="list-style-type: none"> Country-wide 	<ul style="list-style-type: none"> Ongoing (just started) 	<ul style="list-style-type: none"> Modest. Potential lessons learning and complementarity on specific micro-projects (if in PROMER geographic area)
Italian Cooperation	<ul style="list-style-type: none"> Integrated market-linkages and SME development programme 	<ul style="list-style-type: none"> Beira Corridor (Sofala, Manica and South Zambezia) 	<ul style="list-style-type: none"> Under design 	<ul style="list-style-type: none"> Limited. No geographical contiguity, possible knowledge management and lessons learning complementarity
Millennium Challenge Corporation	<ul style="list-style-type: none"> Large investment programme mostly focusing on infrastructure works: primary roads, electrification, water and sanitation. 	<ul style="list-style-type: none"> Northern Region – Nampula, Niassa, Cabo Delgado and Zambezia 	<ul style="list-style-type: none"> To be launched in 2008 	<ul style="list-style-type: none"> Reasonable, in particular primary roads investment, complementing PROMER's focus on smaller scale economic infrastructure (feeder roads, markets and agricultural storage)
ProAgri Partners (Austria, Canada, Denmark, EU, Finland, Ireland, Sweden)	<ul style="list-style-type: none"> Support to National Programme for Agricultural Extension (PRONEA, cofinanced by IFAD) through ProAgri. 	<ul style="list-style-type: none"> Country-wide 	<ul style="list-style-type: none"> Ongoing (just started) 	<ul style="list-style-type: none"> Strong complementarity in responding to needs for production support services by PROMER beneficiaries. MoU will be signed at programme start-up.
SIDA	<ul style="list-style-type: none"> Support to Cabinet for Strategic and Development Studies. Malonda Foundation promoting private sector business opportunities in rural areas. Venture capital fund for agricultural trading managed by AMODER. 	<ul style="list-style-type: none"> Niassa 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Limited. No geographic overlapping. Lessons learnt included in PROMER design.
USAID	<ul style="list-style-type: none"> Emprenda. Consortium of Technoserve, CLUSA and ACDI/VOCA: strengthening of farmers associations; market linkages for associations; support to agri-business enterprises. Agricultural Inputs Marketing Systems (AIMS) programme, mainly focusing on regulatory, policy and organizational aspects of marketing systems for seeds, inputs and fertilizers. 	<ul style="list-style-type: none"> Nacala Corridor and Beira Corridor Country-wide, with special focus on Beira Corridor 	<ul style="list-style-type: none"> Ongoing Ongoing 	<ul style="list-style-type: none"> Good. No geographical overlapping for farmers associations development. Potential synergies for co-investment with specific agri-business enterprises. Modest. PROMER will benefit from regulatory/policy changes emerging from AIMS.

