ASSESSMENT OF PROGRAM IMPACT

USAID/MOZAMBIQUE

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SECTION I. SPECIAL FACTORS AFFECTING THE USAID PROGRAM

The principal factors affecting the USAID program in FY 92 have been drought and the war.

In 1991/92 southern Africa suffered from the worst drought to hit the region in over 80 years. Exacerbated by the ongoing war and a dearth of human and physical infrastructure, the drought hit Mozambique the hardest. Within Mozambique, the drought was most severe in the central and southern provinces. From 1991/92 to 1992/93 annual emergency food requirements rose from 267,700 to 500,050 mt[1] and food aid requirements for the commercial markets rose from 709,000 mt to 816,000 mt.

Additional food requirements are only part of the picture. Water sources--including some major rivers--dried up, creating a more immediate and potentially dire situation for rural populations and some cities, particularly Beira and Chimoio. The ongoing war restricted the ability of emergency programs to reach affected rural populations. In September 1992, an agreement was finally reached between the GRM and RENAMO to allow access by relief convoys to affected populations in RENAMO-held areas. The agreement, however, was too late to stem the flow of people to urban centers and the principal transportation corridors. Thousands of people, many in dire condition, are reported to be fleeing RENAMO areas in search of food.

The drought highlighted weaknesses in government's ability to respond to emergencies. Due to its inability to meet the food distribution needs of the country, the agency responsible for relief coordination and implementation (DPCCN), PVOs and the WFP signed tripartite agreements to ensure a more rapid delivery of relief food to affected areas. Petromoc, the state enterprise responsible for importation and distribution of petroleum, was unable--without the intervention of USAID and other donors--to schedule and ensure the importation of diesel fuel, gasoline and aviation gas to keep emergency operations moving and provide a minimum supply for the private sector.

While it is too early for final numbers, the impact of the drought on the economy is severe. World Bank and IMF estimates of GDP growth for 1992 have been revised down from 5% to -1.4%. This is due to production loss, continued insecurity and changes in source and composition of foreign assistance. The latter reflecting greater food aid, a significant decline in import

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[1] Includes relief, food for work, nutritional rehabilitation and supplementary feeding requirements, but not increased requirements for people in previously inaccessible RENAMO-controlled areas and for increases in ration sizes.

support funds and cuts in aid from Eastern Europe and the former Soviet Union.

The war between the GRM and RENAMO is not a new constraint for the USAID program. It is important to highlight it, though, because it has been the primary constraint to Mozambique's development, achievement of USAID program objectives and the ability of the GRM and donor community to effectively respond to the drought. With the signing of a peace accord on October 4, 1992, Mozambique may finally be able to move forward with national reconciliation, reconstruction, long-term development and democracy.

SECTION II. PROGRAM GOALS AND SUBGOALS

GOAL: Ensure access for all Mozambicans at all times to sufficient food for a healthy and productive life

In the FY 1991 API, stability of food supply was chosen as a proxy indicator for the program goal of food security. The 1991/92 drought increased Mozambique's requirements for imported food assistance, as only an estimated 20% of basic food requirements are met through normal domestic production. Filling the gap, donor food aid will provide 65% and 67% (pledged as of August 31, 1992) of total food import requirements for 1991/92 and 1992/93 respectively. Quick and generous, the U.S. response to the drought accounts for 46% and 49% (pledged) of imported maize requirements in 1991/92 and 1992/93, respectively. Despite this response from the U.S. and other donors, the combination of war and severe drought has undoubtedly reversed progress towards achievement of the goal.

Beyond the question of whether overall supply will meet requirements, supply must be stable to meet consumer needs and predictable to encourage domestic production. Weekly market price surveys by the Mission and Michigan State University (MSU) working with the Ministry of Agriculture show wide fluctuations in prices for maize products. Very high peaks occur as supplies dwindle and then sharply fall within hours of the arrival of new maize shipments. In one Maputo market, the price for coarsely ground yellow maize, the lowest priced maize product, ranged from Mt 474 to Mt 1328 between January and April 1992. These fluctuations are particularly hard on poor consumers who must either reduce their food purchases (which are often only a fraction of FAO standard minimum requirements) or reduce their expenditures on other basic items to adjust to the rising prices. For producers, the price fluctuations act as a disincentive, since they increase the risk associated with domestic maize production and marketing.

Efforts by the Mission to stabilize the supply of maize, through increasing the frequency of shipments and the number of consignees per shipment, are paying off. Since August, 1992, price fluctuations of maize in Maputo and other major urban markets have stabilized. Continued stability, however, depends on assurance of steady supplies from all donors.

SUBGOAL #1: Meet the subsistence food and basic health requirements of the absolute poor[2]

The FY 1991 API cited estimates of the number of absolute poor at over 50% of the population, both rural and urban. This is a staggering figure. In FY 1992, given the effects of the drought on domestic production, this number can only have grown. To meet the subsistence requirements of this population requires greater understanding of the determining factors and characteristics of its subgroups.

MSU's research in three districts of Nampula province revealed several significant factors in household food security. First, the single most important factor is size of land holding; some families have as little as 1/10th of a hectare per capita, inadequate even for survival. Second, households with access to a market for cash crops (cotton or cashew) both grew more food and retained more of their production for their own consumption, since cash needs, including farming inputs, were met by non-food production. Other factors, such as opportunities for non-farm income, were also significant.

Although studies of households in the Maputo peri-urban areas suggest some similarities to the MSU findings, they also suggest two other significant factors: the urban subgroups among the absolute poor of female-headed households[3] and deslocados (displaced persons).[4]

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[2] Absolute poverty is defined by the World Bank as the level of income below which: a) growth faltering in children becomes a common occurrence; and/or b) the cost of a basic monthly food ration (supplying 60-70% of caloric requirements) represents 50% or more of the income level.

[3] The OSU Peri-Urban Baseline Study, reported on previously, suggests that a household's level of food security and source of drinking water is a function of the gender of the head of the household.

