

PN 113 X-326 CDIE  
2000

# **RURAL SMALL ENTERPRISES IN MOZAMBIQUE**

**Characteristics and Recommendations for NGO Support**

**Submitted to USAID/Mozambique**

**By**

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**August 1995**

**Purchase Order 656-0510-0-00-5130-00**

## EXECUTIVE SUMMARY

There are likely to be more Mozambicans involved in rural non-agricultural activities than any other sector. Yet, the rural small enterprise (RSE) sector may - in terms of awareness and policy intervention - be the last frontier of the Mozambican economy

Despite the large numbers involved, the overall economic contribution of RSEs remain only a fraction of their potential. Non-productive rural activities such as vending, though offering little value added, should not be ignored, as they offer viable alternatives to hand-outs in the alleviation of poverty and, in many cases, have been the seedbed for successful entrepreneurs. The development of productive non-agricultural activities remains one of the greatest challenges of Mozambique, representing a huge source of employment and income generation - once constraints such as the lack of credit (for tools and raw materials), basic skills and management training are overcome. Both international and national NGOs are in a position to play a critical role in RSE development, especially now that their emergency focus has subsided.

This report, the result of a 5 week study, can hardly claim to be more than a snapshot of the RSE sector. Nevertheless, important insights were gained not only about the activities themselves but also the innovative approaches recently initiated by some NGOs. Though focusing on the provinces of greatest interest to USAID - Nampula, Sofala and Zambezia (as well as previous and ongoing experiences in Maputo and Gaza) - the findings are probably representative of the whole country.

Interviews with about 70 respondents covering 17 types of activities in 5 provinces allowed us to classify RSEs into 5 distinct categories. These included: i) vending - the most common activity - but rarely rendering monthly (net) incomes in excess of \$15 per month; ii) traditional rural non-agricultural production including charcoal, firewood, alcoholic beverages, handicrafts, dried fish, etc. with incomes commonly between \$15-35; iii) self-employed artisans usually working from their homes or on the peripheries of local markets earning between \$25-100 per month; iv) rural microenterprises of similar activities as type 3 but employing around 3-5 workers with typical monthly incomes ranging between \$60-250; and v) rural small enterprises employing more than 10 but rarely exceeding 20 and usually owned by members of the rural economic elite earning incomes of between \$600-1,200 per month.

For more than a decade the government has announced its commitment to help small enterprises. However, the principal institutions established for this end have generally been operative less than 5 years. So far, the performance of these institutions have fallen substantially short of expectations, while the involvement of the national development bank in microenterprise credit schemes has almost invariably resulted in failure. There are, however, some positive developments including the recent revival of the Fund for the Development of Small Industry (FFPI) which its principal donor partners are determined to make into a financially viable lending institution. The Institute for the Development of Local Industry (IDIL) is receiving substantial support from UNIDO and other donors to more effectively spread its services in the provinces. One aspect

causing great concern, and recently reiterated at a major private sector conference, is the inhospitable business environment, urgently requiring attention, especially in terms of bureaucratic reforms, tax revision and new import duty structures

NGOs, until recently, have focused on emergency work and many are now channelling resources into reconstruction efforts and improved agriculture. There has, however, also been a major shift in NGO support for both urban and rural small enterprises. One discouraging feature found among NGOs is their poor memory of previous experiences. Inadequate documentation and insufficient inter-NGO exchanges have resulted in a slow evolution of small business support strategy. Despite much scepticism about village banking approaches in Mozambique, three different initiatives in different parts of the country demonstrate that rural women in particular, when borrowing small amounts in groups, are very good credit risks. These initiatives and others have targeted peasant women who supplement agricultural income with small commercial activities (vending). A variety of other approaches have targeted more productive activities not only through credit but also through other key areas of support such as skills and business training, marketing and technology transfer. One notable initiative in Sofala province offers a fully integrated approach for rural artisans, including an annual trade fair.

Recommendations in this report centre on possible USAID interventions for supporting NGO initiatives promoting RSEs. CARE has come a long way towards implementing its Small Economic Activity Development (SEAD) strategy, while FHI and World Vision are in the early stages of developing RSE programmes. It is urged that USAID support be coordinated with the rural sector studies of MSU and the activities of the Cooperative League of the USA (CLUSA) (initially in Nampula Province). USAID support should also complement the variety of donor initiatives currently focusing on RSEs.

It is recognised that an integrated approach, though ideal, would be expensive and complicated. It is, however, recommended that support be given to NGOs and other institutions complementing the principal activities of NGOs such as CARE, FHI and World Vision.

Coordination of NGO initiatives through better documentation and information exchange is crucial for systematic and evolutionary RSE support. Working with LINK on better documentation and the organisation of a national seminar on RSE support strategies could be important first steps.

Although IDIL has a virtual monopoly in area of business training, there is strong sentiment that the level of business training, even with the new Start Your Business programme, is still too high for most beneficiaries and that alternative simpler programmes, especially for the illiterate such as the Winning Business System (developed in South Africa), should be promoted.

Important headway has been made by NGOs such as CARE, FHI and World Vision in the introduction of cheap and reliable oil presses. There would appear to be many other

technologically appropriate equipment developed in the region that could be introduced on a wider scale in Mozambique. Africare has embarked on an interesting initiative of introducing animal traction in Sofala where it is not traditionally used.

The formation of associations such as the Association of Rural Industry in Sofala (APIS) should be encouraged. USAID's experience with the establishment of AEPRIMO could be tapped and CLUSA could also play an important role.

Since the draft report of this study was circulated, the World Bank has expressed an interest in establishing a \$4m line of credit for microenterprise support, especially targeting RSEs. This line of credit would be unique in that it would offer loan capital to NGOs and other entities with credit programmes adhering to "best practices" criteria. The UNDP has, as a complementary initiative to the World Bank proposal, shown interest in offering institutional support for a structure which will help better coordinate and define a national (best practices) strategy for microenterprises - again with emphasis on the rural areas.

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## ABBREVIATIONS

|                |   |
|----------------|---|
| <b>ADCR</b>    | Associação para Desenvolvimento das Comunidades Rurais do Xai   |
| <b>AEPRIMO</b> | Associação das Empresas Privadas Moçambicanas (The Association of Private Mozambican Enterprises)   |
| <b>AMR</b>     | Associação das Mulheres Rurais (Nampula)  |
| <b>ANDA</b>    | Associação Moçambicana para Desenvolvimento Auto-Sustentavel (the Mozambican Association for Self-Sustaining Development)                       |
| <b>APIS</b>    | Ass. para o Desenvolvimento da Pequena Ind. da Prov. de Sofala  |
| <b>BPD</b>     | Banco Popular de Desenvolvimento (People's Development Bank)  |
| <b>BCM</b>     | Banco Comercial de Moçambique   |
| <b>CCADR</b>   | Caixa de Crédito Agrário e Desenvolvimento Rural (Credit Fund for Agricultural and Rural Development)   |
| <b>CFD</b>     | Caisse Française de Développement   |
| <b>CLUSA</b>   | Cooperative League of the USA   |
| <b>COCAMO</b>  | Cooperation Canada Mozambique   |
| <b>CRIAA</b>   | Centre Recherche/Info/Action/Afrique  |
| <b>GAPI</b>    | Gabinete de Apoio as Pequenas Indústrias (Office for Assistance for Small Industry (now a limited liability financing company called GAPI lda.) |
| <b>GPPE</b>    | Gabinete de Promoção das Pequenas Empresas (Office for the Promotion of Small Enterprises)  |
| <b>GPE</b>     | Gabinete de Promoção de Emprego (Office for Employment Promotion)   |
| <b>GTZ</b>     | Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation)  |
| <b>FAINA</b>   | Feira da Agricultura e Indústria de Nampula (Agricultural and Industrial Fair of Nampula)   |
| <b>FFPI</b>    | Fundo de Fomento da Pequena Indústria ( Fund for the Development of Small Industries)   |
| <b>FHI</b>     | Food for the Hungry International   |
| <b>IDIL</b>    | Instituto de Desenvolvimento das Indústrias Locais (The Institute for the Development of Local Industry)  |
| <b>IFAD</b>    | International Fund for Agricultural Development   |
| <b>ILO</b>     | International Labour Organisation   |
| <b>INDER</b>   | Inst. Naç. de Desenvol. Rural (Nat. Inst. for Rural Development)  |
| <b>IOM</b>     | International Organisation for Migration  |
| <b>IYB</b>     | Improve Your Business   |
| <b>MBEU</b>    | Ass. para Prom. do Desenvol. Econ. e Socio Cult. da Mulher Moç.   |
| <b>NGO</b>     | Non Governmental Organisation   |
| <b>NORAD</b>   | Norwegian International Development Agency  |
| <b>PAPIR</b>   | Projecto de Apoio às Pequenas Indústrias Rurais (Project for Assisting Small Rural Enterprises)   |
| <b>PDPME</b>   | Programma de Desenvolvimento para Pequenas e Médias Empresas (Small and   |

|        |  |
|--------|--|
|        | Medium Enterprise Development Programme)                     |
| RSE    | rural small enterprise                                       |
| SEAD   | Small Economic Activity Development                          |
| SEEP   | Small Enterprise Education and Promotion Network             |
| SIRT   | Sofala Integrated Rehabilitation and Training Programme      |
| SYB    | Start Your Business  |
| UGC    | União Geral das Cooperativas (General Union of Cooperatives) |
| UNICEF | United Nations Children's Fund                               |
| UNDP   | United Nations Development Programme                         |
| UNIDO  | United Nations Industrial Development Organisation           |
| USAID  | United States Agency for International Development           |
| ZERO   | Regional Environment Organisation (Zimbabwe)                 |

## I. INTRODUCTION

The lexicon of the new (post-emergency) NGO country strategies is dominated by the terms "reconstruction and rehabilitation", "community development", "agricultural recovery", "rural development" and "micro-projects" (not to be confused with micro-enterprises). At this stage, little reference is given to the promotion of private productive activities. Yet, just as the informal sector and microenterprises were seen as the key to approaching the poverty and unemployment crisis of the urban areas, it is only a matter of time before non-farm activities will be treated as an important supplement, if not an alternative, to subsistence agricultural production.

