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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

REPUBLIC OF MOZAMBIQUE

FOR THE

AGRICULTURAL SUPPORT PROGRAMME

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CURRENCY EQUIVALENTS

Currency unit	=	metical (MZM)
USD 1.00	=	MZM 25 000
MZM 1.00	=	USD 0.00004

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 ac

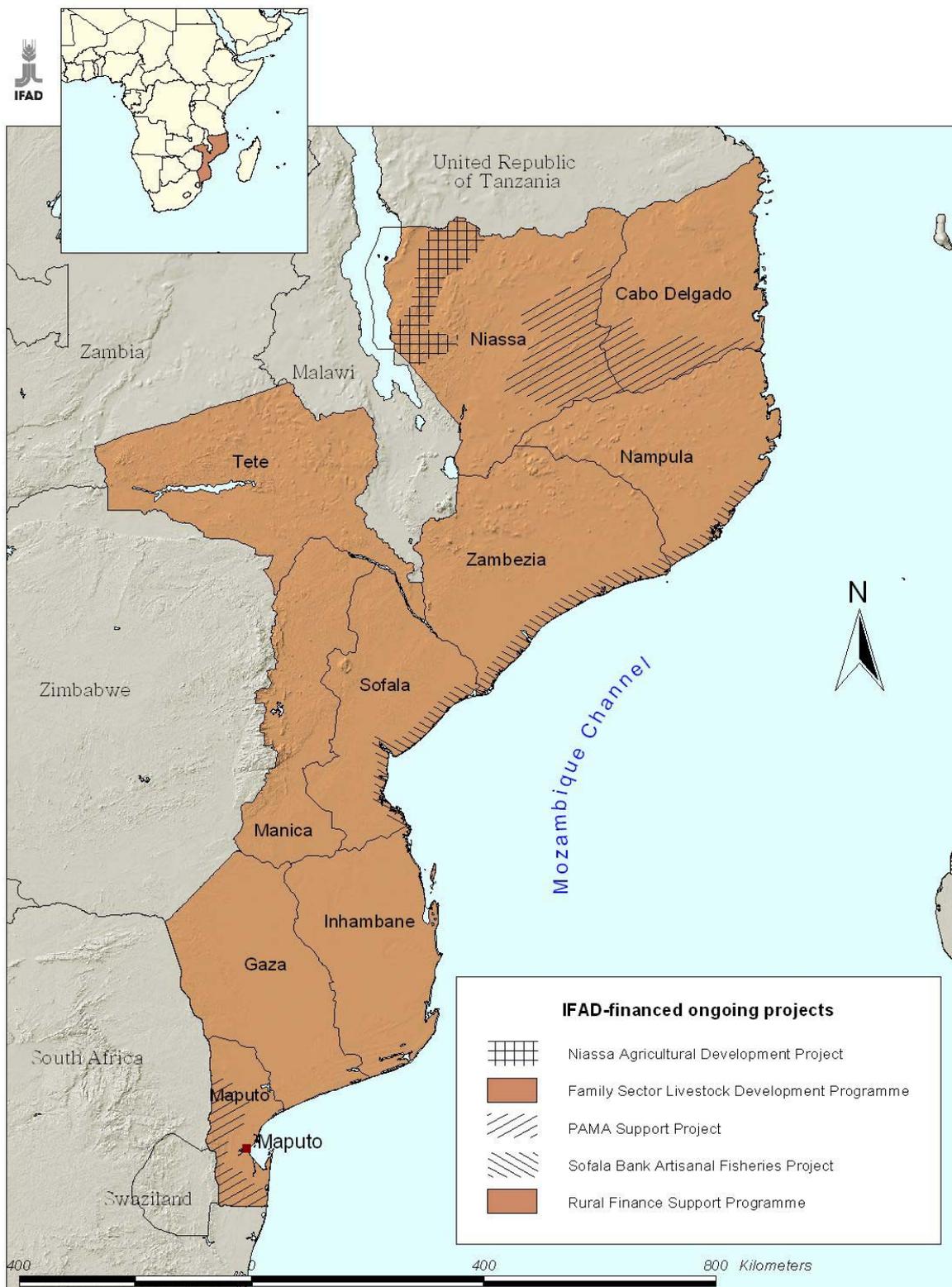
ABBREVIATIONS AND ACRONYMS

PARPA	Action Plan for the Reduction of Absolute Poverty
PROAGRI	National Programme for Agricultural Development
UNDP	United Nations Development Programme

GOVERNMENT OF THE REPUBLIC OF MOZAMBIQUE
Fiscal Year

1 January – 31 December

MAP OF THE PROGRAMME AREA



Source: IFAD

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.

REPUBLIC OF MOZAMBIQUE
AGRICULTURAL SUPPORT PROGRAMME

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Republic of Mozambique
EXECUTING AGENCY:	Ministry of Agriculture
TOTAL PROGRAMME COST:	USD 50.82 million
AMOUNT OF IFAD LOAN:	SDR 13.85 million (equivalent to approximately USD 20.0 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIERS:	None
CONTRIBUTION OF BORROWER:	USD 30.07 million
CONTRIBUTION OF ENTERPRISES AND BENEFICIARIES:	USD 756 000
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services

PROGRAMME BRIEF

The programme. The Agricultural Support Programme constitutes a pivotal part of the second phase of the Government of Mozambique's National Programme for Agricultural Development (PROAGRI), which is one of the first agricultural sector-wide approaches adopted in Eastern and Southern Africa. The first phase of the Government's programme, PROAGRI I, attracted substantial donor support – using a common flow-of-funds mechanism as a means of harmonizing donor interventions – and focused on agricultural aspects of the poverty reduction strategy. PROAGRI I successfully built capacity and streamlined some of the management functions of the implementing ministry, the Ministry of Agriculture and Rural Development. However, limited progress was achieved in installing sound local implementation mechanisms and reforming the ethos and operating modalities of the Ministry. Despite a move by some donors towards budget or specific project support, the second phase of the Government's programme has thus far attracted a respectable level of donor commitment and recognition of the need for more dynamic and dedicated addressing of smallholders' needs in a participatory manner through the emerging structures of local government. The programme will take up this challenge with respect to the provision of extension services.

Who are the beneficiaries? The beneficiaries will be among Mozambique's 3.2 million rural households. Most smallholders farm plots of less than 2 ha, raising primarily rainfed subsistence crops. Of the estimated 45% of households that constitute the "poorest" and include most women-headed and HIV/AIDS-affected households, some 63 400 households will benefit directly, principally through improved food security. In addition, of the 33% of households classified as "poor" and the 22% that are "less poor", 46 500 and 31 000 farm families, respectively, will benefit from greater food security and increased incomes. In effect, a total of about 140 000 households (or 700 000 poor men and women) will benefit directly and substantially, while an estimated equal number of households will benefit indirectly. The programme is expected to result in 30 000 households moving from the "poorest" to the "poor" category, while 20 000 "poor" households will transit to the "less poor" category.

Why are they poor? The fundamental reasons include the small size of farms and cultivated areas and the predominance of manual cropping systems and poor husbandry standards that lead to low productivity and trigger a vicious circle of low output, low income and low use of inputs and technology. These factors are complicated by: unavailability or unaffordability of farm inputs; widespread lack of know-how and inadequate information due to outdated extension delivery systems; and remoteness of farming areas and population dispersion, which complicates produce-marketing, farmer organization and interaction, and service delivery.

What will the programme do for them? The programme will build on recent experience of the public and private sectors and civil society organizations in collaborating with and supporting farmer organizations and sharing advice and knowledge to reform the ethos and operating modalities of the public extension service while expanding the participation and roles of the private sector and NGOs so as to better respond to farmers' needs. The programme will provide advice, training and mentoring for problem analysis and identification of development potential; technical services to farmers and farmer groups and associations; and it will facilitate access to or, if necessary, provide funding to encourage and support the commercialization of farm enterprises, including farmer-to-farmer contacts and the delivery of services by farmer-promoters.