[4] MSU's Nampula research did not find a significant relationship between these subgroups and household food insecurity. However, it appears that the factors affecting household food security are different depending on the

An analysis of land markets and land use in Maputo's peri-urban area[5] has gender-differentiated findings that paint a bleak picture of the wellbeing of female-headed households. Whether looking at farm, non-farm or total income, female-headed households in the sample are in a much weaker position than male-headed households. Per capita total income for female-headed households averaged $50, compared to $375 for male-headed households. For female-headed households, gross and net farm revenues from irrigated plots were one-tenth that of male-headed households. Total expenditures by female-headed households on agricultural inputs were 13% of the level expended by male-headed households.

Non-farm income for female-headed households averaged $130, as compared to over $700 for male-headed households. Women working in the formal (wage) sector are under-represented (only 20% of formal sector workers), and, with the exception of the restaurant/hotel sector, men earned 20%-50% more than women. Not one of the female heads of household in the sample held formal sector employment. Female heads of household have significantly less land, poorer housing, less access to services such as water and electricity, far fewer "consumer" goods and less schooling than male heads of household.

A study of small-scale traders also in Maputo's peri-urban area[6] included a sample of 73 traders, 95% of whom were female. The percentage of female-headed households was higher than in the Peri-Urban Baseline Study, but there did not appear to be a relationship between gender of household head and income. Nonetheless, the study does emphasize the low income earned by women from non-farm income. While average income from trading activities was two to three times the formal minimum wage rate, 70% of the traders earned far less than the average and 53% earned approximately the minimum wage. In fact, the authors

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geographical location (which influences which crops are grown as well as many other factors) and on whether one is looking at a rural or urban/peri-urban population.

[5] Roth, Michael, Steve Boucher and Antonio Francisco, "Draft: Land Markets, Transaction Costs, and Land Use in the Peri-Urban Green Zones of Maputo, Mozambique", Land Tenure Center, October 1992. The survey covered two districts in the peri-urban zones around Maputo and involved 121 households and 162 parcels of land.

[6] Little, Peter and Irae Baptista Lundin de Coloane, "Petty Trade and Household Survival Strategies: A Case Study of Food and Vegetable Traders in the Peri-Urban Area of Maputo, Mozambique", April 1992.

conclude that "most traders use income from small-scale commerce to support subsistence costs." This reliance on small-scale commerce for subsistence is due, in large part, to the lack of access to land in the peri-urban areas for farming. For those who do have access to land, the plots are too small (less than 0.2 hectares for the sample) to support a household.

Approximately 35% of the Mozambican population are considered *deslocados*, people who have migrated within Mozambique to flee the war or drought. (Another 10% of the population are refugees in neighboring countries.) By virtue of having fled their homes and principal means of income, deslocados probably represent a sizable subgroup of the absolute poor.

This conclusion is supported by findings from the small-scale trader and land market studies. For example, weekly trading income for traders who have resided in Maputo for 1 to 15 years was found to be less than half that of traders who have lived in the area for 16 to 30 years. Recent arrivals to the peri-urban zones have also been locked out of access to productive land. Most of the irrigable land in the zones covered by the land market study was fully occupied by 1986 or 1987 and available rainfed land is often in areas where security is a problem. Consequently, new arrivals have had to turn to alternatives to farming, such as petty trading, to survive.

SUBGOAL #2: <u>Increase food supplies through production and trade to levels that meet domestic consumption requirements</u>

Progress toward this subgoal was set back by the 1991/92 drought. As has been noted above imported food requirements for Mozambique have risen dramatically due to the drought. While no reliable production statistics are available even in a normal year, there is little question that food production in southern and central Mozambique was a complete loss in 1991/92 for the second year in a row.

Production in northern provinces was close to normal, however. In some areas significant food surpluses were produced, but the lack of market infrastructure and war-related insecurity prevented farmers and traders from moving surplus food to food deficit areas.

While it is not possible to report increases in food supplies for domestic consumption, there is evidence of rapidly evolving production and marketing patterns. As markets develop,

incentives for production and trade can be expected to increase, but it is still too early to report measurable progress.

Recent studies and casual observation suggest that market activity in urban areas, and especially in Maputo, is increasingly vibrant. Self-employment, of which a large portion is informal commerce, accounts for more than 60% of the entire peri-urban workforce, an astounding transformation from the early 1980s when urban residents without proof of formal wage employment were plucked from the streets and sent for "reeducation". Petty trading (dumba-nengue), whether in food or in small manufactured products, has grown faster than any subsector of employment in the past five years.[7] This change is attributed to the combination of policy reforms since 1987 that now encourage rather than outlaw private marketing and the large influx of deslocados into urban areas.

The small-scale trader study also describes significant changes in the vegetable and food production and marketing systems in southern Mozambique. Maputo's peri-urban zones have largely shifted out of higher value crops (e.g., tomatoes, potatoes and onions) and have become increasingly limited to producing quicker-growing leafy vegetables (e.g., kale, "green leaves", and lettuce). It has been speculated that this is due to the high demand for these foods by the urban population, their high perishability and consequently the need to grow them close to markets, and the farmers' need for high turn-over due to cash flow constraints.[8]

The higher value crops now come primarily from South Africa, Swaziland and other areas of southern Mozambique, principally Chokwe and Marracuene. They are then distributed through a network of large-scale city and smaller peri-urban wholesale markets. This network of wholesale markets is a recent phenomenon and a direct outgrowth of liberalized trade and market policies. In the study, traders in potatoes, onions and tomatoes obtained 50% of their produce from the Central Market and Xipamanine, the two largest wholesale markets. The importance of wholesale markets has also been documented by MSU in their study of Maputo's grain markets.

In the rural areas there has also been a marked increase in the level of market activity, including the revival of once defunct stores and an increase in new entrants to the market. This conclusion is based on observations by U.S. PVOs supported by the

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[7] Little and Lundin de Coloane.

[8] USAID/Mozambique Policy Seminar, Maputo, Mozambique, February 11-12, 1992.

PVO Support Project. Their observations are discussed in greater detail under Strategic Objective 2.

SECTION III. PROGRESS TOWARD STRATEGIC OBJECTIVES

STRATEGIC OBJECTIVE 1: Sustain an effective food safety net for the urban poor and those displaced and severely affected by war

The Government's long-term food security strategy is to create sustained supply and demand at the household level by increasing smallholder production and generating public and private investment. In the short term, however, the effects of the war and drought and weaknesses in the Mozambican economy prevent many Mozambicans from finding employment or producing for subsistence. As an interim measure, rural and urban safety net programs have been developed by the GRM and donor community to reduce the food insecurity of the poor.