This report examines the rural small enterprise (RSE) sector which - in terms of awareness and policy intervention - could be the last frontier of the Mozambican economy. It summarises the results of a five week enquiry into the diverse nature of this sector, how NGOs have promoted its development in the past and how they can more effectively stimulate it in the future. A brief review of Government policy towards this sector is also made. Such a short study cannot offer a comprehensive overview. Nevertheless, the information acquired from a broad range of interviews in 5 provinces will provide important new insights about the RSE sector and the new approaches being tried by NGOs.

Although experiences to promote rural non farm activities have so far mostly failed, there is reason to be optimistic that NGOs will play an instrumental role. On their own admission, NGO initiatives in this area have, until recently, been largely counterproductive because of the prolonged emergency focus of their programmes, resulting in dependency creation. Now, with food aid considerably reduced, NGOs are prone to follow the "relief to reconstruction" path to justify their presence. Many NGOs are now demonstrating more maturity in their approach towards community-based initiatives, but many admit that they are not yet ready to get involved in the promotion of rural enterprises.

Our findings show a considerable diversity of rural enterprises. This report categorizes them into 5 distinct types, ranging from activities earning monthly incomes often less than 50,000 Mt (\$6) per month to small businesses employing up to 20 employees and generating monthly profits of over 10m Mt (\$1,200). Despite these huge disparities, many of the problems faced are similar. Entrepreneurs at all levels complained about the lack of funds, shortages of raw materials, etc. Our interviews revealed that most "entrepreneurs" had very little knowledge of basic business concepts and many had little idea of how much they were earning per month. We found the variety of approaches to help these enterprises as diverse as the types of enterprises encountered.

With some notable exceptions, it can be generalized that NGO programmes lacked the sensitivity and maturity necessary to implement small enterprise promotion programmes. In the majority of cases any support to RSEs simply consisted of giving material support, often as a donation with little further complementary support. Though there is growing acceptance that beneficiaries should not be given donations, the concept of "credit" has hardly evolved beyond the notion of repaying the original principal. There are, fortunately, some instances which, in the face of much scepticism, have recently proven that the "village banking" approach is viable for Mozambique and that savings can be mobilized from amongst its poorest citizens.

This report does not advocate a uniform approach by NGOs to RSE promotion. It does, however, raise concern about the multiplicity of initiatives undertaken by the NGOs towards "helping" entrepreneurs without much exchange of ideas or experiences. Despite the volumes of literature on the subject and conclusive evidence arguing against subsidized credit, NGOs continue to repeat the same mistakes to the detriment of the country and their "beneficiaries". It is hoped that this report will help NGOs to better understand the problems faced by the RSE sector and to appreciate some of the more effective initiatives recently implemented in Mozambique.

It should be stressed at the outset that Mozambique is no different than any other country in terms of individuals with exceptional drive and talent succeeding as first class entrepreneurs. In Mozambique one will find a number of these entrepreneurs in almost any town. What is different is that the odds against succeeding in Mozambique are much greater than most other countries. By introducing programmes to promote rural enterprise, we might not necessarily make much impact on the vast numbers who will continue to eke out a pitiful existence from their activities. What is more important is to provide better conditions which will help facilitate the transition for those with entrepreneurial drive to succeed in their aspirations.

## **2. METHODOLOGY**

The principal researcher, Fion de Vletter, was assisted by three Mozambicans recently graduated from Eduardo Mondlane University - Ana Cristina Dias (economist), Antonio Daniel (anthropologist/historian) and Raul Tapulua (agronomist). During the first phase, interviews were carried out in Maputo with NGOs, Government institutions and aid agencies. A two week field trip was later made to Zambezia, Nampula and Sofala by de Vletter and Daniel. During this trip de Vletter interviewed NGOs and Government entities in the provincial capitals, while Daniel studied the rural towns of Nicoadala (Zambezia), Namialo (Nampula) and Nhamatanda (Sofala) where 39 small producers or sellers (including 12 shopkeepers and sellers of rurally produced goods) were interviewed (13 in each province). Interviews were also undertaken in 2 large markets in Zambezia Province. A separate field trip to the rural areas of Changalane and Bela Vista and Campoane (Maputo Province) and Chokwe (Gaza Province) was carried out by Tapulua. During this visit 10 small producers and 5 shopkeepers were interviewed as well as 2 village banking schemes. During the study, the team interviewed 24 international NGOs, 10 national or provincial NGOs, 9 Government departments or institutions and 10 international aid agencies (see annex 1 for details). During the two field trips, 17 types of production activities were interviewed (see annex 2).

## **3. OVERVIEW OF THE RURAL SMALL ENTERPRISE SECTOR**

Little has been written about the contribution of non-agricultural activities to the rural economy. Roesch (1986), in his study of a communal village in Gaza, found that only 2% of the population were involved in non agricultural production including tailors, carpenters, blacksmiths, basket makers, reed mat makers, fishermen, stone masons and barbers. Only a few carpenters, tailors and fishermen could be considered to be involved in these activities full time. Roesch observed that the post-Independence development of these activities was severely hampered by the economic crisis, virtually stopping supplies of raw materials and tools. This trend was further aggravated by war and the

dramatic reduction in recruitment to the South African mines (affecting the investment patterns of miners' families and the overall purchasing power of the rural population of the 3 southern provinces) Moreover, the prolonged drought in most of Mozambique resulted in the lack of agricultural surplus, thereby reducing the possibility of exchange

Perhaps the result of these combined negative influences on the RSE sector, a study of Nampula rural households found that agricultural income represented a much higher proportion of total income (85%) relative to many other areas in Africa (MOA/MSU, 1992) The study also found that households having smaller land holdings tended to diversify their activities much more than those with larger holdings. A recent study (de Vletter, 1993a) of two districts - Massinga (Inhambane Province) and Barue (Manica) - found significant regional variation in agricultural dependence. In Massinga one quarter of the households interviewed received remittances in the form of cash or goods from absentee working family members (mostly in South Africa or Maputo) while 23 per cent had members in local wage employment More than one-quarter (26 per cent) earned income from non-agricultural activities. In Barue, a much poorer region, there were no absentee wage workers. One-fifth of the households had locally based wage employees and only one-tenth earned income from non-agricultural activities. The types of non-agricultural activities observed included: traditional alcoholic drinks, selling firewood, fishing, petty trading, carpentry, cake and bread production and construction. Past studies have shown that much of migrant worker earnings are invested not only into improving agricultural production but also for the development of non-agricultural activities such as transport, tailoring, shopkeeping, etc.

Little quantitative evidence exists about the response of rural non-agricultural production to structural adjustment: policies and the Peace Accord. Prima facie evidence indicates a significant upsurge in these activities, particularly in informal commerce. The urban response to declining real wages and job cuts has led to an astonishing growth of a commercial culture hardly known a few years ago. Similarly, in most rural towns, especially on main transport routes, trading - once confined to the municipal or district market sites - is now very active along roadsides. Principal markets in the major rural towns and provincial capitals are considerably more active than observed just two years ago, with much greater participation of peripheral activities such as tinsmithing, tailoring, bicycle repairs, etc. Similarly, the Sunday fair in Nampula showed a much wider range of locally produced products. By far the most common form of non-agricultural activity involving households in peri-urban areas, rural towns and along main transport routes is informal trading. Often, family members with a minimal marginal contribution to agricultural or other productive activity are involved such as children or the aged, so that even the smallest contribution to household income is welcome.

### **Types of Activities**

Rural non farm enterprises display a wide diversity of characteristics in terms of activity, size, level of income and employment generation. Such variations imply that policy approaches should be targeted at distinctly different levels. An attempt has therefore been made to categorize them into 5 clearly defined types with the understanding that evolution from one type to another is often along a continuum which sometimes makes it difficult to categorize an activity as it graduates from one type to another.

### *Type 1: Vending*

We are likely to find the majority of rural non-agricultural activities in this group (which cannot be defined as "productive") Often it involves the trading in manufactured items such as cigarettes, chewing gum, biscuits, tinned drinks, batteries, etc. It is felt that this type of activity should not be excluded from this report because it is a major source of non-agricultural income and because many of these traders sell the product of rural non-agricultural production such as firewood, charcoal, handicrafts, dried fish, etc or processed agricultural production such as roasted peanuts, maize or cashew, milled maize or cassava, etc. Often the production of these products has taken place within the selling household but, in many cases, small amounts are purchased from the producers. Sellers are often those family members whose absence from other activities will not be felt, justifying long hours of ambulatory or sedentary sales for very small levels of income. Typically, monthly income from these activities will rarely exceed 100,000 Mt. In one case, we found a monthly income of about 20,000Mt. For those who had accumulated sufficient stocks and developed a large clientele, vending offered comparatively high returns. Several licensed vendors operating from the formal markets in the rural towns were observed to be earning incomes between 500,000-1m Mt. In Nhamatanda, the BPD indicated that their best customer was a vender of used clothing with savings deposits of 15m Mt.

The most common problem faced by type 1 entrepreneurs was the lack of financing to build a stall or to increase their stock. Experience from various credit schemes has shown that the majority of loan applicants wanting to start up a non-agricultural activity are likely to be in the area of informal commerce. The several village banking schemes plus the GTZ urban microenterprise project (section 6) have almost exclusively financed beneficiaries wishing to start up type 1 activities.