Key File Table 4: Target Group, Priority Issues and Programme Responses

Typology	Characteristics and Poverty Level	Coping Actions	Priority Needs	Potential Programme Responses
Semi-subsistence smallholder farmers (primary PROMER target group)	<ul style="list-style-type: none"> Small land holdings, limited cropped area, no use of inputs, low yields and output. Largely subsistence-farming with occasional surplus sales Remote areas, far from markets and with poor infrastructure. Illiteracy. Lack of production skills. Inefficient markets providing limited incentives and opportunities for market-oriented production. Often food insecure during normal production years. Extremely poor 	<ul style="list-style-type: none"> Engage in other income generating activities (labour competition with agriculture). Engage in small-scale low-risk production and are highly diversified in the number of crops they produce. Sell an occasional surplus by the farm-gate or at trader collection points (risk of oversales). They use no purchased inputs and low quality seeds and planting materials. Join farmers' associations 	<ul style="list-style-type: none"> Increased farm-level productivity. Access to market information and output markets. Economic incentives to use quality seed and planting material. Training in preservation of produce to extend storage life. Improved capacity and means to respond to evolving market demand and specific opportunities. 	<ul style="list-style-type: none"> Facilitate the adoption of cash crops and improved production practices. Demonstrate the effect of inputs usage and improve distribution systems for good quality inputs. Assist farmers to organize into strong farmers' associations to benefit from scale operations and market opportunities. Facilitate production planning through market information dissemination. Improve feeder roads and market infrastructure. Functional literacy training.
Other poor smallholder farmers (primary PROMER target group)	<ul style="list-style-type: none"> Small land holdings, limited cropped area (somewhat larger than semi-subsistence smallholders), limited use of inputs on selected cash-crops, low yields and output. Mixed farming enterprise mainly consisting of food crops with some market-oriented production (cash crops). Poor availability and high cost of quality inputs - seeds and chemicals. Remote areas, far from markets, poor infrastructure. Illiteracy. Lack of production skills. Poor post-harvest handling leading to poor quality and post harvest losses. Inefficient markets offering low returns for cash-crops produced. Generally not food insecure, but highly vulnerable to risks and external shocks and exposed to food insecurity during years of poor rainfall Poor, most of them below national poverty line 	<ul style="list-style-type: none"> Engage in other income generating activities. They engage in small-scale production and are highly diversified in the number of crops they produce. Limited use of purchased inputs (only on cash crops) and low quality seeds and planting materials. Join farmers' associations to increase access to markets 	<ul style="list-style-type: none"> Increased farm-level productivity. Access to market information and output markets. Access to quality seed and planting material at affordable prices. Access to credit Training in preservation of produce to extend storage life. Improved capacity and means to respond to evolving market demand and specific opportunities. 	<ul style="list-style-type: none"> Facilitate the adoption of cash crops and improved production practices. Demonstrate the effect of inputs usage and improve distribution systems for good quality inputs. Assist farmers to organize into strong farmers' associations to benefit from scale operations and market opportunities. Facilitate production planning through market information dissemination. Improve feeder roads and market infrastructure. Functional literacy training. Increase presence of financial service providers in the area

Typology	Characteristics and Poverty Level	Coping Actions	Priority Needs	Potential Programme Responses
Women farmers and female headed households <i>(sub-set of primary PROMER target group)</i>	<ul style="list-style-type: none"> ▪ Limited rights within many families ▪ Economically and socially disadvantaged by the lack of the partner. ▪ Widowhood often exposes women and their dependants to claims on assets by relatives, turning them destitute. ▪ General labour constraints. ▪ Cultural practices hinders their engagement in economic activities and taking on group leadership roles. 	<ul style="list-style-type: none"> ▪ Subsistence farming on small plots to meet household food requirements. ▪ Join with other women in groups to pursue income generating activities. ▪ Sell off remaining assets to meet household expenses. ▪ Resort to petty trade, or illicit activities such as destructive use of natural resources (charcoal). 	<ul style="list-style-type: none"> ▪ Increased the social safety net, improved opportunities to deal with short-term financial crises and retain productive assets and activities. 	<ul style="list-style-type: none"> ▪ Promote women's groups/sub-groups linked to farmers associations (targeted matching grants and leadership promotion). ▪ Promote women membership in farmers associations (30%) ▪ Facilitate support by farmers' groups for women members in resolving short-term financial crises. ▪ Increase employment opportunities (income generating activities, casual labour for road construction).
Poorest community members, destitute households <i>(not PROMER target group but indirectly benefiting)</i>	<ul style="list-style-type: none"> ▪ Labour constraints in households that suffer from diseases or consist of the elderly without adequate able-bodied household members. ▪ Cultivate very small land holdings, inadequate production to meet household food needs. ▪ Poor returns for small surpluses sold. ▪ Illiteracy. ▪ Extremely poor (destitute) 	<ul style="list-style-type: none"> ▪ Engage in casual labour for others, for food and/or cash. ▪ Depend on relatives, neighbours, well wishers in the community. ▪ Resort to destructive use of natural resources (charcoal). 	<ul style="list-style-type: none"> ▪ Access to sources of income that are not labour-intensive and enable small investments. ▪ More efficient markets offering higher returns to labour. 	<ul style="list-style-type: none"> ▪ Improved casual labour employment opportunities through increased cropping by other farmers and labour-based roads construction. ▪ Encourage some farmers with potential to join farmers' associations. ▪ Literacy training.
Small/medium rural traders <i>(secondary PROMER target group, not poor, instrumental for primary target group)</i>	<ul style="list-style-type: none"> ▪ Dispersed producers selling small quantities of produce of variable quality. ▪ Competition from larger traders and processors. ▪ Little negotiating power and limited market knowledge ▪ Small margins in relatively inflexible marketing chains (monopsonistic behaviour of large traders). ▪ Lack of access to finances. ▪ High transport costs. ▪ Limited business and management skills. ▪ Lack of processing skills and equipment. ▪ Limited storage ▪ Generally not poor 	<ul style="list-style-type: none"> ▪ Multipurpose retail trade activities to spread risk and maintain volumes. ▪ Traders resort to travelling long distances in difficult terrain in order to scout for and collect produce. ▪ Some engage in poor business practices to minimize costs and maximize profits, affecting producers and the quality of produce. 	<ul style="list-style-type: none"> ▪ Access to sources of finance for trade credit/working capital. ▪ Strengthened trade relationships with groups of farmers for reliable delivery of good quality produce. ▪ Improved business environment for growth of enterprises. ▪ Increased knowledge in managing their businesses and understanding market dynamics 	<ul style="list-style-type: none"> ▪ Assist with linkage to sources of credit. ▪ Capacity development of farmers' associations and selected traders. ▪ Train traders in order to improve the handling and quality of their products. ▪ Promote longer-term and more formal trade relations.