How will the beneficiaries participate in the programme? Programme beneficiaries will participate through the establishment of new farmer groups and the strengthening of existing ones, e.g. farmer field schools, production and marketing associations, and other local farmer and producer forums. These groups will be empowered so as to articulate their needs and link with local governments in order to better plan and solicit funding for subprojects and establish links with private-sector partners, including NGO service providers.

**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
REPUBLIC OF MOZAMBIQUE
FOR THE
AGRICULTURAL SUPPORT PROGRAMME**

I submit the following report and recommendation on a proposed loan to the Republic of Mozambique for SDR 13.85 million (equivalent to approximately USD 20.0 million) on highly concessional terms to help finance the Agricultural Support Programme. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services as IFAD's cooperating institution.

PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and Agricultural Sector

1. Mozambique occupies a total area of 784 090 square kilometres on the south-eastern coast of Africa. The total population of 19.1 million is growing at a rate of 1.8% per annum. Over the past decade, the economy and political system have been transformed through realistic, market-oriented policies and the country is acknowledged as an example of positive economic reform and social equity.² Gross national income per capita remains low at USD 250 (2004) and the country is ranked 168th among the 177 nations included in the 2005 Human Development Index. Under the influence of liberalization and sound economic management, real GDP growth has averaged about 8% since the early 1990s; inflation has averaged around 10% per year since 2000; foreign exchange reserves have grown steadily; and the budget has shown strong revenue growth and sound expenditure control. In 2003, total overseas development assistance to Mozambique amounted to USD 1 billion, of which over 80% was grant aid, mainly from the European Union and the United States of America.

2. Agriculture is a keystone of the national economy. It accounts for one fifth of GDP and four fifths of exports – mainly sugar, cotton, cashew nuts, timber and prawns. The agricultural sector ranks third in importance after commerce and industry, and provides employment to two thirds of the population. Agricultural value added is growing at 5%-7% annually. Mozambique has abundant land resources, of which 46% is arable but only 10% is cultivated. The central and northern areas have the highest agricultural potential, while the southern areas have poorer soils and scarcer rainfall – and are subject to both droughts and floods. The overall picture of the rural economy is one of a fragile household income base built on subsistence crop agriculture and complemented (in the south) by off-farm employment and emigration for work. Rural families generally derive four fifths of their income from agricultural activities: most are engaged in crop-raising (mainly cassava, maize and legumes), but over 70% of smallholders have at least one non-crop income source, with livestock contributing 3% of household income (mainly from poultry, goats and cattle). Agricultural yields are generally

¹ See Appendix I for additional information.

² At the central level, the key ministries involved with the economy and agricultural and rural development are the Ministry of Finance; the recently created Ministry of Planning and Development, which among other things is responsible for national planning and national-level coordination of and support for decentralized development programmes, including those concerned with rural development; and the Ministry of Agriculture (formerly the Ministry of Agriculture and Rural Development). The Ministries of Planning and Development and of Agriculture are represented at the provincial level, with the latter having offices in each of the country's 128 districts.

lower than in other countries with similar agroecological conditions. Agricultural development is fundamental for poverty reduction and Mozambique has good potential for achieving further agricultural development.

B. Lessons Learned from Previous IFAD Experience

3. IFAD has to date financed eight loan-funded programmes and projects in Mozambique, four of which had grant components. The current loan portfolio includes interventions in support of crops, fisheries and livestock development, as well as market linkages and rural financial services. Complementing and supporting the loan portfolio are five grant-funded interventions that focus on testing approaches to mitigate the impact of HIV/AIDS, piloting a microfinance scheme, spearheading smallholder access to export markets, strengthening farmer organizations, and supporting the preparation of a national rural development strategy. The accumulated IFAD and other donor experience from past and ongoing interventions provides crucial lessons that have informed the design of the programme, notably: (i) the need for flexibility and rigorous supervision, especially given the general ineffectiveness of monitoring and evaluation systems; (ii) the need to support multi-donor consultation and funding mechanisms, such as under the National Programme for Agricultural Development (PROAGRI); (iii) the need to develop and nurture grass-roots organizations so as to ensure ownership, efficiency, autonomy and sustainability; (iv) the need to place the rural poor at centre stage as directly targeted and fully involved beneficiaries, rather than rely on indirect or trickle-down impact; and (v) the building of partnerships with the private sector, NGOs and grass-roots organizations – although difficult and costly – is a sine qua non if sustainable development is to be achieved.

C. IFAD's Strategy for Collaboration with Mozambique

Mozambique's Policy for Poverty Eradication

4. The Government of Mozambique's poverty reduction strategy is embodied in its Action Plan for the Reduction of Absolute Poverty (PARPA), prepared in 2001 with the goal of reducing the incidence of absolute poverty (defined as the inability of households to satisfy basic food needs) from 70% in 1999 to less than 50% by 2010. The action plan's objectives include: (i) achieving rapid and private-sector-led growth, specifically targeting agriculture, commerce and transport; (ii) maintaining macroeconomic stability; (iii) improving the delivery of public services; and (iv) reforming the legal and fiscal management systems. By 2004, the incidence of absolute poverty had dropped to 54%.

5. The action plan identifies agricultural and rural development and good governance among its priority areas. This focus is also reflected in the Public-Sector Reform Strategy of 2001 and the imminent Rural Development and Decentralization Strategies, both of which recognize the critical importance of community participation and increased devolution of authority to provinces, districts and downstream agencies. The action plan's second phase, now under way with general budget support from 16 multilateral and bilateral donors, includes explicit targets for the agricultural sector, with PROAGRI as the centrepiece.

Poverty Eradication Activities of Other Major Donors

6. The donors that are providing general budget support for the PARPA action plan as well as other development partners (including the African Development Bank, the International Monetary Fund, Japan, and the United States of America) are involved in various aspects of Mozambique's poverty reduction effort, sometimes with emphasis on specific subsectors (such as agricultural research) or locations. With regard to PROAGRI, eight donors (Austria, Canada, Denmark, the European Commission, Finland, IFAD, Ireland and Sweden) have already made definite or highly probable commitments, for an aggregate contribution to the Common Flow-of-Funds Mechanism of

USD 24 million for 2006. Two other donors, Italy and the United States Agency for International Development, provide an additional USD 16 million in support of specific agricultural projects outside the framework of PROAGRI.

IFAD's Strategy in Mozambique

7. The Government of Mozambique's Vision for Agricultural Development, which constitutes the main basis of the second phase of its programme (PROAGRI II), and IFAD's Regional Strategy for Eastern and Southern Africa are very clearly aligned. Both focus on four major thrusts, namely smallholder access to markets and to financial services, improved technology and natural resources. In addition, IFAD's country strategic opportunities paper for Mozambique, approved in September 2004, stresses: clearly and directly targeting assistance to the rural poor; maintaining full consistency with Government policy and other donor initiatives; and playing to the strengths and comparative advantages of the Fund, particularly with regard to rural organizations, market linkage development, public-private partnerships and innovative approaches, including engagement with NGOs.

8. The principal thrusts of IFAD's strategy in Mozambique are to: (i) increase the incomes of the rural poor by strengthening access to advisory services, continuing to develop linkages with private-sector operators for input supply and produce-marketing, improving sustainable access to financial services and increasing marketable production; (ii) empower the rural poor by promoting small-scale producer organizations and local partnerships for development, giving due attention and devoting specific effort and resources to the deliberate inclusion of issues relating to women, young people and the impact of HIV/AIDS; and (iii) continue to tap and strengthen instruments for donor-Government collaboration, especially in respect of: policy dialogue, based on relevant and conducive programme structures; and programme support, including programme development, knowledge management and partnership-building.