The advantage of establishing this activity is that very little investment is needed and that the repayment cycle is quick, allowing comparatively large numbers of beneficiaries from a small revolving fund. The disadvantage is that these activities have no value added and that the proliferation of vendors will tend to reduce margins. Furthermore, formal sector shopkeepers and licensed traders complain that unlicensed vendors undercut their profits because of unfair competition (selling illegally imported goods and avoiding income tax) (1). It is likely that, as long as household members can be spared from other income generating alternatives, the relatively easy option of unskilled vending where time has very little opportunity cost will continue to be a highly favoured option for those NGOs inclined towards a "poverty lending" approach to development.

### *Type 2: Traditional Rural Non-Agricultural Production*

The second type of enterprise involves specialized traditional rural producers, selling in "bulk" from near the point of production - usually by the roadside. These enterprises usually include charcoal, firewood, alcoholic drinks, handicrafts (mats and baskets), ceramic pots, dried fish, etc. These activities usually require almost full time attention from an adult member of the household when seasonal agricultural inputs are at an ebb. Income from such activities often depend on how close to urban centres they are produced. Monthly income from these activities range from 100,000-300,000Mt although amounts exceeding 1m Mt are not uncommon. With the exception of traditional drinks which would require about \$100 worth of investment (basically drums or a still), virtually no

investment outlay is needed. Skills are usually acquired without great difficulty and are commonly passed down by generation families or are traditional within a region.

There were relatively few problems expressed by this category of entrepreneur. Because little capital is involved, the basic limitations to increased output are resource or manpower availability and market demand. These activities have been practised for centuries and have, until recently, posed no danger to the environment. Recently, however, in areas surrounding high concentrations of human habitation, the effects of collecting firewood and the production of charcoal have been devastating. Apart from raising ecological concerns, the degree of NGO intervention in these activities has been minimal (2). This is not a high priority type of activity in terms of entrepreneurial promotion, but handicrafts offer good potential for export promotion (see section 7).

### *Type 3: Self-Employed Artisans*

Type 3 enterprises involve artisans who have acquired a skill and invested a certain amount of capital into developing these activities as self-employed entrepreneurs, often working from their homes, but usually located in rural towns or on the peripheries of urban centres. Many are found on the fringes of municipal and district markets, sometimes working in small groups as observed in Quelimane central market (tinsmiths, working in a group of 3, shared input costs and sales revenue of which a certain percentage was always set aside to buy new inputs; a similar arrangement was observed with soap producers nearby in a peri-urban suburb). Usually these activities are unlicensed and operate on a very small scale. Monthly income ranged between 200,000-800,000 Mt. They typically include tailors, carpenters, builders, tinsmiths, bicycle and watch repairmen, etc.

This is an important target group deserving promotion because of their potential for income and employment generation. Many of these entrepreneurs expressed an interest to expand their activities but were limited by financial constraints to replace obsolete and lost tools as well as raw materials which were often difficult to obtain. This group had acquired reasonable technical skills but were limited in their knowledge of basic business concepts. To date, the only programme found to systematically promote this type of entrepreneur is the PAPIR project in Sofala, a fully integrated approach providing credit, raw materials, technical and business training as well as marketing assistance (see section 6). Other assistance has been ad hoc at best, consisting of the supply of equipment or raw material (usually on a heavily subsidized basis) as well as direct contracts in reconstruction projects. This type of rural enterprise deserves far greater attention.

### *Type 4: Rural Microenterprises*

Type 4 are usually microenterprise versions of the self-employed type 3 activities. These typically employ 3 or 4 but often up to 10 workers, operating in a small building or workshop in rural towns or peri-urban bairros. Usually these activities are unlicensed but many are now legal. The owners have some basic notions of business. They generally operate under poor conditions, with antiquated tools and machinery and pay their workers substantially less than minimum wages. Many have re-started their activities after many years of being unable to acquire basic raw materials. Nevertheless, a good number of enterprises (such as soap manufacturers) continue to face frequent shortages of materials

and are forced to close down for indeterminate periods. Monthly profits for these micro-entrepreneurs typically range from 500,000Mt to 2m Mt. In addition to the above-mentioned type 3 activities, this type also includes fishing, soap making, grain milling, upholstered furniture making, baking, etc. It is not uncommon to find the owner of the microenterprise absent as they are often involved in a variety of other activities. Related family members are usually left in charge of the enterprise.

This group of entrepreneurs receives proportionately the most assistance from NGOs and other institutions, especially specialized credit institutions such as GAPI and FFPI (section 4) and more recently the GPPE (3). Their credit requirements usually range from \$5,000 - 20,000 for virtually a complete refurbishment of their equipment and installations. Their urban counterparts have, during the war, and especially since structural adjustment, received considerable attention from a variety of programmes such as the GPE's urban microenterprise support project. Normally, to receive institutional credit, these enterprises have to be licensed which can be a long bureaucratic process. These entrepreneurs have found it almost impossible to obtain credit from banks.

#### *Type 5: Rural Small Enterprises*

Type 5 enterprises are small businesses often left abandoned or at very low capacity for many years. They usually employ more than 10 workers (a small enterprise being defined officially as 10 to 50 workers but for our purposes rarely exceeding 20). The owners of these companies usually belong to the economic elite, having inherited these companies from their families or built up the business from a development cycle usually based on an agricultural base. In some cases, current owners were supervisors left with the responsibility of taking care of the businesses of their Portuguese employers. As with type 4 entrepreneurs, very few have benefited from bank loans and many are now applying for credit, often through the BPD or GAPI, in order to buy new equipment to replace obsolete machinery. A study of such businesses in Quelimane for GAPI (de Vletter, 1993b) found the following types of businesses: saw milling, carpentry, bakery, transport and wheat (imported) milling. Monthly income would typically be in the range of 5m-10m Mt.

#### **4. GOVERNMENT SUPPORT FOR THE MICROENTERPRISE SECTOR**

Since the 4th Congress of 1983, the Frelimo Government gave greater priority to the contribution small business and the family sectors. After a futile attempt to promote small activities through various sectoral funds established in the late 1980s, a more concerted effort was made through the establishment of National Institute of Local Industry (IDIL), the Fund for the Development of Small Industry (FFPI), the Employment Promotion Office (GPE) and the Programme for the Development of Small and Medium Enterprises (PDPME). The state-owned bank the BPD, through GAPI its joint venture with the German NGO, the Frederick Ebert Foundation, focused on the promotion of small (especially rural) enterprise. As in the case of GAPI, the government institutions have generally been involved in projects jointly financed by international agencies such as the UNDP, World Bank, Norad, SwedeCorp, etc. Almost invariably, the government commitment to these ventures has been substantially short of expectations. The policy environment created by the Government to stimulate small enterprises has also been disappointing, although some fiscal reforms have been introduced recently. In a key paper presented to the March 1995 Paris

Consultative Group Meeting, the Government committed itself to adopting a policy framework to promote private sector activities, including inter alia reforming tax and the customs system, simplifying procedures for new investments and reforming the financial sector (Government of Mozambique, 1995)

## **IDIL**

Decreed in 1968, IDIL was established to promote small industry through technical assistance and training. It collaborated with its sister institution PRODIL which was to develop locally appropriate technology. IDIL has generally been plagued by poor management and a severe shortage of funds. For years its provincial delegations have done little more than offer false hopes of possible credit to expectant small businessmen. For two years (1991-93) IDIL, with the assistance of UNIDO, offered a comprehensive series of training programmes to small entrepreneurs in several districts of Nampula Province and established a network of district based monitors. Some 50 funding requests were selected from some 160 applications to be financed from the newly revived (Swedish supported FFPI). 13 of these were financed through a pilot phase of the FFPI. Once the UNIDO project terminated, the 3 motivated and highly qualified technicians were left with little to do as Government funding did not allow them to continue with their district based training and the three project vehicles were no longer at their disposal (4). Further funding from the FFPI had come to a temporary end for reasons explained below. Despite these problems, UNIDO has agreed to undertake a similar exercise to cover the provinces of Cabo Delgado, Niassa, Nampula (again) and possibly Tete.

The functioning of IDIL at the central level and the lack of Government financing for the institution came under severe criticism by a three agency consultancy mission (Lopes et. al 1991) Despite assurances from Government that the situation would be improved, little has been done.

Some recent developments involving collaboration with NGOs offer some hope for IDIL. Trocaire has contracted IDIL in Zambezia province to install and monitor the use of equipment for small entrepreneurs in the district of Lugela. IDIL will be given responsibility for collecting repayments for the equipment, the proceeds of which would be managed by IDIL as a revolving fund. A similar arrangement with a training component is currently being negotiated by the Eduardo Mondlane Foundation in Nampula Province. Such contracts give an important financial boost to the provincial delegations which are otherwise completely dependent on a meagre budget from headquarters.

IDIL has over the years provided "Improve Your Business" (IYB) of a reasonable quality and has been regularly contracted to provide training for projects of NGOs and international agencies such as UNICEF. IDIL is currently undertaking a substantial amount of training to demobilized soldiers in newly developed "Start Your Business" (SYB) course.

## **FFPI**

The Fund for the Development of Small Industry was decreed in 1990 but remained moribund until SwedeCorp took an interest in making it into a financial intermediary which was to be "the most efficient and viable credit mechanism in the country". After considerable preparation, the FFPI was

made operative in 1993 when 13 credits were approved for a pilot phase in Nampula to complement the UNIDO IDIL project (mentioned above). Disagreements over candidates for the position of executive director has resulted in the paralysation of the fund for almost 2 years. Furthermore, the 13 pilot credits were never given proper contracts so that none of the loans are being amortized. IDIL, due to the lack of resources, has been unable to monitor the FFPI beneficiaries for the past year. It is expected that an executive director will soon be appointed and that the FFPI will be reactivated after a somewhat inauspicious start (5).