Key File Table 5: Stakeholder Matrix/Actors and Roles - Stakeholder Analysis

Stakeholders	Current Role in Market Linkage Services	Prospective Role in Market Linkages Services	Barrier(s) to Effective Participation
Ministry of Planning and Development (MPD)	<ul style="list-style-type: none"> High, provides PARPA poverty alleviation framework Leading role in inter-sector coordination Leading role in decentralization/district development process Current role includes responsibility for IFAD-PAMA; will host PROMER and wider rural development subjects 	<ul style="list-style-type: none"> Setting policy framework, promoting policy dialogue, coordinating development initiatives, thematic knowledge management 	<ul style="list-style-type: none"> Limited institutional capacity to take on planning, coordinating or implementing roles
Ministry of Finance (MF)	<ul style="list-style-type: none"> High, determination of taxes and incentives policies, revenue and public debt 	<ul style="list-style-type: none"> Streamline the incentives for the improvements of the terms of trade for the smallholders 	<ul style="list-style-type: none"> Limited institutional capacity
Ministry of Agriculture (MINAG)	<ul style="list-style-type: none"> Coordination of agricultural extension through DNEA and other Directorates Extension is heading now into demand driven and properly participatory 	<ul style="list-style-type: none"> Extension Master Plan and PRONEA formulated with vision, participatory approaches, role of extension agents as facilitators and plurality of delivery. Need to show potential points of synergies with 4PM 	<ul style="list-style-type: none"> Lack of leadership and clear definition of roles and responsibilities in agricultural technical services delivery
Ministry of Industry and Trade (MIC)	<ul style="list-style-type: none"> Support for marketing and the trade sector -- key support aspects of a robust extension delivery system 	<ul style="list-style-type: none"> Complementary/supporting role to MINAG, particular focus on aspects concerning commercial, trade and agro-processing development 	<ul style="list-style-type: none"> Limited availability of resources
Commercial Banks	<ul style="list-style-type: none"> Currently very limited, lending only to the largest, most well established enterprises (some recent push towards rural areas) Smaller commercial banks starting to appear – microbanks – with more rural orientation and more open to new approaches 	<ul style="list-style-type: none"> Expanded outreach and provision of financial services in rural areas could support farm commercialization and private sector advisers 	<ul style="list-style-type: none"> Bank conviction that lending and provision of financial services in rural areas is risky, high cost and unprofitable
Non-bank Financial Intermediaries and MFIs	<ul style="list-style-type: none"> Currently most active financial intermediaries in rural areas Examples of successful support of Programme type activities exist 	<ul style="list-style-type: none"> Expected to expand coverage and become increasingly active funding source for agricultural, trade, processing and private sector development 	<ul style="list-style-type: none"> Starting from a relatively small base and limited operations Lack of coordination among MFIs
Savings & Credit Groups	<ul style="list-style-type: none"> Positive, but limited to a few areas where CARE, IRAM, CONCERN, OPHVELA, ADM and other NGOs have introduced programmes 	<ul style="list-style-type: none"> Groups could be clients for expansion of activities including advisory services provision and enterprise development 	<ul style="list-style-type: none"> Limited number of groups and need much support