Programme Rationale

9. The rationale for the Agricultural Support Programme emerges from the Government's Vision for Agricultural Development, proposals of the PARPA action plan for rural economic growth and poverty reduction, advances made in the country's decentralization process and governance system, as well as the progress achieved thus far under PROAGRI. These factors converge to underpin the proposition of a more productive, commercial and sustainable pattern of agricultural development as a prerequisite for combating poverty and boosting economic growth. The substantive progress made in agricultural development since 1992 and the parallel – albeit slower – development of farmer organizations have largely bypassed the majority of smallholder subsistence farmers, for whom insufficient family food supply and inadequate household cash income remain chronic challenges. Yet simple, appropriate and proven technologies exist that are attuned to their capabilities, resources and financial predicament and can be delivered by effective extension services. Recent advances in collaboration between public- and private-sector players and NGOs also provide a clear precedent for future intervention.

10. In designing the Agricultural Support Programme as IFAD's contribution to PROAGRI II, account has been taken of the particular areas of action of other donors. This has led to the focus on agricultural extension, since agriculture and produce-marketing, research, medium- and large-scale commercial farming, agro-industry and rural financial services assistance are already reasonably well covered by other initiatives. Furthermore, although general planning and management capabilities are steadily being developed at the provincial and district levels, the agricultural aspects of planning and delivery capabilities need further urgent attention.

11. The programme strategy involves: (i) embedding management in local government systems; (ii) having the province as the central locus of coordination and supervision and the district as the

main point of planning, budgeting, delivery, management and monitoring of services; (iii) restricting activity at the central level to advisory and coordination functions to ensure effective and consistent roll-out of activities and requisite liaison with the Ministries of Finance, Planning and Development and State Administration; (iv) ensuring that the responsible entity at the provincial level has the strongest possible degree of autonomy and jurisdiction; and (v) integrating with and underpinning existing agencies and complementary activities of local government support while utilizing, through outsourcing of services, the capabilities of all potential contributors to agricultural development.

PART II – THE PROGRAMME

A. Programme Area and Target Group

12. Although the Agricultural Support Programme will have national coverage, participation in programme activities will vary with the capabilities available at the individual district level. Consequently, participating districts will include: (i) an estimated 40 districts with strong needs or potential that have so far received limited assistance and have limited capability – these districts will receive priority ranking and require inputs from all facets of the programme; (ii) an additional 60 districts that have received substantive assistance under previous district development or agricultural projects, have advanced capability for planning and development and are in locations of high potential and relatively less urgent need – these districts will require less intensive support for capacity-building; and (iii) an estimated 28 districts that have a more limited natural-resource base, sparse population and/or special conditions (such as the presence of national parks) that render them unlikely to be responsive to programme interventions – these districts will receive limited assistance, targeting mainly food security. Draft criteria have been prepared for district participation that conform to those devised and applied under ongoing interventions supporting decentralization, with additional parameters specific to the programme. The criteria will be finalized at the early stages of programme implementation.

13. The Ministry of Agriculture classifies Mozambique's farming population of about 3.2 million households into three socio-economic groups: the poorest households (who cultivate less than 1 ha), of which there are estimated to be 1.44 million; poor households (who cultivate 1-2 ha), which number 1.06 million; and less poor households (with more than 2 ha), of which there are 704 000. The programme will target the poor and disadvantaged through: a primary eligibility criterion that participating farmer groups or associations must be at least 70% made up of small farming households; priority for districts, localities and communities that have a high incidence of poverty; specification of fair, minimum levels of gender balance in all implementation teams, committees, farmer organizations and training programmes; and use of mechanisms to ensure access by the poorest farmers to the full range of assistance, including assistance that is self-targeted at the poorest. Within communities, measures will be devised in consultation with local leaders to ensure that participation is inclusive.

B. Objectives and Scope

14. The programme constitutes a core part of PROAGRI in support of the PARPA action plan's principles and targets; it specifically seeks to contribute to attainment of the government objective of maintaining agricultural sector growth at or above the level of 7% per year estimated to be required to ensure that the Millennium Development Goals are reached. The goal is to contribute to absolute poverty reduction and improve the quality of life of rural Mozambican men and women. The development purpose is to increase returns and improve the household food security of subsistence farmers, particularly among female-headed and disadvantaged households, through a steady rise in production efficiency. The key supporting objectives are to ensure: wider access to effective technical support services, better organized producer groups influencing the supply of services, and demand-driven delivery of support services.

C. Programme Components

15. The programme is organized in three components that are to be implemented with appropriate sequencing, including a strong focus on preparatory activities during the first two years of implementation: (i) supply-side development (for extension service delivery); (ii) demand-side development; and (iii) agricultural service delivery. The following paragraphs provide a detailed description of the components.

Supply-side Development

16. The objective of the supply-side development component is to reorient the ethos and build capacity and systems in the public-sector extension service and encourage, promote and deepen the involvement of NGO and private-sector service providers, including farmer groups and farmer-promoters, to more effectively deliver the advice, information, training and technical assistance required by smallholders. The component has two subcomponents.

17. The **public-sector reorientation and support** subcomponent will, in line with government policy and the objectives of the PARPA action plan, aim to enhance extension performance by reducing direct implementation by the Government and developing institutional capacity focused on guiding, supporting and monitoring the pluralistic provision of services. This will hinge on a shift in the national approach to extension, with acknowledgement of the new paradigm and preparation of the systems, guidelines and documentation to put it into practice. There will be two main activities. The first – central-level reorientation and support – will focus on the unit managing PROAGRI within the Ministry of Agriculture and its Extension Department. The programme will finance a training needs assessment, senior staff training, consultations with district farmers, planning systems and service contracting advice, district agricultural service reform, and national and international technical assistance to support implementation. This activity will also include supplying a limited amount of vehicles, equipment, and office and communication facilities. The second activity – provincial and district development – will support agricultural aspects of district and provincial development planning and implementation. New institutional arrangements will improve and strengthen local government, contributing directly to the decentralization process. The district technical team's agricultural extension specialists will comprise up to four people, whose terms of reference will reflect responsibilities for the management of outsourced extension service delivery and improving planning capacity to ensure that the concerns of farmers are effectively represented in district agricultural development plans. The District Director of Agriculture will be charged with ensuring that private-sector operators are informed of activities in the district – helping to develop tenders – and with managing the resulting contracts and facilitating relations between farmer organizations and local government entities. Apart from technical assistance, which will be provided centrally but mainly support the provinces and districts, this activity will encompass: human resource development for province and district staff, including long- and short-term academic training; practical training in conducting consultations with farmers; an important campaign of stakeholder consultations, seminars and workshops; provision of vehicles, equipment, and communication and office facilities; incremental staffing at the district level; and assistance with financing of incremental costs, mainly for field activities.

18. The **private-sector/NGO promotion and support** subcomponent will mobilize and offer support to private-sector, NGO and community-based service providers. Potential incumbents are likely to include private research institutions; national and international NGOs; universities and other academic institutions; individual consultants, extensionists and scientists; private-sector consulting firms; and contractors and registered farmer associations, which can play an important role in technology dissemination and adoption. Lead farmers are already involved in extension as farmer-promoters, and local farmer association networks are also active in agricultural extension. Support

under this subcomponent will include channelling and providing professional advice and financial assistance for emerging service-provider enterprises.

19. The three main activities under the subcomponent are: (i) service-provider development, comprising the mounting of a media campaign targeted at districts (but with a national perspective) to create awareness and interest in programme opportunities and modalities; this will be followed by the award of a contract for each region (northern, central and southern) for consultants or development agencies to foster service-provider emergence and development; (ii) private-sector/NGO service-provider promotion, consisting of: vocational training and business planning and management advice for established or emerging small and medium-sized enterprises and local NGOs in the service provision field; provision of professional technical and business advice and mentoring of business development; promotion of a professional association of competent contractors and service providers; and facilitation or provision of financial assistance through matching grant or lease/hire arrangements for small business set-up and development (e.g. a vehicle or a computer); and (iii) establishment of farmer-promoters – including vocational and functional-literacy training for prospective farmer-promoters – based at the district and downstream levels, and creation of incentives to formalize farmer-promoter businesses by providing limited matching grant funding for initial investments by individual farmers or farmer.