## **GPE**

The GPE has had 3 externally financed projects, 2 of which had serious problems and the third to be possibly transformed into a private entity. An ILO/NORAD financed project to establish irrigation associations for retrenched mineworkers returning from South Africa ended up short of its objectives largely due to the negligent use of vehicles and misappropriation of project equipment. A World Bank financed project to support urban microenterprises to the tune of \$2m was initially hailed as "one of the most successful microenterprise support projects in Africa". However, the almost total absence of loan monitoring on the part of the BPD, responsible for loan disbursement and collection, resulted in what can only be presumed to be a very low repayment rate (the BPD has until now been unable or unwilling to release data on these loans). The GTZ financed microenterprise project based in Maputo and Beira operates quite well despite the Government often unable to keep the basic services of the GPE functional. The Beira office of the GPE was found without phone or fax because of unpaid bills. GPE staff were demoralized because salaries had not been paid for several months. The GTZ project, on its completion, is considering possible privatization as a credit institution with various shareholders including the current consultancy firm Luso Consult.

## **BPD**

The BPD has consistently shown itself to be heavily bureaucratic, overly centralized, inordinately slow in approving loans and indifferent in loan collection. In all its partnerships with other credit schemes, it has only shown moderate success with its relationship with GAPI which is still afflicted by heavy paperwork, slow approval procedures and only limited disbursements. Even with its own credit scheme, the Poverty Alleviation Fund, which was meant to give fairly rapid credit to the target groups of unemployed women, demobilized soldiers and returned contract workers from Germany, has been affected by severe delays. In Quelimane, for example, only one of 46 loan applications was approved. In the latter half of the 1980s the BPD/IFAD Credit Fund for Agricultural and Rural Development (CCADR) was meant to target inter alia liberation war veterans with subsidized credit for farming and rural enterprises. Little reached the target group (more than 90% of the funds went to supporting unviable Government projects) and, despite the heavily subsidized rates of interest very few of the loans were repaid. As mentioned above, the BPD's involvement with the GPE's microenterprise project resulted in failure because of the BPD's failure to monitor the loans.

During our field trips, it was discovered that the BPD in large rural towns served basically as a savings bank and a facilitator for financial transactions for local government entities, institutions and NGOs. No loans were disbursed from these branches. All loan requests had to be submitted directly

to the provincial main branch which in turn was limited to approving only small loan amounts, with all other requests for non-commercial loans having to be approved at BPD headquarters in Maputo

## **GAPI**

GAPI, a joint venture between the BPD and the Frederick Ebert Foundation since 1990 and offering loans since 1984, has the objective of promoting rural small industry principally through credit provided on somewhat more concessionary and less bureaucratic terms than through the formal banking system. It has provided some 128 loans since 1992 for a total investment equivalent of 12.3m contos (loan limit being 150,000 DM). An earlier phase from 1984-90 saw the concession of more than 100 loans but with metical repayments which at the end of the loan terms were almost worthless in terms of the original foreign exchange equivalents. The sectoral distribution of loans since 1992 was as follows: agriculture 43 (6), building materials 13, fishery 35, food conservation 2; food processing 35. Although GAPI is supposed to serve the whole country, well over half the loans (81) are concentrated in Maputo province, with very limited numbers coming in from other provinces (Zambezia with 12 loans being the only provinces in excess of 10 loans). Most loans (113) are given to individuals, the rest being given to cooperatives or limited companies. More than half (68) were loans for new enterprises, while the rest were for expansion, rehabilitation or modernization. Of the 128 loans, 22 were considered to have failed and another 22 had "problems".

Although GAPI has been one of the more successful specialized credit institutions, it is catering to only a small fraction of the overall small enterprise credit needs, working within an administrative framework which is heavily centralized and slow. An examination of the overall costs involved in funding little more than 200 clients over more than 10 years would show it to be a heavily subsidized operation.

## **PDPME**

The Programme for the Development of Small and Medium Enterprises (PDPME) operates from a small coordinating unit at the Bank of Mozambique. Credit lines in excess of \$50m have been made available from the World Bank, EIB, and Caisse Francaise. Funds are loaned to participating banks which evaluate loan applications and bear the brunt of the loan risk. Though intended to assist small enterprises, most loans are granted to medium sized companies (loans rarely being less than \$200,000). Recent discussions with the World Bank have shown that the Bank of Mozambique would be willing to consider funding microenterprises. Loans under this scheme have suffered long delays in the approval process as well as with obtaining letters of credit for imported equipment and raw materials.

## **Business Environment**

Government policy towards small business has been the target of considerable criticism from the private sector and various NGO-sponsored seminars. Criticisms have focussed on excessively high levels of taxation, the lack of credit, high import duties and overly bureaucratic licensing requirements. Despite some fiscal reforms, the President was met by disgruntled businessmen

represented by 13 different associations in August 1994.

In addition to the grievances expressed from the formal private sector, less articulate complaints have been emanating from the informal sector. Though regarded as "informal", investigations have shown that participants of this sector are still subject to a myriad of payments which are variously paid to agents of the City or Town Councils, the police force, the Ministry of Finance, etc (de Vletter, 1995). How much of these payments actually reach the official coffers is a matter of conjecture.

The informal sector has further suffered from a very inconsistent approach to it by the City Councils which in Maputo and Beira at least have established special "Urban" or "Council" police to control the unfettered growth of the informal economy. The erratic behaviour of these forces has been the source of considerable press criticism over the past two years. Though the importance of the informal sector has been recognised by the Government, intermittent raids on informal sector traders when no alternative sites or activities are available render such control mechanisms meaningless, provoking unnecessary hostility between the authorities and the poor. On the other hand, the recent gesture by the Nampula City Council of licencing informal traders and conceding official trading areas at the old trade fair grounds (FAINA) marks a breakthrough in a new and encouraging approach to the sector.

Despite its many failings, government policy to promote small business has had some positive effects. However, these benefits have been felt mainly in the urban areas (e.g. the activities of the GPE, FFPI, IDIL and even GAPI have been mostly enjoyed by urban or peri-urban clients). To date, there are virtually no Government supported programmes that promote RSEs, outside of the credit schemes targeting rural shopkeepers through the BCM (financed by the Caisse Francaise) as well as fiscal benefits mainly aimed at encouraging foreign investors to invest in rural areas. Though many other similar examples may exist, special attention was drawn by various NGOs about how Government customs policy was severely restricting the development of the local fishing industry, by imposing excessively high duties on nets and other essential materials.

## 5. THE IMPORTANCE OF NGOs TO THE RSE SECTOR

### International NGOs

With few exceptions we are finding "rural development" the focus of post-emergency policy strategies for development agencies and NGOs alike. Though initial attention is being directed almost exclusively to rehabilitation and reconstruction, rural development is almost always mentioned as the longer term strategy objective. Beyond these and obvious references to agricultural recovery, there is little specific reference to the development of rural non-agricultural enterprises. A broad survey of NGO activities shows a massive tendency to jump on the reconstruction bandwagon directing their resources to war damaged or dilapidated schools, health posts and water supply points (7). Given the degree of destruction which has taken place in the countryside, these initiatives are, of course, justified. However, they are directed to an obvious social need and have diverted resources and thinking from other aspects of more commercial rural development. Nevertheless, some NGOs have developed some unique and interesting approaches for promoting RSEs.

Though the approach of many NGOs to the promotion of rural enterprises may be conservative and even less effective than the Government, NGOs can play a critical role for the following reasons:

- they have the freedom to experiment with new approaches which are often too "radical" for governments and their partner agencies,
- as in the case of World Relief's communal banking project, NGOs often bring in accumulated experience acquired internationally;
- they have often developed a level of confidence amongst local populations which allow them to penetrate districts much more effectively than would government, especially in a country such as Mozambique which is effectively governed under a "dual administration" (a problem raised during a meeting between the Zambuezia Provincial Planning Commission and the NGOs),
- NGOs are not encumbered by the same bureaucratic formalities of project implementation Government run initiatives.

Against these advantages we find some potentially serious drawbacks as well. These include:

- freedom to experiment with minimal government intervention has meant that there are a variety of often conflicting approaches to similar target groups. The case of credit underscores the confusing and damaging effects of so many approaches, especially when it comes to a sensitive beneficiary group such as demobilized soldiers;
- the laissez faire approach from Government to the NGOs during the emergency era has led several NGOs into believing that they can continue operating into the reconstruction phase without any collaboration with the provincial governments which are now attempting to monitor (but not control) the activities of the biggest investors in their provinces (i.e. NGOs).

One of the more striking aspects about studying the past experiences of microenterprise support was the lack of accessible documentation on the subject. In the past few years there has been no shortage of studies, evaluations and articles written on the subject in Mozambique (most of which had been collected out of personal interest by the consultant). Due to the lack of any systematic documentation in Mozambique, consultancy reports remain inaccessible in drawers of government officials or project backstopping officers. This applies to virtually all sectoral studies in Mozambique and results in a disturbing amount of uncoordinated work, repetition of past mistakes and inter-agency consultancy duplication.

The same situation was observed amongst the NGOs and - even more surprisingly - within the same NGO. Very little effort is made, with the exception of a few, to maintain an accumulated knowledge of past project experiences. High staff turnover ensures that even "oral history" will not prevent the repetition of previous experiences. In one case, the consultant came across an NGO whose previous small enterprise experiences had been chronicled in a journal article but whose current new director was completely unaware of the experience. Movement along any learning curve regarding small enterprise promotion is painfully slow.

Though the establishment of LINK is a positive step in stimulating the exchange of information and

a better coordination between NGOs at the national level. provincial level coordination is woefully inadequate. There were some obvious cases of where symbiotic initiatives could have had beneficial support effects if more effort had been made to get to know about each other's programmes. The state of inter-NGO exchange at the provincial level is little short of alarming. The UNDP project to promote decentralized provincial and district level planning has made some inroads into promoting some dialogue between the NGOs but a lot more still remains to be done before any degree of coordination and planning is possible.