Average growth faltering rates are being used as the primary indicator for measuring the success of the safety net programs. Unfortunately, average growth faltering rates are currently only available for the first three months of CY 1992, making it impossible to compare them with prior year six-month averages.

Growth faltering rates fluctuate over the course of a year depending on the season. Based on discussions with UNICEF, the Mission has hypothesized that there has been a downward shift in the annual growth faltering rate curves over the past five years and that this shift is correlated with U.S. food assistance to Mozambique. The Mission is attempting to gain access to Government data that would verify this hypothesis.

Target 1-1: Meet 30% of the emergency food needs of Mozambicans displaced and severely affected by war or natural disasters

The Mission's rural safety net strategy has been to work through U.S. PVOs, in coordination with the DPCCN, to distribute free food to populations most affected by war, drought or other natural disasters. Technical assistance from CARE has also been financed to help DPCCN improve logistical management of food aid. To respond to the increased need due to the 1991/92 drought, the Mission increased the amount of emergency food aid provided through the World Food Program. U.S. assistance will meet 26% of the emergency food needs of Mozambicans. Additional technical assistance is being provided to the ports and railways to ensure emergency food assistance flows are smoother and quicker, both

for Mozambican destinations and for Zimbabwe, Malawi and other land-locked countries.

In addition to the increased need for food and water, the drought has also forced many people to migrate to and concentrate around the major transportation corridors in search of assistance. There also has been considerable migration from RENAMO-held areas hard hit by the drought. Negotiations resulted in some corridors into RENAMO territory being opened for emergency relief with a consequent increase in the number of people to be supported by the relief operations.

Target 1-2: Meet 40% of the maize requirements for the market dependent population

Approximately 54% of Mozambique's commercial maize import requirements are being met by the U.S.

The Mission's urban safety net strategy has been to target poorer segments of the population through the sale of yellow corn, which was thought to be inferior in consumer preference. Market research by MSU has found that while yellow corn is viewed as generally being inferior to white maize, the more decisive factor for consumer preference, and thus price differentials, is the extraction rate or coarseness of the grind. The result is a spectrum of products differentiated first by rate of extraction and then by color. At the high end is high quality (65%-85% extraction) white maize flour, followed by high quality yellow corn flour. The least expensive product (and most nutritious) is whole ground (99% extraction) yellow corn. There is some cross-price elasticity, causing the prices of the various products to move together. The high quality (sem farelo) white maize flour can cost as much as triple the price of coarse (com farelo) yellow corn flour.

Based on this information, the Mission is pursuing options for increasing the portion of our commercial food aid corn that is ground at the 99% extraction rate. This requires making more of the grain available to small hammer millers who produce the coarse flour, and reducing the proportion going to the large mills that produce the higher quality products.

This approach does not, however, meet the needs of the approximately 15% of the urban population who are unable, due to lack of income, to participate in the market. The FY 1991 API reported on the poor performance and inability of the NSA (Novo Sistema de Abastecimento) ration system to meet the needs of this group of people. OSU's Peri-Urban Study, the GRM's own Maputo household surveys, and preliminary results from research by Cornell University underscore this conclusion with empirical evidence that very few of the poorer segments of the population obtain any of their food requirements from the NSA. Even those

who do use the NSA use it for only 2% of their total food purchases no matter what their income.

Urban food security safety net programs now in place or under consideration focus on highly targeted income transfers or employment generation schemes, which will allow even the very poorest to utilize open market sources for food. these complement the focus of our commercial food aid program on stabilizing supplies and thus prices of basic food commodities in these markets.

STRATEGIC OBJECTIVE 2: Reduce, among target population groups, dependence on external food aid to meet subsistence requirements.

Provision of food aid is a necessary first response to the emergency but can, if continued over a prolonged period, inculcate a sense of dependency and reduce the capacity for self-reliance. Interventions which permit increased agricultural production and create employment will directly combat dependence on food aid and improve household food security. Those which improve the health and general well-being of the poor will remove a barrier to increased productive capacity and self-reliance.

USAID's strategy for reducing dependence on food aid capitalizes on grassroots experience accumulated by PVOs and channels rehabilitation assistance through PVO grants. PVOs provide newly displaced populations with food aid for a period of 18 months during which time they also receive assistance in obtaining land, seeds and tools (so-called ag and veg paks). Ag paks are distributed to displaced families over a two-year cycle, at the conclusion of which it is anticipated they will have attained a substantial measure of self-sufficiency. Extension, health and community development services supported by PVOs with GRM direction continue to assist households following the initial distribution phase of the activity. Target population groups under the USAID-funded PVO Support Project include:

- Save the Children Federation (SCF): 31,000[9] people in three villages in Xai-Xai district, Gaza Province;
- World Vision: 770,000[10] displaced persons in Zambezia and Tete Provinces, and 135,306 people in Nicoadala District, Zambezia, served by Child Survival activities;

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[9] The target population has been reduced to 27,000 due to households being abandoned as a result of RENAMO incursions.

[10] This figure includes 152,000 non-displaced people who have been seriously affected by drought.

- ADRA: 13,080 displaced households in four districts of northern Inhambane; and
- Food for the Hungry International (FHI): 10,000 households, primarily displaced people in three districts and one administrative post of Sofala Province.

The PVO ag pak program (60-80% of whose beneficiaries are women)[11] is hampered by increasing land scarcity in secure areas which reduces the amount of land available for newly displaced persons. On average, land availability for all rural households has been reduced from about 2 hectares to 0.6 hectares per household because of the war.

Production also continues to be disrupted by insecurity[12] and the drought. Veg paks distributed to households with access to water in the dry season have mitigated these circumstances somewhat, providing families with both vegetables to eat and small surpluses for sale.

Despite these severe constraints World Vision reports 60% of their ag pak recipients produced sufficient food to satisfy household requirements for 9-12 months[13]. This compares favorably with an average household production of 8-12 months food supply last year.