Demand-side Development

20. The objective of this component is to enable farmers, through their groups, associations and networks, to determine and articulate their needs and aspirations; assume the authority, resources and capability to contribute to and influence the content of district development plans and consequent funds allocation; hold accountable public- and private-service providers; and thus construct real partnerships for development with the Government and the private sector. There are two subcomponents.

21. Under the **farmer organization and empowerment** subcomponent, existing, nascent and potential farmer groups will be contacted, consulted and lent assistance to: organize and network into committees and forums; consolidate their legal status; receive information and guidance for identifying potential and means of attainment and improvement; and participate in community development committees that properly represent the different household categories. The main activities will be: (i) development of a district-based inventory of female and male farmer groups and associations showing the number and type of existing agricultural groups and associations, the level of inclusion of different poverty categories and vulnerable groups, and the main actors involved in supporting farmer empowerment at the district level; (ii) participatory learning, group dynamics, self-reliance and inclusion as part of a platform to support existing groups through existing service providers and new groups through district technical team or service contract inputs, using participatory rural appraisals, agriculture potential assessments and well-being rankings; (iii) networking of groups into community development committees and local forums, capacity-building and linkage formation – drawing on the experience of the extension management committees set up under farmer field schools – to ensure participation in local government agricultural planning; (iv) role strengthening of committees and forums in priority-setting and planning by involving them in key activities and subprojects and offering training in participatory planning, monitoring and evaluation, and downward accountability to member groups and their different household categories; and (v) support for graduation and legal registration of farmer associations through the district system and with the assistance of service providers.

22. Under the **group, association and enterprise development** subcomponent, farmer associations will receive support and guidance to: become sustainable, market-oriented agricultural production groups with equitable and inclusive access to benefits by men and women alike, pursuing common technical and commercial interests; interact with public and commercial service providers; and

become involved with the local government in the delivery of agricultural services. The main activities will be: (i) transforming producer groups into profitable associations, using private-sector (including NGO) expertise; (ii) training in business, administration and financial management; (iii) facilitation of linkages and access to other sources of assistance, including related projects in rural finance and assistance for enterprise development and NGO initiatives for crop and livestock improvement and ownership; (iv) preparation of associations to provide agricultural services, including training of lead individuals as facilitators for other groups; and (v) provision of limited matching grant funding for feasible and well-founded group enterprises or schemes where no other source is available.

Agricultural Service Delivery

23. The objective of this component is to ensure that provinces deliver effective support services, advice, better access, knowledge and technology to districts and further downstream in direct response to needs identified and expressed by smallholders. The component will translate the reforms and capacity-building provided to farmers and service providers into practical benefits, encompassing a range of farming and related activities determined by farmer groups and associations. One of the programme's fundamental principles is to empower farmer groups and associations to assume control over resource allocation and the management of agricultural services. This will be initiated by gradually shifting budget resources from direct funding of public extension and agricultural development activities to specialized funds disbursed through districts and downstream agencies and controlled by the clients. The component will have two subcomponents.

24. The **provincial-level service delivery** subcomponent will provide longer-term support (one to two years) on thematic topics such as land management and watershed protection, adaptive research, development of marketing operations and/or will provide ongoing technical or farm business management advice to larger, partly commercial producer groups.

25. The **district/local-level service delivery** subcomponent will entail shorter-term assignments lasting from a few days to several months. These contracts may be awarded: (i) by a method not requiring competitive tendering but still allowing for enforceability, in the case of occurrences such as disease outbreaks or pest infestation problems where action might be completed with input of a week; (ii) under a normal procedure, for services such as research on exploitation of a specific market opportunity; (iii) on an ad hoc basis, e.g. for practical advice and assistance to a group in application of a new technology involving inputs, possibly periodic, of several weeks or even a few months; or (iv) under annual agreements, for periodic technical and management advisory sessions to an individual association or cluster of farmer groups (e.g. farmer field school-type activities). The programme will finance the following activities to meet farmers' requirements: the establishment of a system of individual funds at the district level for demand-driven agricultural service delivery; the generation, dissemination and adaptation of relevant technology and knowledge; acquisition of advisory services; capacity-building; a contribution to operational costs for farmer groups and associations, including demand-driven research, extension, information and communication facilities; and increased service delivery by the private sector.

D. Costs and Financing

26. The programme costs have been estimated over a period of eight years as an integral part of the wider PROAGRI operations and, accordingly, they reflect the projected Government funding for public-sector extension services under the revised Extension Master Plan, which encompasses the programme approach and activities and is currently being finalized. The total programme cost including contingencies, duties and taxes amounts to USD 50.82 million. Physical and price contingencies add 9% to the base costs. Taxes and duties have been calculated at prevailing rates and

amount to USD 3.01 million, or 6% of the total programme cost. Foreign exchange costs represent 24% of the total programme cost.

27. The programme will be financed by an IFAD loan of approximately USD 20.0 million (39% of the total cost), a Government contribution of USD 30.07 million (59%) and contributions by enterprises and beneficiaries under matching grants of USD 756 000 (1.5%). The Government contribution comprises USD 3.01 million in duties and taxes and USD 27.06 million in the form of recurrent salaries and operating costs of the public extension service, with some limited additional investment in capacity-building. It also comprises all government resources for extension under PROAGRI II other than the IFAD loan, including funds contributed as general budget support and allocated by the Government to the Ministry of Agriculture for extension as well as funds provided by other donors for extension through the Common Flow of Funds Mechanism. The IFAD contribution is targeted at pluralistic service provision for provinces and districts, support for farmer empowerment and related private-sector (including NGO) development.

TABLE 1: SUMMARY OF PROGRAMME COSTS^a
(USD '000)

Component	Local	Foreign	Total	% Foreign Exchange	% of Base Costs
A. Supply-side development					
1. Public-sector reorientation and support	8 144	3 858	12 002	32	26
2. Private-sector/NGO promotion and support	3 256	1 474	4 730	31	10
Subtotal	11 400	5 332	16 732	32	36
B. Demand-side development					
1. Farmer organization and empowerment	1 389	739	2 128	35	5
2. Group, association and enterprise development	1 772	759	2 531	30	5
Subtotal	3 161	1 499	4 659	32	10
C. Agricultural service delivery					
1. Provincial-level service delivery	5 826	1 134	6 960	16	15
2. District/local-level service delivery	15 162	3 138	18 300	17	39
Subtotal	20 988	4 272	25 260	17	54
Total base costs	35 549	11 102	46 651	24	100
Physical contingencies	63	42	104	40	-
Price contingencies	3 121	943	4 065	23	9
Total programme costs	38 733	12 087	50 820	24	109

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN^a
(USD '000)

Component	IFAD		Government		Enterprises and Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%			
A. Supply-side development											
1. Public-sector reorientation and support	1 069	8.3	11 852	91.7	-	-	12 921	25.4	4 122	7 396	1 403
2. Private-sector/NGO promotion and support	4 469	88.2	84	1.7	517	10.2	5 070	10.0	1 579	3 407	84
Subtotal	5 538	30.8	11 936	66.3	517	2.9	17 991	35.4	5 701	10 803	1 487
B. Demand-side development											
1. Farmer organization and empowerment	2 296	100.0	0	-	-	-	2 296	4.5	797	1 499	-
2. Group, association and enterprise development	2 557	91.4	0	-	239	8.6	2 796	5.5	839	1 957	-
Subtotal	4 853	95.3	0	-	239	4.7	5 092	10.0	1 636	3 457	-
C. Agricultural service delivery											
1. Provincial-level service delivery	2 138	28.1	5 462	71.9	-	-	7 600	15.0	1 259	6 080	261
2. District/local-level service delivery	7 463	37.1	12 674	62.9	-	-	20 137	39.6	3 492	15 379	1 266
Subtotal	9 601	34.6	18 136	65.4	-	-	27 737	54.6	4 751	21 460	1 527
Total programme costs	19 993	39.3	30 071	59.2	756	1.5	50 820	100.0	12 087	35 719	3 013

^a Discrepancies in totals are due to rounding.