Key File Table 5: Stakeholder Matrix/Actors and Roles - Stakeholder Analysis – Continued

Stakeholders	Current Role in Market Linkages Services	Prospective Role in Market Linkages Services	Barrier(s) to Effective Participation
Smallholder Farmers	<ul style="list-style-type: none"> Principal players in the revival of agriculture and in Programme-type activities Increasing propensity to participate and associate for development of producer, marketing and out-grower schemes 	<ul style="list-style-type: none"> Key proponents of demand-led extension and technical services needs Potential major players in local planning and project implementation; and as members of rural enterprise groups 	<ul style="list-style-type: none"> As individuals, too dispersed for interlocation with services providers Limited available cash for investment or credit worthiness Vulnerability to risk, disasters and adverse conditions
Rural/Farmer Enterprise/ Marketing Groups	<ul style="list-style-type: none"> Increasingly active in production, business and marketing 	<ul style="list-style-type: none"> Expansion in the number/capabilities of groups and forums is main plank of Programme design Potential major players in local planning and project implementation 	<ul style="list-style-type: none"> Limited number of groups in some districts Propensity for group formation in less advantaged districts not known/clear
Small-to-Medium Traders	<ul style="list-style-type: none"> Increasingly active in agri-business, input supply and produce marketing 	<ul style="list-style-type: none"> Expansion of facilities and activities expected to emerge from Government policy Could provide the essential link for farmers/groups to commercialise their operations 	<ul style="list-style-type: none"> Limited skills and capacity as yet to undertake expansion of operations, limited collateral Reluctance to borrow for business expansion
Concession and Contract Farming Companies	<ul style="list-style-type: none"> Major actor in the provision of specialist and also general extension Largest supplier of credit to farmers - in the form of production inputs 	<ul style="list-style-type: none"> Participation in joint operations between outgrowing companies and farmer groups and associations 	<ul style="list-style-type: none"> Possible reluctance to stray from their specific cash crop, processing or trading interest
NGOs	<ul style="list-style-type: none"> Supporting many extension, farmer organization and district development projects Leading source of expertise for Programme-type interventions 	<ul style="list-style-type: none"> Probable contractors/consultants for range of training, support and development activities under the Programme 	<ul style="list-style-type: none"> Need to build up the technical, financial, management expertise for local NGOs/CBOs Tendency to follow own agenda -- need to be held to tight targets/contracts
Private Consulting, Professional and Academic Sectors	<ul style="list-style-type: none"> Strong capability and reasonable level of involvement in studies, project design and services provision 	<ul style="list-style-type: none"> Prime candidates for services provision and contract assignments under the Programme 	<ul style="list-style-type: none"> Tend to be concentrated in main cities/towns and most advanced Provinces/Districts Possible lack of resources, staff, willingness to fully exploit opportunities