### **National NGOs**

The upsurge of national NGOs, following their legalization about three years ago, signalled the beginning of a rather chaotic phase characterized by generous donor funding, poor management, misappropriations, and unclear objectives. In reaction to this unfortunate period, many donors are now wary of further involvement with national organizations. A recent visitor in Nampula with considerable experience with West African NGOs felt that these problems are common in the early stages of their evolution and are often unwittingly perpetrated by the naive good intentions of the foreign donor community putting too much confidence in the capacity of fledgling organisations.

One very positive aspect to have emerged from COCAMO's somewhat chequered history in Nampula is its close involvement in the creation, nurturing and general support for at least four provincially based NGOs. On their own admission, their early strategies were fraught with misguided intentions but they now feel that a mutual accumulation of experience is slowly beginning to show a positive pay off, even though the situation prevailing amongst local NGOs in Nampula remains far from ideal.

It must be recognised that the role of national and provincially based NGOs will eventually be, and in some cases already is, critical in the promotion of community and gender based activities.

## **6. RECENT NGO POLICY INITIATIVES**

### **Credit**

With the almost total absence of formal banking loans for small rural entrepreneurs, credit in the form of poverty lending to help start up or expand activities for type 1 activities or financial service type lending for type 3 activities represent perhaps the most important areas where NGOs can promote small enterprises. Credit for type 4 and 5 enterprises are probably best done by specialized financial institutions such as GAPI and the FFPI.

After a rich exchange of experiences on existing credit programmes during a recent AMRU-ZERO workshop on rural industries, it was noted with regret that the accumulated experience of these credit schemes was not available to the NGOs. Within less than 6 years, Mozambique has experienced a wide variety of credit initiatives, none of which yet stand out as models of success but many offering important lessons towards evolving sustainable credit programmes. The broad range of credit schemes, accompanying the trend for bi-lateral assistance to give provincial "responsibility" to donors, caused the INDER seminar on rural credit (1993) to note the lack of a common philosophy or

approach to lending and any other information (Galli, 1993)

Though urban microenterprises have been assisted by more traditional approaches of credit, often linked with the formal banking structures, something much more innovative is needed to address the financial requirements of budding rural entrepreneurs

With a few notable exceptions, such as World Relief and FOS, international NGOs have not had much experience in the methods of introducing credit to rural folk. As noted in the 1993 INDEP seminar, previous experience has been largely limited to what have essentially been hand-outs, and current thinking does not really take them past a purely principal payback arrangement with no allowance for commercial interest rates. Some of the greatest advances made in introducing viable credit schemes have been made by national or provincial NGOs, namely MBEU, ADCR (Gaza) and AMR (Nampula)

### *Village Banking Schemes*

Village banking schemes modelled after the FINCA model of the early 1980s have been replicated by NGOs throughout the world. These schemes usually require an initial contribution from a donor after which the viability depends on the success in mobilizing savings to support the loans. Some of the noteworthy features of village banking are that they:

- allow credit to reach disadvantaged groups and populations not normally accessible by the formal banking system;
- overcome collateral requirements through group (solidarity) lending;
- involve limited administrative overheads;
- mobilize local resources and build a capacity for community management;
- usually charge commercial interest rates;
- involve small amounts and often have high rates of payback due to peer pressures (evidence from 3,000 village banks in countries associated with Small Enterprise Education and Promotion Network (SEEP) showed an average loan size of about \$80 and 97% repayment rate (SEEP, 1995));
- are becoming increasingly linked with a basic business training component (many schemes are introducing compulsory awareness components covering basic health and civic education)

Though some schemes encounter basic technical problems, the main problems associated with the operation of these schemes relate to overcoming rumours and customary taboos. It has often been argued that village banks would be difficult to introduce in Mozambique because savings would be difficult to mobilize amongst the poor and because the poor would not be prepared or unable to pay commercial interest rates. In fact, evidence shows that, despite a general consensus to the contrary, money lending does occur fairly commonly in the urban informal sector. Recent research by CARE found that informal sector vendors, rather than make their earnings available to family members who prepared pay the 10% per month to safe-keepers of their money who in turn were found to lend money to borrowers in other markets (CARE, 1994). There is further supporting evidence that shows that rural women are keen to save their money in schemes which only allow withdrawals for specific purposes such as funerals, health problems and education. Research in rural areas showed that a la

... of poor peasants had savings which could be mobilized (de Vletter, 1993a)

There was no evidence at the time of the 1993 INDER rural credit seminar of any attempts to introduce village banking to the rural areas but that there was a recognised need for "NGO leaders ... as communities need to be trained in how to set up and run savings and loan schemes" (Galli, 1993). Since then, several initiatives have been undertaken in different parts of the country with very positive results. Three notable examples are briefly reviewed below.

#### i) Caixa das Mulheres Rurais (Nampula Province)

The scheme closest to being sustainable was originally started by the Associacao das Mulheres Rurais (AMR) in Nampula and now operating as an independent credit and savings union "Caixa das Mulheres Rurais. Some details of this scheme are appropriate because it provides a concrete example of credit generated only by locally generated savings without depending on an initial donor injection. The scheme originally started with members of the AMR selling cakes and required to save earnings which eventually amounted to 20m Mt. Following discussions about what to do with these earnings, the majority of members agreed to maintain a share of the earnings as a savings base for the Caixa. With initial savings of 8m Mt and some 150 members, it was decided to offer two types of loans. Loans for small activities were allowed for small groups with a maximum of 2 beneficiaries at any time with loans up to 500,000Mt, using the principals of "xitique" peer pressure to ensure payback. An interest rate of 36% is applied to loans while 24% is earned on savings. The scheme was also designed to accommodate agricultural loans of 200,000Mt for each member. Much debate centered on whether men should be allowed membership but eventual consensus restricted it to women only.

The scheme is currently facing two potential crises. The first hinges on the mechanics and social pressures attached to the repayment of the agricultural loans which were taken out by the majority of its members without the psychological pressures associated with small group loans. The second relates to a (hopefully) temporary management crisis which has left the scheme without its part-time but important expatriate technical support and the services of a full-time accountant.

#### ii) World Relief Community Banks (Chokwe, Gaza Province)

The largest village bank initiative in the country so far has been that of World Relief which recently started pilot projects in the Chokwe (Gaza) region. By April 1995, 29 small community banks had been established serving 941 clients (range varying between 15-40 members). Although membership is open to both sexes, women are preferred and form the majority. Each community bank has its own committee consisting of a president, secretary and treasurer. Each community bank is loaned start up capital of up to \$1,000. "Animadores" (trainer/monitors) spend 6 weeks in preparing each community bank.

Lending cycles are 16 weeks with interest rates of 16% per cycle (approx. 48% per annum) as well as a (non-compulsory) savings component of 12%. First phase loans are limited to the equivalent value of in meticaís of \$25, which on repayment can be raised to \$35 plus the equivalent of accumulated savings over subsequent phases. Payments are done on a weekly basis and fines are

for late payments. Defaults are rare. Loans are largely used to initiate small vending activities. World Relief is very pleased with the results since the inception of the scheme about a year ago and has plans for extending the concept to other areas.

### iii) MBEU's Village Credit Scheme (Campuane, Maputo Province)

Another initiative of a much smaller scale but also generating much interest has been MBEU's credit scheme in Campuane just outside of Maputo. This scheme involves 55 women broken up into solidarity groups of 5 each. First phase loans vary between 50,000-300,000 Mt and must be paid back in weekly instalments (2 week grace period) over 16 weeks with an interest rate of 15% (or 45% per annum). Second phase loans of up to 600,000 are available to any group whose first phase loans are entirely paid up. Third phase loans can reach 1,200,000 per beneficiary. Currently 25 women have first phase loans, 5 second phase and 25 third phase. Until recently, savings was done voluntarily but very little was deposited. It was subsequently decided that a compulsory savings minimum of 500 Mt per week was to be introduced. As in the case of the World Relief scheme, these loans were largely used for establishing small vending activities.

### *Other Credit Programmes*

Village banking is probably the only approach to credit which shows any form of consistency amongst the NGOs. Credit for other types of activities, especially those of types 3 underscore the degree of independence amongst NGOs and the lack of will take a more coordinated approach. There appears to be a general consensus that the handout approach to stimulate small enterprises was wrong. This is the position emphatically taken by Action Aid following its initiatives in Zambezia. After making an assessment of 11 microenterprise support projects, it was decided to terminate all but the fisheries programme and to "take a break for two years" so that the dependency (patrao) syndrome attached to Action Aid would disappear. Similar sentiments were expressed by Save the Children in Zambezia whose new provincial Director felt it would be better to let things consolidate during the post-emergency transitional period and for NGO intervention to be guided more by potential beneficiaries. Oxfam, after similar experiences in Nampula, took the same view.

It is disturbing to see, after such experiences (which basically mirror the results of similar approaches in other developing countries), that recent initiatives such as the GTZ programme for demobilized soldiers (and to a lesser degree that of the IOM) are hoping to stimulate small viable productive activities through hand outs. Similar approaches are being pursued by Kulima (Sofala) which is offering "credit" to fishermen who only pay back 20% of the meticaís value of equipment received (without interest). It was naively thought that a revolving fund could be established on this basis.

UNICEF has started up an integrated programme of training and credit through their peri-urban Women's Training and Development Centres based in Beira and Chimoio. In Beira these centres were supervised through the Gabinete das Zonas Verdes (in Chimoio through a religious organisation). The centres were intensively used, especially for sewing (more than 100 in each centre) and somewhat less for literacy classes. Each centre established a credit scheme which offered up to 1.2m Mt to each of the first 10 applicants, provided they complete a 1 month course. Most credits were used to establish

...aracas The scheme seems to be working well but the viability will be severely compromised in terms of its revolving fund as long as the heavily subsidized rate of interest of 3% continues to be applied.