E. Procurement, Disbursement, Accounts and Audit

28. The overall arrangements for procurement, disbursement and audits are elaborated in a draft memorandum of understanding between the Government and the signatory donors to PROAGRI II, the latter comprising donors directly supporting PROAGRI II. The arrangements are based on the arrangements for PROAGRI I and incorporate the lessons learned during implementation of the first phase. The text of the draft memorandum of understanding is being reviewed by the Government and the PROAGRI Partners Group, and the attachments and annexes to the memorandum of understanding, which among other things detail arrangements for annual commitments on the part of donors and the Government, reporting and procurement, are under preparation.

29. Procurement will observe the procedures that are being finalized for PROAGRI II, which will meet international standards satisfactory to the PROAGRI Partners Group. Programme funds will be disbursed over an eight-year period; during the first two years, disbursements will be mainly for implementing measures necessary for province and district enrolment, development of detailed targeting strategies in cooperation with local leaders, and activities related to staff and service-provider training, selection, approval and contracting. Withdrawals from the IFAD loan account in respect of eligible expenditures will be agreed between the Government and the PROAGRI Partners Group as part of the Common Flow-of-Funds Mechanism and financial management arrangements, which will be based on the systems operating under PROAGRI I and detailed in the memorandum of understanding. Records evidencing the types and amounts of expenditures need not be submitted to IFAD but will be retained at the responsible office of the Ministry of Agriculture, for inspection by representatives of IFAD and its cooperating institution. The system of operating accounts, funds flow, accounting and audit will be agreed between the Ministry of Agriculture and the PROAGRI Partners Group and implemented as part of the PROAGRI II financial management arrangements. The fiduciary arrangements associated with pooled funding will be explained in a document to be presented in due course to the Executive Board for approval.

30. IFAD will make disbursements in United States dollars into the PROAGRI basket fund account against regular withdrawal requests with the appropriate supporting documentation, approved by the Ministry of Finance. IFAD will disburse the loan proceeds quarterly in advance on the basis of the approved annual workplan and budget; quarterly disbursements will take place upon receipt of the financial management report in respect of the penultimate reporting period, satisfactory to IFAD. Within five months after the end of each financial year, the Government will forward to IFAD a report on actual expenditures, on which basis the third and fourth tranches will be adjusted if necessary. All underlying procurement and other records related to expenditures will be retained at the province and district offices, with copies on file at the headquarters of the Ministry of Agriculture, and will be made available for review by supervision missions and examination by the auditors.

31. Consolidated annual financial reports will be prepared not later than five months after the end of each financial year. The accounts utilized under the Common Flow-of-Funds Mechanism will be subject to an independent annual audit in accordance with procedures agreed with the PROAGRI Partners Group.

F. Organization and Management

32. The arrangements for organization and management will be as detailed in the memorandum of understanding for PROAGRI II between the Government and the donors. The Ministry of Agriculture, through the PROAGRI Coordination Unit, will have overall responsibility for programme coordination and oversight, working in liaison with the Ministries of Planning and Development, State Administration and Finance in their respective spheres of financial planning, local governance and funding provision. The Extension Directorate of the Ministry of Agriculture will assume the role of a centre of excellence, providing information and resources for technical backstopping.

33. The principal agency responsible for programme operations management will be the Provincial Agriculture Directorate, which, in conjunction with the provincial development committees, will set up a small executive group that will coordinate, direct and assist district and downstream activities, specifically in planning, budgeting and organizing operations. Under the leadership of the district administrator, districts will play a leading role in implementing farmer organization activities and extension services, with day-to-day implementation being the responsibility of the District Director of Agriculture and the agricultural team, working in conjunction with the district development committees and consultative councils. Thus, coordination and administration will be embedded within the appropriate development entities – development committees or technical teams – in the local government system.

34. The Ministry of Agriculture recognizes that the absence of a suitable monitoring and evaluation (M&E) system has been a major weakness of PROAGRI I. A comprehensive management information system incorporating an effective M&E system with clear, verifiable indicators, including those required by IFAD under its Results and Impact Management System (RIMS), is at an advanced stage of development by international consultants. Programme M&E will be integrated into the PROAGRI M&E system at the national, provincial and district level. The memorandum of understanding, with its annual attachment on commitments, mutual obligations and operational targets and milestones, and its periodic reviews, will provide an interim means of monitoring progress and evaluating attainments. The programme will support a review of PROAGRI II after two years of implementation – the agreed focus of which will be to verify that the systems and mechanisms to be developed during the first two years have been completed and adopted – and a mid-term review after four years of implementation. Other important elements of the M&E framework will include stakeholders' workshops and agreed formal external evaluations and reviews, impact studies and other ad hoc studies.

G. Economic Justification

35. The programme will have a direct and substantive impact on an estimated 63 400 households in the poorest category, 46 500 in the poor category and 31 000 in the less poor/emerging category, for a total just over 140 000 households or 700 000 people. An estimated additional 140 000 households will obtain indirect and lesser benefits, meaning that 1.4 million people, or 9% of the target group universe, will benefit. As a result of the programme, it is expected that 30 000 households will move from the poorest to the poor group and 20 000 households will move from the poor to the less poor/emerging category. An analysis of six farm models constructed to reflect typical situations and impacts shows that the annual increase in with-project beneficiary family incomes exceeds 20%. For the poorest, food-insecure families, the food deficit is estimated to be reduced by between 31% and 77%. The calculated economic rate of return for the programme, including the Government counterpart funding, is 12%; if 80% of the Government funding is excluded as sunk costs, the economic rate of return is 21%.

H. Risks

36. There are four main areas of risk to the programme. First, the Government's commitment to allocate sufficient resources for rural poverty reduction and the Ministry of Agriculture's commitment to pluralistic and farmer-led extension services and to increasingly concentrate its role on legislation, regulation and facilitation might not be sustained. Strong leadership by and continuous dialogue between the PROAGRI Partners Group and the Ministry of Agriculture are the main means of mitigating this risk. Second, there is a risk of scarcity of private-sector (including NGO) service providers. To mitigate this risk, the programme will provide training and financial assistance for the establishment or upgrading of entities and farmer-promoters and will encourage the amalgamation of groups to optimize the coverage and utilization of those available. Third, adoption of reforms at the district level could prove slower than anticipated. If this occurs, some flexibility will be granted in the

fulfilment of conditions for compliance, and additional assistance for district involvement will be provided. Fourth, a degree of uncertainty remains about the readiness of PROAGRI II and the Common Flow-of-Funds Mechanism. To assist in mitigating this risk, IFAD has been actively engaged in the formulation of a revised memorandum of understanding for PROAGRI II.

I. Environmental Impact

37. The programme is classified in Category C, with environmental impact expected to be largely positive. It will deliver a mix of sustainable natural resource management and low-input-based agricultural technologies, which will raise labour and land productivity. The adoption of technologies such as those used in conservation agriculture has a twofold beneficial effect: they prevent soil degradation and improve water-holding capacity and soil fertility, and they also save labour, particularly for women-headed and HIV/AIDS-affected households. In addition, the social and natural resource management interventions of the programme will engender a step forwards in community self-reliance and sustainable natural resource use. The Ministry of Agriculture is well informed of the comprehensive environmental regulations now in force; and it is well resourced to ensure that the necessary environmental impact assessments of subprojects and activities at the district level and below will be undertaken.

J. Innovative Features

38. Although this is not the first IFAD investment under a sector-wide approach, the proposed programme is of particular importance because further involvement by IFAD, including close participation in the mechanics and progress of PROAGRI operations, will add significantly to the credibility and sustainability of the approach and consequent harmonization of donor efforts. It will also place IFAD in a strong position to engage actively in policy dialogue, particularly with regard to extension. The programme also takes an innovative approach to working in tandem with a broader process of decentralization, which has been advancing with support from the United Nations Capital Development Fund, the United Nations Development Programme, the World Bank and numerous bilateral donors in a country where the movement to local democracy and devolution is of particular importance and faces special challenges. Again, although reform of extension service delivery is not a new area for IFAD, the programme will be crucial in consolidating the transformation to farmer empowerment, realistic agricultural planning, and pluralistic and eventually commercialized delivery of extension services.