Existing low levels of technology have been identified as a further constraint to increased production. Farmers in all PVO target areas are receiving training and World Vision has

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[11] Figures obtained from PVO reports and baselines for everything other than health indicators should be interpreted with caution. They are given as anecdotal evidence rather than as representations having statistical validity. Surveys have been conducted under precarious security conditions resulting in skewed sampling frames and incomplete responses.

[12] All of the World Vision target areas in Zambezia were affected by bandit incursions and/or post harvest RENAMO occupation. 35% of SCF's target population has fled due to insecurity. During an evaluation survey the team was subject to 4 attacks at night and one in the day. In addition, one in forty households surveyed had experienced a death or kidnapping in the previous week.

[13] 60% of WV ag pack recipients were situated in upland, medium altitude, northern areas of Tete, Nampula and Zambezia provinces where rainfall was more normal in both quantity and distribution.

established on-farm trials to test improved cropping practices and varieties in their project locations[14].

Target 2-1: Increase rural employment, production capacity and cash income among target groups.

One indication that production and cash incomes are increasing is the resurgence of market activity. In secure areas of Sofala, FHI reports there have been both re-establishment of "lojistas" (retail outlets) and an increased range of items for sale in the past two years. In addition, "markets are mushrooming in many centers". Where no retail outlets exist, FHI has been encouraging farmers to establish shops and provides them with basic training in accounting. However, efforts made by FHI to encourage seed provision have failed[15]. Few outlets are interested in supplying agricultural inputs, possibly due to lack of demand caused by the expectation among the population that they will receive free ag paks (see preceding section).

World Vision reports more market activity in their project areas is taking place near towns and there has been a marked increase in "ambulantes"--itinerant traders--in remote areas. Markets are also beginning to appear as recovery takes place[16].

Overall 68% of FHI's target population is participating in the market economy, either selling produce, purchasing goods or both. Both the volume of trade and the percentage of households participating is expected to rise as security improves and the presence of incentive goods encourages increased production.

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[14] Despite the fact that women provide 80% of all agricultural labor, the primary beneficiaries of World Vision's extension and training activities are men. This is partly due to difficulties experience by World Vision in recruiting female staff and partly because traditional norms dictate communities choose men rather than women for training and participation in on-farm trials.

[15] In contrast, SCF assisted in the establishment of a "casa agraria" which supplied 61% of the households in their project area with agricultural inputs (61% of which were bought by women) and 36% of the households with credit (68% of the recipients were women). Unfortunately, since March 1992 the village where the "casa agraria" is located has been attacked four times and the casa agraria destroyed.

[16] In Nampula "ambulantes" now account for up to 40% of the marketed volume in villages surveyed by MSU.

In addition to their agricultural development activities, PVOs are providing assistance to revitalize local small-scale industries[17] and increase non-agricultural income generating capacity. Various initiatives are being implemented including provision of breeding stock, fishing equipment, and tools. Case study examples indicate positive impacts are being achieved. For example:

- ADRA, through its food-for-work program, has assisted a group of men to rehabilitate and intercrop an orange grove, which is now providing them with subsistence income.
- SCF has created jobs for a group of brickmakers who now earn US$ 120-300 per year. They have also created jobs for a women's sewing group.

Overall, baselines conducted by PVOs indicate that in Sofala charcoal production and firewood collection for sale provide income for 56% of the men surveyed. Other important income-generating activities include agricultural labor and trade[18]. The situation in Xai-Xai is somewhat different, where 50% of the households reported members working in South Africa compared with 40% five years previously. Here, 50-90% of the women indicated that they earned income from beverage (fruit juices and beer) production. In Inhambane, 10% of the households reported a member with full-time off-farm employment, 35% have part-time work and 25% receive income from remittances. Despite the limited opportunities, off-farm employment appears to comprise a major component of household's survival strategies.

These figures can be compared to the situation in Nampula where 70-97% of the households surveyed (MSU) obtained income from farm sales and 60-66% obtained income from off-farm activities. It should be noted that:

- off-farm income represents on average 15% of total household income in the three districts surveyed, reflecting the limited opportunities available;
- only 5% of a households caloric intake is purchased; and
- the majority of households are able to meet only 80% of their caloric requirements from all sources.

Given the difficulties PVOs are experiencing in obtaining production statistics and the fact that most of their target

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[17] SCF found that 80% of local industry was paralyzed due to lack of equipment, spare parts and in the case of tailors, raw materials.

[18] If women had also been surveyed the number of households with cash income would be expected to be much higher given the importance of brewing in the local economy.

populations were seriously affected by drought and war, the number of households saving seed will be used as a proxy indicator to measure improvement in household production. The baseline is established at 76% in Inhambane[19] and 71% in Sofala.

Target 2-2: Increase coverage of preventive health care and availability of basic services among target groups

In Mozambique today, an adequate food supply is the single most important determinant of good health. However, given the strong association between malnutrition, ill health and food production, the health problems of women and children merit central attention in a food security strategy. The virtual destruction of the rural health system as a result of the insurgency is in itself both a major cause of growing health problems and a constraint to addressing them. Through rehabilitation of infrastructure, training programs for health workers, provision of mobile teams and technical assistance, the PVO projects' grassroots orientation has had a significant impact on the percentage of fully immunized children under one year of age in their target areas during the past two years.

- the percentage of fully immunized children under one year of age in one of World Vision's project area (Nicoadala) has risen from 20% in 1991 to 73% in 1992.
- the percentage of fully immunized children in SCF's project area (Xai-Xai) has risen from 50% in 1987 to 66% in 1992.

Progress has also been made towards increasing the number of women able to use oral rehydration therapy correctly. For target populations in Nicoadala and Xai-Xai, the percentage of women who increase fluids (30% and 42%, respectively) is higher than the national median of 14%. 90% of the registered mothers in Nicoadala have since received diarrhea prevention training. It is expected that a repeat survey at the end of the project will show that more mothers will increase fluids given to their children with diarrhea.

Access to clean water within the PVO target areas is also significantly higher than the national rural average of 9%:

- 61% for Sofala (three districts and one administrative post)
- 86% for Xai-Xai (one district)
- 46% for Inhambane (four districts)

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[19] While 76% of households saved seed in ADRA's project area, the quantities saved will meet on average only 25% of their seed requirements.