A wide variety of other schemes were encountered. CARE in Nampula sold oil presses over very short terms (interest free) as the capital cost of approximately \$200 was thought to be recoverable within the first harvest. Food for the Hungry International set up a novel small credit scheme (SPEAR) for its own assistant extensionists with the objective of facilitating the transition from their employment with FH/Moz to small commercial farmers or owners of farm related businesses. The scheme lends the meticais equivalent of \$400 at commercial rates of interest from a revolving fund to those who have successfully completed the Start Your Business course with IDIL. Some of the staff interviewed had already purchased oil mills. Such an approach is recommended for other international NGOs, though the possibilities for conflicts with work duties are obvious.

### GPE/GTZ Microenterprise Project

The GPE/GTZ "Microenterprise project", though limited to the urban and peri-urban areas of Maputo and Beira, offers an interesting model for RSE financing. This scheme is split into two independent sections: one is solely concerned with training and the other credit. Training is not a prerequisite for credit. The credit operation in Beira, having started about one year ago, is managed by one expatriate and 4 trained Mozambican technicians responsible for evaluating and monitoring loans. Credit is offered for 3 types of activities. By April 1995, 191 loans had been approved in Beira for a value of 372m MT with a distribution (in terms of numbers) as follows: commerce, mostly in the form of informal vending, (85%), production (4%) and services (11%). (8). Almost one-quarter of the beneficiaries were women.

Conditions are quite stringent: two types of loans are offered, the first for working capital, the second for investment. Loans for commerce are offered only to existing vendors, with type 1 loans having terms of only up to 2 months (limit 2m Mt) and type 2 loans up to 6 months (limit 4m Mt). Interest rates are the annual equivalent of 40% plus a 5% administration tax. Equity capital must be 20% of the loan. For existing services and production activities, lending conditions are the same, but loans can be offered to new enterprises with terms up to 9 months (limit of working capital and investment of 6m Mt). Repayments are proceeding satisfactorily.

It is important to note that this scheme has demonstrated that if contracts have the 3 necessary signatures of client, lender and notary, there are apparently few legal delays in taking possession of guarantees. At the time of interview one client's music system was being auctioned. Many other schemes, including the BPD, have regularly complained about the difficulties involved in taking appropriate action against loan defaulters. The GTZ project claims that, at least in Beira, this is not a problem.

## C Commercialization and Marketing

The continued lack of commercialization of the rural economy was consistently mentioned as one of the main constraints to increased rural incomes. Despite the rapid opening up of district feeder roads, commercialization remains largely restricted to the main transport routes. Despite the UGC in Nampula claiming to have established more than 60 cooperatives to improve their marketing clout, it appears that few benefits have actually materialized. Furthermore, the ICM which has taken over agricultural marketing from the defunct Agricom does not seem to have yet made much impact. Peasants do not yet appear to have organized themselves in terms selling their produce at "fixed post" outlets in the more remote districts. It is also claimed that in many rural areas there is still a great shortage of consumer goods thus reducing the incentive for peasants to sell their produce for cash. Peasants are said to have little or no knowledge about Government stipulated minimum prices for their crops and it was common knowledge that traders offered prices substantially below the official prices. The rehabilitation of rural shops is likely to take some time despite the efforts of Caisse Francaise and GTZ to get credit to shop owners in Nampula and Manica through special bank credit lines.

Two interesting trends affecting commercialization were observed during the field trips. One, a short term phenomenon, was that, due to the massive resettlement taking place in many rural areas, the social structures and networks were still very weak and that very little trust within communities had developed, thus explaining why the old "cantineiro" system of credit and trading had not yet re-emerged to the extent predicted as well as explaining the reluctance to collectively use "fixed post" selling outlets. A recent World Vision study of Marumbala District in Zambezia found that most of the surplus crops were sold at the local market and that only 11% of the peasants sold their crops by the roadside.

The other longer term trend is the growing monopolization of trade. UNICEF, in its situation analysis of Quelimane, noted that commercialization was tending to become increasingly centralized with fewer merchants controlling an increasing amount of the commercial activities formerly spread over various operators. Thus wholesaling, retailing and transport was now tending to fall under the control of one merchant rather than dispersed independent activities. In Nampula a similar trend has been noted and it is feared by some that the financing by Caisse Francaise for the rehabilitation of rural shops will simply result in buy outs of rebuilt rural shops by urban based merchants.

The PAPIR project demonstrated that marketing by rural artisans was weak and that intermediation by the project in terms of finding customers (mostly in urban areas) significantly increased their sales, as did the promotional campaign "Week of the Small Producer".

One interesting aspect about small enterprises in Mozambique, especially at the informal level, is the strong influence of witchcraft. Research by CARE (1994b) in Manica Province referred to the strong belief in "uroyi" amongst low income groups who believe if someone shows more wealth, skill, etc. than the accepted norm, they will be killed for it. This might help explain why stalls in the informal markets are arranged in almost identical ways. There appears to be an unwritten code preventing traders from advertising or presenting wares in any way to draw attention away from their

...factors This phenomenon would appear to justify further anthropological research as it may be an important negative influence over the fostering of an entrepreneurial spirit of the Schumpeterian variety.

## Training

Training plays a critical dual role - developing skills at both the artisanal and management levels. It has been acknowledged by many of the NGOs with previous attempts to promote rural non-farm activities that the absence of training, particularly at the management level, was largely responsible for their earlier failures. Some admitted that NGO staff themselves were not aware of the basic issues surrounding the viability of their projects such as markets, regularity of inputs, maintenance guarantees, costing, etc.

Artisanal training has been developed at a variety of levels. The war and severely reduced education budgets left basic skills training in a pitiful state outside of the commendable efforts of several mission centres. The revival of secondary level technical schools as well as the rehabilitation of some of the main vocational training institutions through South African, Swedish and Italian assistance, in combination the ILO's Occupational Skills Development programme for training basic skills to demobilized soldiers (contracting training institutions throughout the country), will boost the overall capacity to develop artisanal skills. The formalization of the Institute for Employment and Vocational Training under the Ministry of Labour should lead to more effective planning of these skills both for industry and the small scale levels. What has been referred to as "traditional training" is finding favour amongst many of the NGOs as well the IOM, especially in connection with rehabilitation projects. Essentially it is on-the-job training using a master-apprentice approach to skills such as carpentry, stone masonry and plumbing. Given the substantial rehabilitation work being carried out by virtually all the international and many of the local PVOs, this form of training, if properly supervised, should provide an important output of skills especially in the rural areas. It is recommended that the acquisition of such skills be given some sort of official recognition by way of a diploma from the supervising NGO if, according to the responsible "mestre", the apprentice has fulfilled certain minimum skill requirements.

Management skills training has fallen largely under the responsibility of IDIL. Until recently, courses were basically restricted to the ILO's Improve Your Business (IYB) course. It was generally recognized that the level of this course was too high for the needs of the majority of smaller scale entrepreneurs and some projects such as PAPIR developed their own more appropriate versions of the course. Recently, IDIL has translated a version of the ILO's Start Your Business course which is felt to be at a much more acceptable level but still affected by teething problems. The course is currently being taught to demobilized soldiers throughout the country. IDIL has, over the years, provided many NGOs and international agencies with training courses which, on the whole, have been considered to be an acceptable standard. FHI in Sofala has contracted IDIL to provide courses to its staff in the SPEAR programme.

## Technology

The development of appropriate technology was placed under the now defunct institution PRODIL which focused its attention on the development of oil presses, soap making, maize mills, etc.

Very little transfer of new simple technology has taken place in the rural areas. One of only two significant developments observed was the introduction of oil presses in Sofala (FHI) and Nampula (CARE). These oil presses were comparatively cheap (the cheapest being about \$200). Experimental models were developed in Tanzania, Zimbabwe, Swaziland and Lesotho. The other notable case was the introduction of animal traction into Sofala by Africare (Nhamatanda). Previous attempts to introduce oxen and ploughs by the Ministry of Agriculture failed because of inadequate preparation. The initiative by Africare, in collaboration with 4 associations (amalgamated under one union) and using a revolving credit fund, seems to be working effectively.

Many NGOs, in their new country strategies have intentions of promoting food conservation such as sun dried tomatoes. Considerable research is still necessary before it becomes realistic that rural families can be mobilized to pursue such activities.

One aspect which may be worth considering is the production of refined or semi-refined sugar through small scale mills. India is a leader in this field and useful literature on the development of such mills is readily available. The delegate of the Provincial Directorate of the Industry Tourism and Commerce in Zambezia felt that there was great potential for such production as it was unlikely that the large sugar plantation of Luabo would only be operational on any significant scale within 5 years.

### **Integrated Programmes - The case of PAPIR (Sofala)**

Special attention should be given to this project (the Integrated Project to Support Rural Industry) which started through the Ministry of Agriculture under the Monap Programme in 1981. Since 1990 it has received technical and financial assistance from the Danish NGO IBIS. The project represents the only fully integrated support scheme for rural productive (principally artisanal) enterprises. The project is based just outside of Beira in Manga and operates in 5 districts. Registered with the project are 289 artisans (principally carpenters (163), tinsmiths (84) and welders (21) with smaller numbers of tailors, shoe makers, etc.