PART III – LEGAL INSTRUMENTS AND AUTHORITY

39. A loan agreement between the Republic of Mozambique and IFAD will constitute the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

40. The Republic of Mozambique is empowered under its laws to borrow from IFAD.

41. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV – RECOMMENDATION

42. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of Mozambique in various currencies in an amount equivalent to thirteen million eight hundred and fifty thousand special drawing rights (SDR 13 850 000) to mature on or prior to 1 November 2045, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge
President

**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES
INCLUDED IN THE NEGOTIATED LOAN AGREEMENT**
(Negotiations concluded on 7 February 2006)

1. **Programme account.** The Government of the Republic of Mozambique (“the Government”) will open and thereafter maintain in its Central Bank, or another bank agreed by the Government and IFAD, an account denominated in United States dollars or such other currency as agreed by IFAD for programme operations (the “PROAGRI basket fund account”). This account must be protected against set-off, seizure or attachment on terms and conditions proposed by the Government and accepted by IFAD.

2. **Suspension.** In addition to the events specified in section 12.01 of the General Conditions for Agricultural Development Financing, IFAD:

- (a) may suspend, in whole or in part, the right of the Government to request withdrawals from the loan upon the occurrence of any of the events set forth therein or any of the following events:
 - (i) a signatory partner agreement has failed to enter into full force and effect by the date or dates specified therein, or by a later date or dates established by such other signatory partner(s), and substitute funds are not available to the Government on terms and conditions acceptable to IFAD for that purpose or the effect is adverse to the implementation of the programme;
 - (ii) the rights of the Government to withdraw the proceeds of the financing provided by other signatory partner(s) have been suspended, cancelled or terminated, in whole or in part, or other non-grant financing has become due and payable prior to the agreed maturity thereof; or any event has occurred that, with notice or the passage of time, could result in any of the foregoing or the effect is adverse to the implementation of the programme;
 - (iii) the focus, framework or substance of PROAGRI II has been changed in such a way that, in the opinion of IFAD, the goals and purposes of the programme or the terms of the programme loan agreement may not be fulfilled;
 - (iv) the memorandum of understanding (MOU) or any provision thereof has been waived, suspended, terminated, amended or modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the programme.
- (b) will suspend, in whole or in part, the right of the Government to request withdrawals from the loan if the audit report required by the loan agreement has not been satisfactorily completed within 12 months after the financial reporting period set forth therein.

3. **Conditions of effectiveness.** The following are specified as conditions precedent to the effectiveness of the loan agreement:

- (a) the annual workplan and budget (AWP/B) for the first programme year will have been approved by IFAD;

ANNEX

- (b) the Ministry of Agriculture will have revised the extension master plan to the satisfaction of IFAD;
 - (c) the MOU will have been duly signed by the signatory ministries, IFAD and at least two other signatory partners, and all conditions precedent to the effectiveness thereof (other than the effectiveness of the loan documents) will have been fulfilled;
 - (d) the PROAGRI Coordinator; Director of the Directorate of Administration and Finance; Head of the Monitoring and Evaluation Department, Directorate of Economics (DoE); and Head of the Planning Department, DoE, will have been assigned or recruited and appointed in conformity with the terms of agreement between the Government and the PROAGRI partners group;
 - (e) the programme loan agreement will have been duly signed, and the signature and performance thereof by the Government will have been duly authorized and ratified by all necessary administrative and governmental action; and
 - (f) a favourable legal opinion, issued by the Government's Attorney-General in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.
4. **Counterpart funds.** The Government will make available counterpart funds to the Ministry of Agriculture from sources other than the loan in an aggregate amount of approximately USD 30 100 000 equivalent, in accordance with its customary national procedures for development assistance. For such purposes, the Government will make budgetary allocations during each fiscal year equal to the counterpart funds called for in the AWP/B for the relevant programme year and make such allocations available to the lead programme agency quarterly in advance.
5. **Gender.** The Government will ensure that women are represented in the organization and management of the programme. It will also ensure that women beneficiaries are represented in all programme activities and that they receive appropriate benefit from the programme outputs.
6. **Pest management practices.** As part of maintaining sound environmental practices as required by IFAD, the Government will ensure that all implementing agencies maintain appropriate pest management practices under the programme and, to that end, it will ensure that pesticides used under the programme do not include any pesticide proscribed by the Food and Agriculture Organization of the United Nations or by the World Health Organization.
7. **Monitoring.** The monitoring and evaluation system for PROAGRI II will be designed for the monitoring of physical and financial progress and be completed no later than six months within programme effectiveness, and will include, inter alia, the framework indicators under IFAD's results and impact management system.
8. **Tax exemption.** The Government will exempt from taxes the importation, procurement and supply of all goods, civil works and services financed by the proceeds of the loan.
9. **Insurance of programme personnel.** The Government will insure all programme staff against health and accident risks to the extent consistent with its customary practice in respect of its national civil service.
10. **Technical assistance.** The lead programme agency will ensure that the necessary technical assistance is contracted during the programme implementation period.

APPENDIX I

COUNTRY DATA

MOZAMBIQUE

Land area (km² thousand) 2003 1/	784	GNI per capita (USD) 2003 1/	210
Total population (million) 2003 1/	18.79	GDP per capita growth (annual %) 2000 1/	5
Population density (people per km²) 2003 1/	24	Inflation, consumer prices (annual %) 2003 1/	13
Local currency	Metical (MZM)	Exchange rate: USD 1 =	MZM 25 000
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1997-2003 1/	2.0	GDP (USD million) 2003 1/	4 321
Crude birth rate (per thousand people) 2003 1/	40	Average annual rate of growth of GDP 1/ 1983-1993	3.6
Crude death rate (per thousand people) 2000 1/	21	1993-2003	8.1
Infant mortality rate (per thousand live births) 2003 1/	101	Sectoral distribution of GDP 2003 1/	
Life expectancy at birth (years) 2003 1/1	41	% agriculture	26
Number of rural poor (million) (approximate) 1/	n/a	% industry	31
Poor as % of total rural population 1/	n/a	% manufacturing	16
Total labour force (million) 2003 1/	9.83	% services	43
Female labour force as % of total 2003 1/	49	Consumption 2003 1/	
Education		General government final consumption expenditure (as % of GDP)	12
School enrolment, primary (% gross) 2003 1/	103 a/	Household final consumption expenditure, etc. (as % of GDP)	77
Adult illiteracy rate (% age 15 and above) 2003 1/	53 a/	Gross domestic savings (as % of GDP)	11
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita	n/a	Merchandise exports 2003 1/	880
Malnutrition prevalence, height for age (% of children under 5) 2003 2/	44 a/	Merchandise imports 2003 1/	1 365
Malnutrition prevalence, weight for age (% of children under 5) 2003 2/	26 a/	Balance of merchandise trade	-485
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2003 1/	6 a/	before official transfers 2003 1/	-809
Physicians (per thousand people)	n/a	after official transfers 2003 1/	-516
Population using improved water sources (%) 2000 2/	57	Foreign direct investment, net 2003 1/	337
Population with access to essential drugs (%) 1999 2/	50-79	Government Finance	
Population using adequate sanitation facilities (%) 2000 2/	43	Cash surplus/deficit (as % of GDP) 2003 1/	n/a
Agriculture and Food		Total expenditure (% of GDP) 2003 1/	n/a
Food imports (% of merchandise imports) 2003 1/	14 a/	Total external debt (USD million) 2003 1/	4 930
Fertilizer consumption (hundreds of grams per ha of arable land) 2000 1/	59 a/	Present value of debt (as % of GNI) 2000 1/	38
Food production index (1999-01=100) 2003 1/	104	Total debt service (% of exports of goods and services) 2000 1/	7
Cereal yield (kg per ha) 2003 1/	862	Lending interest rate (%) 2003 1/	25
Land Use		Deposit interest rate (%) 2003 1/	12
Arable land as % of land area 2003 1/	5 a/		
Forest area as % of total land area 2003 1/	39 a/		
Irrigated land as % of cropland 2003 1/	2 a/		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* CD ROM 2005