However, only 2% of the target population in Sofala has access to sanitation facilities. This is well below the national rural average of 12%. The low level of sanitation can be attributed in part to the difficulties experienced in constructing latrines in coastal areas with high water tables and in part to the fact that 75% of the target population sees their residence in the area as temporary. In Nicoadala, access to sanitation is also below the national rural average at 6% in 1991. Since then 235 latrines have been constructed by the community, raising access to 7%. The Ministry of Health has also recommended that the innovative method developed by World Vision for supporting pits dug in sandy soil be replicated nationwide.

STRATEGIC OBJECTIVE 3: Establish a policy environment conducive to private agricultural production and marketing

The pace of GRM policy reform in support of private agricultural production and marketing slowed in FY 1992, even as the implementation of the major reforms announced in FY 1990 and FY 1991 began to positively affect production and marketing activities. The slower pace is attributable to the production and marketing effects of the drought. The present, more liberal, policy environment has provided many opportunities, especially for small-scale and informal commerce and processing activities in urban and peri-urban areas; however, production response is still impeded by the security situation which keeps farmers from their farms and market agents from serving the rural areas.

Target 3-1: Increase the role of the market in determining producer prices

A GRM pilot market information system put into place (with assistance from MSU) in selected sites in early 1991 publishes weekly and monthly written bulletins, weekly radio spots in major cities, and special reports as requested by users of the system. In early FY 1993 this system will be expanded to additional sites in central and southern provinces. MSU market information is used by traders and farmers as well as government and donor agencies. This regular flow of information permits USAID to better monitor supply and price conditions in different parts of the country; but the data are still geographically limited, of a short time frame and it is not possible yet to document firm trends even in these areas.

Published producer floor prices for maize, rice, beans, and dry cassava have been compared with the actual prices received for these crops by smallholder farmers in five districts. These districts are located in two northern provinces which have not been seriously affected by the 1991/92 drought, although they are

in areas which suffer gravely from war-related disruptions to production and marketing. Based on this analysis the following observations can be made:

- Although the information is gathered weekly, it is only sporadically that farmers report the selling of products, and not necessarily in the immediate post-harvest period; they still do not have regular marketing opportunities.

- Prices are still very "sticky" around the published floor prices; in remote areas, these are often still treated as fixed prices despite improved publicity overall about the liberalized pricing and marketing policies.

- Prices for beans--a high value crop and one highly desired by urban consumers--show more variation above the published floor price; but this is a crop that is not marketed at all in some of the districts monitored.

- Prices for cassava, which is mostly consumed locally rather than transported long distances, vary considerably from one district to another but not much within a single district; prices for this crop are determined by very local supply and demand conditions.

As these examples show, despite some "stickiness" in remoter areas, the market is determining prices. For urban, higher-valued crops, the demand pressure is affecting producer prices. For more locally important commodities, local demand determines price and price fluctuations.

Target 3-2: Allow market incentives and local entrepreneurial initiative to play a more dynamic role in domestic agricultural trade

There are three important observations of progress toward this target:

1) The demise of the monopoly/monopsony parastatal for agricultural marketing in the face of growing private sector involvement.

AGRICOM was created in 1981 to buy and store agricultural produce, especially from small producers, and distribute seeds and other inputs. The liberalization of price policy for agricultural products since 1990, and related deregulation of marketing, have increased private participation in marketing activities and (combined with other factors, such as limits on bank credit for parastatals) have helped push AGRICOM out of this business. AGRICOM's own statistics show the following for the marketing year ending in mid-1991:

Product	AGRICOM Share 1991 Nationally	Highest Share 1991 (Province)	Lowest Share 1991 (Province)	AGRICOM Share 1989 Nationally
Maize	38%	79% (Tete)	1% (Gaza)	74%
Rice	17%	99% (Niassa)	4% (C.Delgado)	24%
Beans	18%	73% (In'bane)	5% (Nampula)	81%
Peanuts	5%	23% (C.Delgado)	2% (Nampula)	8%
Sorghum	28%	100% (Niassa)	0% (Nampula)	78%
Cashew	5%	37% (Maputo)	0% (C.Delgado, Nampula, Sofala)	5%
All Crops Except Cashew	20%	75% (Tete, Niassa)	6% (Nampula, Maputo)	58%

(Note: 1991 is probably the last cycle for which AGRICOM will even bother reporting these data, which have become increasingly unreliable as private sector participation in marketing has grown; the GRM is considering proposals to restructure and reorient AGRICOM altogether, to become a manager of food security stocks.)

2) The creation of a process for pre-qualifying firms, including private sector companies, to be consignees for commercial food aid, and then sharing each shipment among a number of consignees, thereby reducing the influence of the parastatal consignees and the two or three major private firms who previously controlled supplies to the market.

The pre-qualification system has increased the pool of potential consignees to more than 90 enterprises, of which most are private. Each shipment of commercial food aid is divided among 20 to 30 of these pre-qualified firms. Whereas in 1991 overall, 80% of commercial food aid consignments went to government enterprises or companies under state control, by mid-1992 the shares had been reversed, with 60-80% of each shipment consigned directly to the private sector.

Meticulous market monitoring (MSU) during July-August 1992 in Maputo and weekly market information (USAID and MSU) have documented the speed with which arriving food aid now arrives in the open consumer markets, the rapidity of price responses to these arrivals, and an apparent (although still short-term) reduction in the extreme price volatility for basic foodstuffs since the pre-qualification system has begun.

Related steps, such as applying import parity prices and uniform payment terms to all consignees, are expected in FY 1993 to further contribute to "leveling the playing field" for new entrants and increased competition in food marketing, thereby reducing the potential disincentives to domestic production or commercial imports that massive commercial food aid can bring and further reducing price volatility, to the ultimate benefit of the poor consumers.

3) The development in Maputo's food markets of visible and vibrant wholesale operations, ubiquitous informal commercial activity, expanded small private milling facilities, and other market elements.

Support for this observation has been discussed previously under SubGoal No. 2 and Strategic Objective No. 2.