The project offers six types of training (Improve Your Business, adapted by the project for various trades; an introductory business course; the experience exchange programme; traditional apprenticeship programmes; specialized short courses and quality improvement courses). Credit is offered on a commercial basis for materials as well as investments. Since the line of credit was introduced in early 1994, 99 credits were conceded for a total value of about 183m Mt. Interest rates are 45% p.a. plus a 5% administrative fee. Loan limits are in the region of 25m Mt but average about 3m Mt. It is claimed that 83% of the clients are repaying their loans. One of the most popular services is the sale of materials from the PAPIR warehouses, especially metal sheets for tin smiths, totalling some 70m Mt for the first quarter of 1995. PAPIR also offers an important extension service mostly done in the form of advice to artisans visiting the project with technical problems. The project also

help install machinery and advise on repairs as well as providing hired transport for those carrying their wares or purchasing inputs. A new, but increasingly appreciated, service is marketing on behalf of its members which has dramatically increased sales. PAPIR also organised in September "The Week of the Small Producer" which proved so successful that it will now be staged annually in Beira. The first event coincided with the formation of PAPIS - the Association for the Development of Small Industry of Sofala. PAPIR also publishes a quarterly newsletter with important information about courses, price lists of warehoused materials, special events and articles.

## **7. RECOMMENDATIONS**

The following recommendations assume that USAID will concentrate its activities in the provinces of Nampula, Zambezia, Manica and Sofala and limit direct funding to American based NGOs such as CARE, World Vision, Food for the Hungry, Africare and World Relief. It is further assumed that any programme targeting RSEs through the NGOs will be closely coordinated with i) the proposed two year research programme on off-farm income of the Department of Agricultural Economics of Michigan State University and ii) the proposed Rural Group Enterprise Development Programme from the Cooperative League of the USA (CLUSA, 1994).

It is also assumed that any approved strategy will be closely coordinated with other rural development initiatives, notably the World Bank's Rural Rehabilitation Project (Manica and Zambezia), GTZ's Manica Agricultural and Rural Reconstruction Programme (MARRP), the Dutch inter-sectoral development programme for Nampula Province, UNICEF's integrated area-based projects (Manica, Zambezia and Inhambane) and Women's Training and Development Centres (Manica and Sofala), UNIDO's proposed project to support microenterprises (Nampula, Zambezia, Cabo Delgado and Niassa) and the imminent UNCDF project supporting community projects and rural microenterprises (Nampula Province). Closely linked with the implementation of some of the above projects, and playing an increasingly important role in the promotion of decentralized rural planning, is the Government's National Institute for Rural Development (INDER). The newly established Poverty Alleviation Unit of the National Planning Unit will also be expected to play a role in the promotion of RSEs.

### **NGO Commitment to Rural Small Enterprise Promotion**

At this stage only CARE has developed a carefully elaborated strategy for what it refers to as "Small Economic Activity Development" (SEAD). The SEAD program goal is to:

help re-capitalize the household economy through appropriate savings and credit instruments, and to identify new productive investments based on existing rural resources and known rural markets (CARE, 1995)

This strategy would involve two principal project components: i) the provision of technology services such as its oil pressing project (recently started in Nampula), ii) financial services based on the village banking and peer group lending approaches (Manica and Sofala provinces).

... CARE has worked on its SEAD proposal for about 2 years, it has not yet finalized its strategy nor its working partners and is probably still open to suggestions. CARE is likely to be USAID's closest partner in the promotion of RSEs

... for the Hungry International, as mentioned previously, has some elements of rural enterprise support through its oil press project and SPEAR programme. Its new three-year proposal for its Sofala Integrated Rehabilitation and Training Programme (SIRT) has specified that one of its two interventions is to

train local residents with vocational skills, offering temporary employment for skills development and encouraging future income generation through small business development (FHI, 1994)

Interviews conducted with FHI in Beira made it clear that little preparation had been made to date towards achieving this. Given FHI's commitment to develop non-agricultural activities, it is strongly recommended that USAID help prepare with FHI staff a concrete approach towards realizing its RSE objectives.

World Vision has not yet elaborated any plans for supporting non-agricultural activities but the two provincial directors in Zambezia and Sofala have strong backgrounds in micro-enterprise development (one having worked directly with John Hatch of FINCA village banking fame) and are eager to steer part of their provincial programmes in that direction. It is therefore urged that USAID discuss possible interventions with World Vision headquarters in Maputo. It should be noted that World Vision in Quelimane has recently engaged the services of the Dutch anthropologist Janine de Vugt who has spent many years in Mozambique and has had a lot of experience with the Associacao para o Desenvolvimento das Coudades Rurais do Xai Xai (ADCR) which was one of the earliest pioneers in community-based credit.

Africare has introduced several projects with credit components which are all related to agriculture and small animal breeding. At this stage, there does not seem to be much interest in getting involved in non-agricultural income generating activities. This position could, of course, change depending on the nature of USAID assistance to NGOs promoting this sector.

### Support for Collaborating NGOs and Institutions

It is unlikely that any of the USAID-supported NGOs would be capable or inclined to establish a fully integrated programme to support rural small enterprises along the lines of the PAPIR model. Interventions are more likely to focus on particular aspects such as credit, technology transfer, training, etc. but with the complementary support of other NGOs or specialized institutions. CARE, for example, has contracted the Uniao Geral das Cooperativas (UGC) (Nampula) to provide services such as extension to the oil press project. However, at the time of our field visit, frustrations with the quality of the services rendered by the UGC were jeopardizing the contractual relationship. For its financial services in Manica and Sofala, CARE has proposed collaboration with the Associacao Mocambicana para Desenvolvimento Auto-Sustentavel (ANDA) and UCG (Manica) as well as the

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RF and BCM (Allen, 1994). The FHI depends on IDIL to provide basic business training for its beneficiaries. FHI also foresees possible collaboration with PAPIR for its programme to promote MSEs.

Support for collaborating NGOs or institutions could be provided in two ways: one is through contracted services for which the economic costs of providing those services are paid. Such contracts could be supplemented by a component for institutional support which could include training programmes for national staff in basic administration, pedagogic skills, project formulation, management and evaluation, accounting, computer skills, etc. There is little doubt that such collaborative arrangements will result in problems such as those between CARE and the UGC. This must be expected as part of the evolutionary development of local NGOs and institutions which in the long run will play an increasingly important role in the provision of business skills, technical training, and the management of credit.

### **Coordination of Small Enterprise Support Initiatives**

This study has not only demonstrated a serious absence of documentation and lack of accumulated experience relating to small enterprise development (whether urban or rural) but also a high degree of independence prevailing amongst the NGOs. This was tolerated during the emergency but is now cause for much concern for central and provincial governments in their attempt to coordinate development programmes. The implications of uncoordinated strategies aimed at similar target groups was made all too evident by the recent disturbances of the demobilized in Maputo. About a week before these disturbances, our research team, on the basis of having identified at least 7 different approaches to assisting demobilized soldiers in Sofala, strongly urged the Provincial Planning Commissioner to convoke an urgent meeting to seek ways of better coordination.

It is therefore recommended that USAID play a leading role along with LINK, perhaps by way of a national seminar, to systematically review the different forms of assistance currently being made available to all micro and small entrepreneurs in both the urban and rural areas with the objective of reaching a consensus on a more consistent approach, especially in terms of credit. It is also suggested that LINK attempt to document all current and previous NGO projects by sector and type of assistance as a first step towards systematizing NGO experiences in Mozambique.

### **Credit**

Considerable progress has been made in the very recent past towards proving that village banking is possible in Mozambique. Where credit is available for non-agricultural activities, there is a strong predilection on the part of the beneficiaries to pursue informal trading activities. USAID, to promote more productive activities, could impose certain conditions such as allowing sliding scale interest rates, being highest for trading, lowest for service activities and lowest for productive activities, while also allowing more favourable conditions on terms, grace periods, equity participation and guarantees.

Regarding credit for artisans and microenterprises, it is here that the greatest problem arises. As



As discussed above, an attempt to reach a consensus on a more consistent approach to credit would be an important step. It is hoped that such a consensus will reflect more seasoned NGO thinking on the subject i.e. that credit should be offered on a commercial basis.

In types 4 and 5 activities, it is likely that some, but certainly not all, credit needs will be met by specialized credit institutions such as GAPI and the FFPI. Just as the credit requirements of the more urban counterparts were not sufficiently met, USAID might want to consider supporting what AEPRIMO, the Association of Private Mozambican Entrepreneurs, did in response to credit shortages i.e. establish their own credit union "CreditCoop". This has only been recently established and is too early to evaluate.

## **Training**

Eligibility for small enterprise credit is increasingly linked to basic business training. IDIL, through a nation-wide network of trainers, has provided IYB and more recently SYB courses to an increasing clientele of NGOs and international agency projects. The SYB course still needs considerable revision before being suitable for Mozambique. Efforts should be made to study other courses such as the adapted IYB versions developed by PAPIR to be more relevant for specific disciplines. By drawing on these versions, IDIL could be commissioned to develop a more appropriate version of SYB, perhaps in collaboration with the ILO.

Regarding skills training, the NGOs preference for "traditional" training, although being a convenient approach for projects linked to reconstruction, it is recommended that greater use be made of the various vocational training institutes which are being rehabilitated throughout the country. To maintain certain skills standards amongst credit beneficiaries, USAID may wish to consider making loans conditional to courses offered by approved institutes or equivalent certificates of competence for those who have previously acquired the necessary skills.

## **Marketing**

The PAPIR project demonstrated two very effective strategies for marketing the products of rural enterprises. Because of the relative inexperience of small rural producers in promoting their wares, intermediation by PAPIR on behalf of its members in identifying potential clients (mostly urban) as well as promotional annual fairs have boosted sales and brought producers much closer in contact with customers.

The workmanship of Mozambican artisans is beyond dispute. The actual product, due to tastes which have remained localized and unchanged for years, has little export potential. The experience of Swaziland, Zimbabwe, Botswana and South Africa has shown that by adapting local artisanal skills to more modern international tastes, Mozambique has a strong possibility for entering international handicraft markets. Given the relative cheapness of its timber and the excellent skills of Mozambican furniture makers, there would appear to be much potential for the export of furniture in the region as well as for the growing urban bourgeoisie. It is therefore recommended that USAID consider strategies for promoting the export and import-substituting potential of RSEs.