2/ UNDP, *Human Development Report*, 2004

PREVIOUS IFAD FINANCING IN MOZAMBIQUE

Project/Programme Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Number	Denominated Currency	Approved Loan/Grant Amount
National Programme for Food Production in the Cooperative and Family Sector	IFAD	UNOPS	HC	31 Mar 82	23 Feb 83	31 Dec 86	L-I-93-MZ	SDR	17 700 000
Nampula Artisanal Fisheries Project	IFAD	UNOPS	HC	15 Sep 93	04 Nov 94	31 Dec 02	L-I-334-MZ	SDR	4 350 000
Niassa Agricultural Development Project	IFAD	UNOPS	HC	20 Apr 94	19 Oct 94	30 Jun 06	L-I-359-MZ	SDR	8 800 000
Second Agricultural Rehabilitation Project	IFAD	IDA	HC	10 Sep 87	26 Apr 88	31 Jan 96	G-S-5-MZ	SDR	800 000
Second Agricultural Rehabilitation Project	IFAD	IDA	HC	10 Sep 87	26 Apr 88	31 Jan 96	L-S-8-MZ	SDR	11 850 000
Family Sector Livestock Development Programme	IFAD	UNOPS	HC	04 Dec 96	12 Feb 98	31 Dec 06	G-I-19-MZ	USD	65 000
Family Sector Livestock Development Programme	IFAD	UNOPS	HC	04 Dec 96	12 Feb 98	31 Dec 06	L-I-432-MZ	SDR	13 450 000
PAMA Support Project	IFAD	UNOPS	HC	08 Dec 99	07 Sep 01	31 Mar 08	G-I-90-MZ	USD	60 000
PAMA Support Project	IFAD	UNOPS	HC	08 Dec 99	07 Sep 01	31 Mar 08	L-I-515-MZ	SDR	16 550 000
Sofala Bank Artisanal Fisheries Project	IFAD	UNOPS	HC	12 Sep 01	02 Sep 02	31 Mar 09	G-I-125-MZ	USD	60 000
Sofala Bank Artisanal Fisheries Project	IFAD	UNOPS	HC	12 Sep 01	02 Sep 02	31 Mar 09	L-I-566-MZ	SDR	14 000 000
Rural Finance Support Programme	IFAD	UNOPS	HC	17 Dec 03	30 Aug 04	31 Mar 14	L-I-622-MZ	SDR	6 650 000

HC: Highly concessional

IDA: International Development Association (World Bank Group)

UNOPS: United Nations Office for Project Services

LOGICAL FRAMEWORK

Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<p>Overall Objective</p> <p>To contribute to absolute poverty reduction and improvement in the quality of life of the rural poor</p>	<p>Improved living conditions, manifested in increased, more resilient incomes, household/family asset accumulation, and enhanced health and nutrition status, particularly for children</p> <p>Three Millennium Development Goals:</p> <ul style="list-style-type: none"> • reduction of absolute poverty • reversal of spread of HIV/AIDS • environmentally sound and sustainable development 	<p>Performance Assessment Framework (under the PARPA action plan), evaluation of Social and Economic Plans (PESs), and Poverty Observatory</p> <p>National household income statistics and poverty studies</p>	<p>Continued Government focus on poverty reduction as a priority.</p> <p>Sustained Government and donor support and acceleration in the decentralized governance programme</p>
<p>Programme Purpose</p> <p>Increased returns and improved household food security for male and female subsistence farmers, including female-headed and disadvantaged households, through a steady rise in production efficiency</p>	<p>Profitability of small-scale farms of both male- and female-headed households</p> <p>Production and income share of the poor, and growth in the incomes of women from agriculture</p> <p>Progression of male and female farmers and their families up the ladder of development, commercialization and well-being, from poorer to less poor/emerging income categories</p>	<p>National statistics and surveys</p> <p>Provincial and district progress reports and evaluations</p> <p>PROAGRI II memorandum of understanding attachments: annual financing agreements, statement of obligations, and outline intervention and operating schedules</p> <p>PROAGRI II M&E system</p>	<p>Continuation of overall country economic recovery</p> <p>Complementary progress with other pillars of sector development: marketing, natural resource management (NRM) and rural finance</p> <p>Strong support for PROAGRI II from Government, civil society and donors</p>

Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<p>Results</p> <p>1. Supply-side development (for extension/technical services)</p> <p>1.1 Public-sector reorientation and support</p> <p>Reinforcement of capability for locally oriented planning and coordination of implementation at the central level in the PROAGRI II Unit, Extension and related directorates</p> <p>Competent public-sector planning and implementation capacity established at the locality, district and province level, including effective outsourcing and management of service-provider contracts</p> <p>Smallholder priorities for agricultural production and productivity services clarified, strengthened and incorporated in local plans</p>	<p>Number, quality and timeliness of production of national/zonal plans and establishment of procedures, systems, implementation mechanisms</p> <p>Records of task fulfilment for national and international consultancies</p> <p>Incorporation of needs of poor farmers, including female-headed and disadvantaged households, in district agricultural and development plans and locality/district PESs and local workplans and budgets</p> <p>Number and quality of participatory district/locality agricultural plans</p> <p>Existence, goals and strength of public-sector front-line service delivery units</p> <p>Performance of contract managers in the public sector</p>	<p>Records of dialogues and outcomes from public, private and NGO interactions</p> <p>Technical assistance contracts and reports</p> <p>Programme implementation plan and manual. Memorandum of understanding attachments: annual financing agreements and outline operating schedules</p> <p>Aggregated provincial and national workplans and budgets and reviews</p> <p>Province development plans and annual reports</p> <p>Locality and district agricultural plans</p> <p>District development plans and related reports of results and accounts</p>	<p>Progressive devolution of planning and management responsibilities, with robust fiscal arrangements</p> <p>Acceptance of primacy of farmers' views in allocating development resources within sector</p> <p>Complementary services (roads, microfinance) prioritized in local planning mechanisms</p>

Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<p>1.2 Private-sector/NGO promotion and support</p> <p>Encouragement of evolution and establishment – and rapid increase in number and quality – of active private-sector and NGO service providers of extension, associated technology development, training and information</p>	<p>Coverage of rural areas by service providers, input suppliers, traders and other market chain operators</p> <p>Access to information and knowledge</p> <p>Cost-effectiveness of mix of public- and private-sector service delivery</p>	<p>District and provincial records</p> <p>Diagnostic study of barriers to development of service delivery capacity</p> <p>Cost-effectiveness study</p>	<p>Commitment of the Government to cost-effectiveness in pluralistic service-delivery mechanisms</p>

Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<p>2. Demand-side development (for extension/technical services)</p> <p>2.1 Farmer organization and empowerment</p> <p>Existing, nascent and potential community/farmer groups contacted, consulted and lent assistance to organize and network into committees and forums and consolidate legal status, provided with learning and guidance for definition of potential and means of attainment and uplift</p> <p>2.2 Group, association and enterprise development</p> <p>Sustainable market-oriented agricultural production groups and associations, with equitable and inclusive access to benefits by females and males, pursuing common technical and commercial interests; interacting with public and commercial service providers and involved in agricultural services provision and with local government</p>	<p>Farmer organizations active in participatory planning, programme subprojects/activities in communities in all localities and districts</p> <p>Farmer organizations with profitable economic activity under way</p> <p>Number of market-oriented groups and associations operating profitable enterprises and services with bank accounts and without external management or subsidies beyond the inception phase</p>	<p>Locality, district and provincial records</p> <p>Reports of animators and service providers</p> <p>PROAGRI II memorandum of understanding attachments: annual financing agreements and outline operating schedules</p> <p>Agricultural Survey, other official surveys and case studies</p> <p>Reports of private-sector/NGO partners</p>	<p>Increasingly conducive environment for small enterprise development, including access to financial services</p> <p>Sustained programme of investments in public commercial infrastructure made, including roads and markets</p>

Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<p>3. Agricultural services provision (Products and their delivery)</p> <p>3.1 Provincial-level service delivery</p> <p>Effective public-good support services supplied on demand to the production systems of smallholders in all provinces, such as seed multiplication, sanitary regulations, disease prevention, specific contracted applied/adaptive research and natural resource management activities</p>	<p>Availability of essential support services for the small-scale agricultural sector</p> <p>Provincial public-sector response to provision of advice, services for different categories of need of communities, farm households and families</p> <p>Existence and quality of services, with alignment to needs of women and disadvantaged groups</p>	<p>District and provincial records</p> <p>Feedback from male and female farmer organizations</p> <p>Reports of provincial forums or association clusters</p>	<p>Government commitment to provide services that private sector should not, cannot or will not provide: legislation, regulation, facilitation</p>
<p>3.2 District/local-level service delivery</p> <p>Appropriate advice, facilitation of access, knowledge and technology provided to farmers at the district level and downstream in direct response to needs identified and expressed in proper consultations</p>	<p>Responses of male and female farmers to trends in market demand</p> <p>District and downstream public-sector response to provision of advice, services for different categories of need of communities and farm households and families</p> <p>On-farm productivity and avoidance of losses</p>	<p>Production, price and trade statistics</p> <p>Crop, livestock and household income surveys</p> <p>Reports of district or association clusters</p> <p>District council records</p>	<p>Completion of reorientation of sectoral development to a market-led approach, in parallel with adequate local welfare services and support for remote and marginal areas</p>

Intervention Logic	Objectively Verifiable Indicators	Means	Preconditions
Activities			
<p>1. Supply-side development</p> <p>1.1 Public-sector reorientation and support</p> <ul style="list-style-type: none"> • Provision of technical assistance, training, experiential learning for key central department and PROAGRI II Unit personnel and operational support • Enhancement of capacity at the district and provincial levels to plan and manage sectoral development and the delivery of agricultural services, with emphasis on socio-economic and business analysis • Direct support for the decentralization process by generating agriculture and natural resource sector plans within the emerging overall local planning framework • Initiation and incorporation of inclusive small-scale farmer consultation and representation procedures in decentralized government policy, planning, implementation and management decisions 	<p>Essential PROAGRI II documentation, systems and procedures designed in a participatory manner and applied</p> <p>Operating guidelines and terms of reference</p> <p>Appropriate activities incorporated in annual and prospective development plans and funded under the Ministry of Agriculture, provincial and district budgets</p> <p>Effective deployment of managerial and technical resources</p> <p>Frequency, effectiveness and sustainability of consultations between poor farmers and local government officials</p>	<p>Technical assistance</p> <p>Training needs assessment update and staff training emphasizing gender and socio-economic dimensions</p> <p>Stakeholder workshops</p> <p>Vehicles, equipment, communications at the provincial and (mainly) district level</p> <p>National campaign to raise profile and enhance PROAGRI credibility</p> <p>Countrywide campaign of local sectoral consultations with farmers</p> <p>Additional district agriculture and natural resource management staff, at least half women</p> <p>Incremental transport, office and field operating costs</p>	<p>PROAGRI I completed (Ministry of Agriculture reforms and realization of M&E scheme)</p> <p>PROAGRI II formalized with a revised memorandum of understanding and plan of action</p> <p>Agricultural development given priority in local development planning</p> <p>Cadres prepared to shift mindset from training and visit to demand-driven and market-led extension approach and carry through policy of meaningful consultations with female and male smallholders</p>

Intervention Logic	Objectively Verifiable Indicators	Means	Preconditions
Activities			
<p>1.2 Private-sector/NGO promotion and support</p> <ul style="list-style-type: none"> • Encouragement of commercial agricultural enterprises in provision of extension services • Institution-building of local NGOs as rural service providers • Start-up support for new small-scale entrants to rural services provision • Selection, training and establishment of locally resident female and male farmer-promoters as extensionists 	<p>Robust performance-based contracts with change agents, including women advisers and mentors, for business promotion interventions</p>	<p>Sector service-provider development programme: awareness campaign and management</p> <p>Training, mentoring and matching grants for initial investments for feasible schemes for small and medium-sized enterprises/local NGOs as new service providers</p> <p>Vocational and functional literacy training, and matching grants for initial investments for farmer-promoters</p>	<p>Business climate sufficiently dynamic to attract new service providers to rural areas</p>

Intervention Logic	Objectively Verifiable Indicators	Means	Preconditions
Activities			
<p>2. Demand-side development</p> <p>2.1 Farmer organization and empowerment</p> <ul style="list-style-type: none"> • District-based inventory of female and male farmer groups and associations • Strengthening learning capacities and self-reliance of groups, including group dynamics and inclusion • Support the networking of groups into community development committees and local forums • Strengthening the role of committees and forums in agricultural priority setting and planning • Support for graduation and legal registration of farmer associations <p>2.2 Group, association and enterprise development</p> <ul style="list-style-type: none"> • Transformation of producer groups into profitable associations • Training in business, administration and financial management • Facilitation of linkage and access to other sources of assistance, including related projects in rural finance and assistance for enterprise development and NGO schemes for crop and livestock improvement and ownership 	<p>Inventories made: socio-economic and gender profiles of membership and leadership of producer groups</p> <p>Contracts with public/private-sector service providers for facilitation and support of group development; and/or number of groups with self-supported activities</p> <p>Number of community development committees or extension management committees established and operational</p> <p>Community development plans with agricultural priorities</p> <p>Number of inclusive, graduated groups and number of registered groups</p> <p>Number of associations with profitable enterprises</p> <p>Number of groups with accounts and trading/operating reports</p> <p>Number of farmer groups with commercial and other interest linkages</p>	<p>Facilitation and support of group formation and development</p> <p>Provision of effective advice, mentoring and availability of empathetic back-up at the district, province and national levels</p> <p>Development of farmer associations and their enterprises, including matching grants for initial investments where justified</p> <p>Graduation records, including gender and disadvantaged profiles</p>	<p>Effective change agents available</p> <p>Appropriate rural economic group development technology available</p> <p>Viable commercialization opportunities found, tested and proven</p>

Intervention Logic	Objectively Verifiable Indicators	Means	Preconditions
Activities			
<ul style="list-style-type: none"> Preparation of associations to deliver agricultural services Provision of limited matching grant funding for well-founded group enterprises or schemes where no other source is available 	<p>Number of groups involved in services for other farmers and groups</p> <p>Numbers and types of schemes assisted</p>		
<p>3 Agricultural service delivery</p> <p>3.1 Provincial-level service delivery</p> <ul style="list-style-type: none"> Contracting/outsourcing service delivery Delivery of “public good” sectoral and inter-sectoral services (including regulation) Conduct of overarching strategic/thematic activities and studies 	<p>Services included in PROAGRI/Ministry of Agriculture and provincial workplans and budgets</p> <p>Service provision encompasses whole spectrum of crop, livestock, and natural resource management technical and management support</p>	<p>Strategic sectoral studies</p> <p>Thematic sectoral activities</p> <p>Delivery of services by public sector augmented by contract staff</p>	<p>Momentum of deconcentration/devolution of government services accelerated</p> <p>Principle of pluralistic delivery embedded in public-sector psyche</p>
<p>3.2 District/local-level service delivery</p> <ul style="list-style-type: none"> Contracting/outsourcing service provision Delivery of sectoral advisory services including market information, local studies, knowledge and technology transfer Basic production support services for remote/low-potential areas 	<p>Services included in PROAGRI/ Ministry of Agriculture and district and locality work plans and budgets</p> <p>Service delivery encompasses whole spectrum of crop, livestock, and natural resource management technical and management support</p>	<p>Local technical studies</p> <p>Support for remote/low-potential areas</p> <p>Delivery of services by public sector augmented by contract staff</p>	<p>Resources mobilized to fund expanded public- and private-sector services at the district and downstream levels</p>

ORGANIGRAMME