STRATEGIC OBJECTIVE 4: Increase the role of the market in allocating productive resources to private producers

USAID's strategy for redirecting resources to the private sector has targeted the divestiture of state farms to private commercial and family farmers and the establishment of a market-based allocation of foreign exchange. Since December 1989, under the technical assistance component of the PSSP, the Land Tenure Center (LTC) has been lending support to the process of state farm divestiture and providing the Mission with information on the complexities of land tenure more generally. In its advisory role to the new Land Commission and to other offices within the Ministry of Agriculture, LTC has spurred open discussion in and out of government on the need for a clear land policy which includes allocation procedures and establishes legitimate authorities in cases of land disputes, providing the basis for informed decisions on land policy and state farm divestiture.

In the area of foreign exchange, USAID has directly monitored Mozambique's foreign exchange regime. Following the creation in 1989 of a limited open general license system (SNAAD) for key commodities, and the establishment in 1990 of a supply-and-demand based secondary market for foreign exchange (MSC), the GRM has continued to devalue the metical and in April 1992 unified the

former official exchange rate with the market-based secondary rate. Access to foreign exchange based on market forces is considerably improved over two years ago; however, non-availability of credit for the local currency needed to buy the foreign exchange, and continuing administrative controls and confusion on import procedures continue to restrict access, particularly for smaller or newer operations.

Monitoring the selected indicators for this strategic objective continues to be hindered by the lack of consistent or reliable data. Consequently, it is difficult to draw precise conclusions about the scope and pace of state farm divestiture and private sector access to foreign exchange.

Target 4-1: Promote the divestiture of state farms to private commercial and family farmers

The government has committed itself to significantly reducing the size of the state agriculture sector and increasing its efficiency by encouraging the formation of private, mixed or family sector farms. Low productivity and considerable inefficiency have characterized the state farm sector. From 1987 to 1991, the share of state farm output in the production of some main crops including cotton, maize and rice, has decreased, while family sector and private farmers have showed simultaneous increases. This suggests that production is increasingly taking place on divested land.

As discussed in previous APIs, the general lack of transparency in the divestiture process, however, makes it impossible to quantify results, although site visits and field research in FY 1992 have provided evidence that restructuring and re-allocation of state farm lands continues to take place on a case-by-case basis, even if formal (officially recognized) divestiture has not occurred.

Of 109 state agricultural enterprises identified in 1988, approximately 77 were farms whose combined area may have approximated 537,000 hectares. At least ten of these farms, including several of the very largest, have been completely liquidated and are currently held by private individuals, shareholding companies, or joint ventures. Official Ministry of Agriculture figures indicate divestiture in process on 16 percent of the land area still held by the state. However, LTC's field research estimates the real figure to be substantially higher, perhaps 75% of all state-held land. Methods of divestiture include:

- joint ventures with foreign capital
- abandonment and de facto reversion to smallholders
- de facto occupation by private farmers or operators

- return to pre-independence owners
- leasing or renting to private farmer or enterprise of mixed capital
- dismantlement and sale of moveable equipment to private farmers or the workforce

Figures on subsidies and credit to state farms reveal that government transfers to the sector are being reduced in real terms. Subsidies to the sector amounted to 5.2 billion meticais in 1991, down from 5.9 billion meticais in 1990. In general, the burden of all public enterprises has been reduced to less than one percent of GDP in 1991, with subsidies confined to costs incurred because of security conditions, mainly by the electricity, coal, sugar and tea enterprises.

Target 4-2: Institutionalize market-based allocation of foreign exchange for agricultural inputs

The most notable change in the foreign exchange system during FY 1992 took place in April, with the unification of the official and secondary markets. Since then, all foreign exchange transactions occur at a market-based rate of exchange and are managed in the banking sector. According to the IMF, this market is expected to cover approximately 70 percent of all transactions in foreign exchange in CY 1992, with the balance reserved for priority GRM transactions (e.g., petroleum, pharmaceuticals) at the market rate or tied aid transactions at a discounted rate. As a result of the unification, which was intended to expand the private sector's access to foreign exchange, imported consumer goods, including spare parts, are now more readily available in local currency.

Until other financial constraints are addressed, particularly in financial intermediation, the liberalized system will continue to channel foreign exchange dollars to agents capable of paying the metical countervalue up front or acquiring some of the painfully constricted credit available through the banks. There is also some concern that liberalization has resulted in a bias in favor of consumer goods to the detriment of importers of investment goods or raw materials for productive activities. In order to discourage importation of some materials and encourage that of others, the government may want to apply targeted tariffs and taxes, but should be discouraged by all donors from attempting to re-establish administrative controls in the allocation of foreign exchange.

USAID/MOZAMBIQUE -- ASSESSMENT OF PROGRAM IMPACT -- FY 1992

OBJECTIVES	INDICATORS	BASELINE FY [illegible]	FY 1990	FY 1991	FY 1992
STRATEGIC OBJECTIVE 1: Sustain an effective food safety net for the urban poor and those displaced and severely affected by war or natural disasters	Reduced growth faltering rates to below the range of 10--30% in urban and provinces, respectively (See Annex A)	'88 mean total 18.2% \1 Maputo 15.5% Rest of country 17.6%		Jan--Jun 1991 \24 National 12.2% Gaza 11.5% Inhambane 21.4% Sofala 12.4% Manica 11.3% Zambezia 14.8% Nampula 14.1% Niassa (3 mths only) 18.8%	Jan--Feb--Mar 1992 \45 National 13.1% Maputo Province 6.8% Maputo City 12.8% Gaza 10.5% Inhambane 17.1% Sofala 11.1% Manica 12.8% Tete 10.7% Zambezia 10.4% Nampula 10.7% Cabo Delgado 16.1% Niassa 10.4%
	Maintain or improve rural and urban rates of infant mortality	'84 IMR 208/1000 \3 \2 U5MR 325--376/1000 \3 \2	'88 IMR 173/1000 \13 U5MR 298/1000 \13	'89 IMR 173/1000 U5MR 297/0000 \32	
	National food requirements relative to domestic production plus total imports	88/89 Require/U.S. \17 Total Deficit 484/184 Emergency 185/184 Commercial 229/0	90/91 Require/U.S. \18 Total Deficit 482/205 Emergency 196/85 Commercial 391/140		
Target No. 1--1: Meet 30% of the annual emergency food needs of those displaced and severely affected by war or natural disasters	Free food distribution requirements relative to donor pledges and actual deliveries	88/89 Free distribution pledges 32% of total pledges; 71% of pledges received and 91% distributed \10	90/91 Free distribution pledges 32% of total pledges; 69% of pledges received and 61% distributed \11 U.S. approved level 40% of needs & 57% of pledge	91/92 29% of free distribution requirements met	
	Stability of supply in the emergency food aid pipeline	'89 280,000 MT begin stocks \10 Landed 69% of 88/89 pledges by Feb '89 \4			
	Emergency food transport contracted to the private sector increased from 10,000 metric tons to 28,000 MT	CARE/LSU Proj Proposal states that in '88 approx. 7,800 MT contracted out to private transporters	In '90, 16,252 MT contracted to private transporters \15		
	Percentage of unsigned waybills for commodity deliveries from ports to district ware--houses and distribution centers reduced from 60% to 40%	'88/89 60% unsigned waybills \19	For '89/90, reduced to 18% WVRD records show reduced to <25% of total \20		