## Technology Transfer

Although this is an area for tremendous potential, surprisingly little headway has been made by NGOs to introduce new or more appropriate technologies to the rural areas. It was surprising to find that an institute such as IDIL, following concerted efforts by Mozambique to develop its own appropriate technology, would not have access to the latest developments in intermediate technology. Discussions with provincial IDIL delegates demonstrated that they were very eager to introduce new ideas to their provinces but had no access to relevant catalogues or journals. Considerable advances have been made in developing technologies for rural enterprises in countries such as Tanzania, Zimbabwe, Swaziland and South Africa. USAID might wish to consider the funding of a fact-finding mission for interested international and local NGOs as well as Government officials from IDIL and INDER.

## Associations

It has been often argued that, by grouping similar producers into small associations, many benefits could be gained collectively, providing advantages otherwise not attainable for individuals operating on their own. Experiences of NGOs such as Action Aid which pushed hard for such small associations found that many associations were established only to satisfy donor requirements and that little cooperation existed between members. It was felt by some NGOs that USAID's pressure to work with groups is at times inappropriate. In the Quelimane area, for example, there is a resistance to working in groups because of the peculiarities of the coconut economy which allows much more financial independence to individual households. It is recommended that the establishment of small associations be done carefully and under the free will of the potential members who should have a reasonable understanding of the benefits and requisite obligations of belonging to an association. It is in this area that CLUSA would be expected to play an important role.

At a broader level, the establishment of provincial or even national level associations can be an effective means of lobbying for certain entrepreneurial interests. USAID played a critical role in the establishment of AEPRIMO which has had significant influence over the largely urban small scale private sector. Furthermore, as mentioned above, continued difficulties amongst its members to obtain credit resulted in AEPRIMO establishing its own credit union. There is no reason why a similar approach for rural entrepreneurs cannot obtain the same sort of results. USAID could examine ways to promote such an association e.g. legal advice and training. The recent formation of PAPIS, the association for rural artisans in Sofala is an interesting initiative which, depending on its success could be considered for other provinces.

## NOTES

1. The Commercial Associations of Maputo and Beira, representing formal sector trader interests, have been the most vociferous about the inimical effects of informal sector trading. There is, however, evidence of increasing involvement by formal sector traders to use the informal sector markets to sell their wares. When the Nampula City Council tried to restructure its informal market traders by allocating the FAINA grounds, there were loud protests about the possibility of formal sector trader participation.

2. An example of NGO concern for the environment has been demonstrated by the formal collaboration between MBEU and ZERO, a Zimbabwe based regional environmental action group, looking at ways to improve the environmental impact of rural enterprises such as charcoal making, bakeries, ceramics production, etc.

3. The Office for the Promotion of Small Enterprises (GPPE) was established in Cabo Delgado (operational since November 1994) with the financial and technical assistance of French Cooperation and the French NGO CRIAA. Originally, it was supposed to work in collaboration with the FFPI but because of delays with the FFPI, the GPPE was obliged to turn to the BPD. The objective of the GPPE is to facilitate lending to small entrepreneurs including farmers. BPD will finance the loans against a loan guarantee fund held on behalf of the French Government by the Banco Standard Totta. Despite the existence of the loan guarantee fund, the BPD is felt to have been unnecessarily restrictive in its concession of the loans. The GPPE has so far received more than 400 loan requests of which 140 were pre-evaluated for presentation to the Loan and Guarantee Evaluation Board (on which the BPD sits). So far 18 have been presented to the Board and only 3 have received a loan through the BPD. If the initial teething problems of this project are resolved and the Board, if sufficiently flexible, the GPPE could serve as an interesting model for decentralizing credit for type 4 and 5 enterprises. Once the FFPI becomes operational, similar approaches using the FFPI instead of the BPD could accelerate the approval process.

4. In a typical example of what happens after a project is handed over to the responsible Government agency, it was found that, of the three project vehicles inherited by IDIL to ensure the continued work of the project, one was written off, the other "loaned" for an indeterminate period to a state enterprise and the other under the exclusive use of the Provincial Delegate of the Ministry of Industry, Tourism and Commerce who is also the IDIL Provincial Delegate. IDIL technicians complained that, without transport, they could do no work outside of the city.

5. The FFPI's pilot project in Nampula was faced with the embarrassing situation of discovering that its provincial representative had bought a bus with forged a check of approximately \$8,000. As is often the case, the criminal procedures against him have lingered on for two years without resolution. In the meantime, it was discovered that the same person had been unwittingly hired by IOM to be responsible for Provincial Fund in Nampula. Although the case is well known, no one had informed

the ... This situation appears to be common in Mozambique. In another case it was discovered that ... project supervisor of an ILO project in Gaza province was found guilty of serious infractions including theft. The inordinately long procedures of taking legal action resulted, with the full knowledge of the Ministry of Labour, in him obtaining a senior position with a World Bank financed project in the Ministry of Agriculture. NGOs complained that they often hired personnel who had problems with other NGOs but, because of reluctance to identify a person with previous misdemeanours, they continue unpunished, often to the regret of new employers.

6. It is not clear what is meant by the category "agriculture" as loans are not given out for farming.

7. Our interviews revealed that, though many NGOs are focussing much of their efforts to reconstruction and rehabilitation, there does not seem to be much thought given to the actual operationalization of the structures they are building in terms of manpower (i.e. teachers, nurses, doctors, etc) and the necessary supporting capital to go along with the structures such as desks, blackboards, medicines, etc.).

8. For the GPE-GTZ project in Beira, the types of activities assisted were as follows: **1. Commerce** (informal sellers): charcoal (8), construction materials (6), fresh or dried fish (8), used clothing (6), vegetables/fruit (5), meat eggs, chickens (3), prepared food (35), general foodstuffs (27), other non-food (8); **2. Production:** fishing (2), furniture, mattresses, tinsmithing, pottery; **3. Services:** tailors (6), reparations (various) (4), dispensary, hairdresser, transport, maize mill, small printing works (Gestetner type).



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## **ANNEX 1: ORGANISATIONS AND INSTITUTIONS INTERVIEWED DURING STUDY**

### **MAPUTO**

#### **1. International NGOs**

ADPP  
Action Aid  
ADR  
Action Nord-Sud  
CARE  
CAA  
Lutheran World Federation  
LINK  
Oxfam (Belgium)  
FOS  
Terres des Hommes (Switz.)  
Terres des Hommes (Germany)  
Helvetas  
Trocaire  
World Relief (including its community banks in Chokwe)  
CRIAA

#### **2. National NGOs**

MBEU (including its village banking scheme in Campuane)  
AMRU  
SOTEMAZA  
KULIMA  
CCM  
UCG (UNAC)  
ORAM  
CNE RRR programme

#### **3. Other**

Ministry of Labour  
ILO Occupational Skills Development Project  
UNDP  
UNIDO  
UNICEF  
INDER  
World Bank  
GAPI  
FFPI  
BPD (Poverty Alleviation Fund)  
IOM  
GPE/GTZ Microenterprise Project

French Cooperation (GPPE Project)  
Poverty Alleviation Unit, CNP  
Caisse Francaise de Developpement  
Consultants in Business Education (CBE)

## **ZAMBEZIA**

### **1. International NGOs**

World Vision  
Save the Children (UK)  
Oxfam (UK)  
Action Aid

### **2. Other**

Provincial Planning Commission  
BPD  
IDIL  
UNDP Project for Decentralized Provincial Planning  
UNHCR  
IOM

## **NAMPULA**

### **1. International NGOs**

CARE  
World Vision  
Eduardo Mondlane Foundation  
SNV (Dutch Volunteers)  
Cocamo

### **2. National NGOs**

ADOC  
Caixa das Mulheres Rurais

### **3. Other**

Provincial Planning Commission  
IDIL  
Provincial Directorate for Agriculture  
IOM

## **SOFALA**

### **1. International NGOs**

World Vision  
World Council for Hungry International  
Africare  
WAPIR/IBIS

### **2. National NGOs**

Kulima  
CNE RRR programme

### **3. Other**

Gabinete das Zonas Verdes  
UNICEF Women's Training and Development Centres  
Provincial Planning Commission  
GPE/GTZ Microenterprise Project  
BPD

## ANNEX 2: TYPES OF NON-AGRICULTURAL ENTERPRISES OBSERVED DURING STUDY

### 1. Activities Interviewed (Provinces of Zambezia, Nampula, Sofala, Maputo and Gaza)

(Nos Interviewed)

|                              |     |
|------------------------------|-----|
| tinsmith                     | 3   |
| tailor                       | 4   |
| carpenter                    | 6   |
| maize miller                 | 3   |
| soap producer                | 3   |
| barber                       | 2   |
| mechanic                     | 1   |
| brewer of traditional drinks | 3   |
| sculptor                     | 1   |
| shoe shiner                  | 1   |
| shoe maker                   | 2   |
| charcoal maker               | 5   |
| shop keeper                  | 7   |
| informal vendor              | 20+ |
| fire wood collector          | 2   |
| welder                       | 1   |
| transporter                  | 2   |

### 2. Products Produced by Other Rural Enterprises Observed During Study

metal tools (hoes, trowels, animal traps)  
 straw hat making  
 mats- straight reed and woven grass  
 children's toys (wood)  
 bulk produced cheap clothing made by local tailors  
 mattresses  
 beds  
 wooden carved chests  
 upholstered furniture  
 jewellery  
 kitchen implements  
 charcoal stoves  
 hairdressing  
 crochet  
 oil pressing  
 pots and frying pans from aluminium  
 repairs of watches, shoes, bicycles, radios, domestic appliance  
 block making  
 roof panels from palm fronds  
 boat building