USAID/MOZAMBIQUE -- ASSESSMENT OF PROGRAM IMPACT -- FY 1992

OBJECTIVES	INDICATORS	BASELINE # [illegible]	FY [illegible]	FY [illegible]	FY [illegible]
Target 2--1 Increase rural employment, production capacity and cash income among target groups	Increased % of hh reporting purchases of essential commodities	90/91 Nampula market participation 72--91% \37		Sofala 68% \39	Xai--Xai 61% \39
	Increased number of households earning income through wage & self--employment	90/91 Nampula 60--80% \40	Xai--Xai 87 beverages 50--80% Small industries 1--12% Trade 1--2% South Africa 46% \41	Sofala \38 Charcoal/firewood 56% Trade 20% Ag. Labor 25% Fishing 6% Inhambane \42 Full--time wage emp. 10% Part--time wage emp. 85% Receiving remittance 15%	Xai--Xai \39 South Africa 59% Full--time wage 2%
	% hh using seed	91 Inhambane 78% \42 Sofala 71% \38			
Target 2--2 Increase coverage of preventive health care and availability of of basic services among target group	Increase percentage of fully immunized children under 1 year of age	'86 \13 DPT 56% Polio 52% Measles 52% 87 Xai--Xai 50% \41 87 Xai--Xai 50%	'89 \13 DPT 39% Polio 39% Measles 46% Measles 46%	Nicoadala 20% \43	Xai--Xai 69% \39 Nicoadala 78% \44
	Percentage increase in number of women correctly using ORT	'87 ORT use rates 14% median \13		Nicoadala 30% \43	Xai--Xai 42% \39
	% hh with access to protected water supply	1985--87 \13 Urban 36% Rural 9%		Sofala 61% \38 Inhambane 40% \42	Xai--Xai 80% \39
	% hh with access to latrines	1985--87 \13 % access to sanitation Urban 59% rural 12%		Nicoadala 6% \43 Sofala 2% \38 Inhambane 81%	Xai--Xai 50% \39
STRATEGIC OBJECTIVE 3: Establish a policy environment conducive to private agricultural production and marketing agricultural production and marketing	Increased share of marketed output channeled through private traders and transporters	'89 Total marketed thru AGRICOM \23 Maize 50,080 MT Rice 5,827 MT Cassava (dry) 2,709 MT Beans 11,979 MT Sunflower 1,174 MT Copra 1,497 MT Cashew 2,366 MT	'90 Total marketed thru AGRICOM \23 Maize 37,366 MT Rice 1,615 MT Cassava (dry) 6,910 MT Beans 4,004 MT Sunflower 462 MT Copra 1,919 MT Cashew 1,346 MT	'91 Total marketed thru AGRICOM \23 Maize 27,782 MT Rice 3,992 MT Cassava (dry) 1,334 MT Beans 2,329 MT Sunflower 271 MT Copra 510 MT Cashew 1,564 MT	

USAID/MOZAMBIQUE -- ASSESSMENT OF PROGRAM IMPACT -- FY 1992

OBJECTIVES	INDICATORS	BASELINE # '88	FY 1989	FY 1991	FY 1992
Target 2--1 Increase the role of the market in determining producer prices	For cash crops, producer floor prices adjusted regularly to maintain border parity prices	'88 Groundnuts mt 255 '88 Cotton mt 175 '88 Copra mt 100 '90 Cashew mt 200 '88 Sunflower mt 190 \23	'90 Groundnuts mt 1.6% '90 Cotton 14.9% '90 Copra 15.6% '90 Sunflower 15.4% (relative to prior year's) \23	Move from fixed prices to floor prices for for producers in 1990 for groundnuts, cashews, sunflower seed, sorghum Floor prices announced for 91 '91 Groundnuts 69.9% '91 Cashew 69.8% '91 Sunflower 68.7% (relative to prior year's) \23	Floor prices announced for '92 Groundnuts 45.5% Sunflower 39.4% Copra 27.3% Cotton 49.5% (relative to prior year's) \23
	For beans, parity--based producer floor prices adjusted regularly	Fixed prices for '89 Manteiga mt 250 nhemba mt 160 \23	Fixed prices for '90 % % change from prior yr Manteiga 14.6% Nhemba 15.0% \23	Manteiga and Nhemba beans moved to floor price system for '91 % change from prior yr Manteiga 51.5% Nhemba 46.7% \23	Floor prices for '92 % change from prior yr Manteiga 70.0% Nhemba 70.4% \23
	White maize and rice moved to parity--based producer floor price system, and thereafter floor prices adjusted regularly to maintain parity base	Fixed producer price for '89 Maize mt 110 Rice, paddy mt 145	Fixed producer price for '90 Maize 14.5% Rice, Paddy 15.2%	Floor prices for '91 Maize 50.6%	Floor prices for '92 Maize 49.7% Rice 49.2%
Target 2--2 Allow market incentives and local entrepreneurial initiative to play a more dynamic role in domestic agricultural trade	Phasing out of fixed tariffs in favor of transporter--client negotiated rates			Tariffs still fixed but revised upward in early 10/91	
	Elimination of fixed marketing margins for domestically produced maize, beans & rice			5/90 domestic produced floor price for maize; no longer set prices at any other marketing phase 11/90 paddy rice moved to floor price; milled rice remains	
	Elimination of trade restrictions that market--based decisions on commodity movements			Announced 6/91; anecdotal evidence indicates increased avail of consumer Also that surplus is moving in significant quant to other provinces	
	Free competition in internal trade of commodities				

USAID/MOZAMBIQUE -- ASSESSMENT OF PROGRAM IMPACT -- FY 1992

OBJECTIVES	INDICATORS	BASELINE # (YR)	FY 1990	FY 1991	FY 1992
STRATEGIC OBJECTIVE 4: Increase the role of the market in allocating productive resources to private producers	Number of state farms and total acreage divested to private commercial and family farmers Reduction of real subsidies and credit to state farms Increased private sector share of "free" foreign exchange allocations	See Text 1988 8.8 billion mt \30	1989 6.1 billion mt \28	1990 5.9 billion mt \31	
Target 4--1 Promote the divestiture of state farms to private commercial & family farmers	Completion of GOM action plan for the restructuring of state farms and delineating divestiture policy Completion of a USAID specific divestiture schedule (See Annex A) Implementation of divestitures through 1992 as specified in the schedule	345,186 ha on 46 known state enterp \7 91 state enterprises with unknown ha (from '89 data) \7	488,704 ha on 50 known state enterp \7 28 state enterprises with unknown ha \7 14 state enterprises showing no ha \7 18 enterprises no longer on list \7 2 joint ventures (from '90 data) \8* \7	199,877 ha on 18 known state enterprises \7 14 State enterprises with unknown ha or unknown status \7 31 closed, security reasons or abandoned 16 sold to family sector &/or private 12 sold to individuals 29 sold to or in negotiation for joint venture or partships (from 91 data) \8*	
Target 4--2 Institutionalize market-based of foreign exchange for agricultural inputs	Eligibility for SNAAD financing expanded to the agricultural sector Full GRM compliance with IMF ceilings on credit and subsidies to parastatals	1988 subsidies to cover operating losses Target 12 billion mt Status 11.1 billion mt \29	6/89 expanded to include inputs for agriculture \28 '89 budgetary subsidies Target 10.4 billion mt Status 11.89 billion mt \30 \31	7/91 expanded to include almost all raw material and spare parts \28 6/91 expanded to non-traditional exports '90 budgetary subsidies Target 12 billion mt Status 14 billion mt \31	Status 12 billion mt (provisional)

USAID/MOZAMBIQUE -- ASSESSMENT OF PROGRAM IMPACT -- FY 1992

OBJECTIVES	INDICATORS	BASELINE # (YR)	FY 1990	FY 1991	FY 1992
	Exchange rate devalued to reflect increased demand for foreign exchange under the SNAAO and there by bring the real rate closer to equilibrium	For 1988 \25 Min Max Official 420 620 MSC N/A Parallel 925 1,275 For 1988 Official 845 828 MSC N/A Parallel 1,360 1,906	For 1990 \25 Min Max Official 946 1,010 MSC* 1,850 1,840 Parallel 1,906 2,025 *MSC begun 10/31/89	For 1991 \25 Min Max Official 1,804 1,783 MSC 1,840 1,925 Parallel 2,162 2,350 thru 10/31/91	For 1992 \25 Min Max Official 1,719 2,017 MSC 1,879 2,882 Parallel 2,360 3,468 From 11/30/91 until 10/30/92

\1 Situation of Children and Women in Mozambique, Min of Co-Operation/UNICEF in co-operation with OMM, NOvember 1988

\2 USAID/Mozambique Country Program Strategic Plan, FY 1990-1992, March 1989

\3 UNICEF (as cited in CPSP, which publication)

\4 Food Security Study, World Bank, July 8, 1989

\5 1988 Maputo Household Survey

\6 USAID price database

\7 USAID database from lists of state agricultural enterprises

\8 Much of the increase in hectarage is due to pasturage being picked up the 1989 listing; some doublecounting as a result of land being split for multiple distribution

\9 Footnote not used

\10 The Emergency Situation in Mozambique, Priority Requirements of the Period 1988-1990, March 1988, United Nations Office for Emergencies in Africa

\11 The Emergency Situation in Mozambique, Priority requirements for the Period 1990-1991, 1989, Government of Mozambique in collaboration with the United Nations

\12 Footnote not used

\13 Children and Development in the 1990s: A UNICEF Sourcebook, 29-30 September 1989, UN, New York

\14 Footnote not used

\15 CARE Annual Reports

USAID/MOZAMBIQUE -- ASSESSMENT OF PROGRAM IMPACT -- FY 1992

OBJECTIVES	INDICATORS	BASELINE	FY 1991	FY 1992	FY 1993

\16 Peri--Urban Baseline Research Results: Maputo, Mozambique, Interim Report, Ohio State University, September 1991

\17 89 Maputo 0008 Emergency Program Update

\18 USAID Food Needs Assessment, May 1990 to April 1991 Appeal Year, FY 91--92 Multiyear Title III Proposal

\19 DPCCN records for provinces

\20 World Vision (WVRD) records

\21 USAID PVO Support Project records

\22 USAID FFPO records

\23 USAID Agricultural databases

\24 Ministry of Health Nutrition Bulletin No. 16, Jan -- March 1991

\25 USAID economic databases

\26 Targeting Cash Transfers to the Urban Destitute of Mozambique: Assessment and Reorganization of the FOOD--SUBSIDY--SCHEME, Maputo, August 1991, Team Consult Berlin, B. Schubert & I. Anazawa

\27 MSU Preliminary data from Nampula, 1991

\28 Bulletin da Republica, various

\29 2/14/91 ESAF Review of First Annual Arrangement

\30 5/4/90 ESAF Request

\31 8/19/91 ESAF Request for Second Annual Arrangement

\32 1991 UNICEF State of World Children

\33 MOA/MSU/IIA "Land access and land use among smallholders in Nampula province," July 1992

\34 World Vision, "Report on progress towards meeting benchmarks December 1990--December 1991," WVARP

\35 World Vision, "WVM--ARP: Report on progress towards benchmarks: January -- July, 1992

\36 Excluding areas seriously affected by drought and insecurity