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## **Best Practices in Farmer Association Development in Mozambique**

by

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**December, 1999**

Presented to  
**USAID/Mozambique**

under the Rural and Agricultural Incomes with a Sustainable Environment (RAISE)  
Contract No. PCE-I-00-99-00001-00

Presented by  
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## ACRONYMS

ACDI\VOCA	Agricultural Cooperative Development Institute/Volunteers in Cooperation Abroad
ADOC	NGO Coordinating Group for Nampula Province
ADPP	People-to-People Help in Development
ADRA	Adventist Development and Reconstruction Agency
AGRIMO	Cotton Company Murrupula
AGRIVET	Veterinary Supply Company
CANAM	Cotton Company Nampula (Companhia Algodoeira de Nampula)
CCM	Mozambique Christian Council
CNFA	Citizens Network for Foreign
CLUSA	Cooperative League of the USA (National Cooperative Business Association, NCBA)
COCAMO	Canada Mozambique Cooperation
CTA	Mozambican Cooperation Business Association (Confederacao das Associacoes Economicas de Mocambique)
DED	German Development Service (Deutsche Entwicklung Dienst)
DNER	National Rural Extension Service
ENACOMO	Private Trading Group
FAO	Food and Agriculture Organization of the United Nations
FHI	Food for the Hungry International
GDP	Gross Domestic Product
GRM	Governement of the Republic of Mozambique
ICM	Mozambique National Cereal Company
IFAD	International Fund for Agricultural Development
INDER	National Institute for Rural Development (Instituto Nacional de Desenvolvimento Rural)
LOP	Life of Activity
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organization
NRM	Natural Resource Management
ORAM	Rural Association for Mutual Help
PACO	Processo de Analises da Capacidade Organizacional, participatory analysis process used by PACT
PACT	US NGO Working in Capacity-Building for NGOs
PROAGRI	Agriculture public sector investment program
RGE	Rural Group Enterprise
SEMC	Mozambican Seed Company (privatized)
SG 2000	Sasakowa Global 2000 (input supply program)
SOC	Sector de OrganizacoesCamponeses
SPER	Provincial Rural Extension Service
UNAC	Peasants National Union

USAID      Agency for Internacional Developpment Mozambique  
UNIDO     United National Industrial Development Organization  
V&M      Private Agricultural Trading Company (Nampula)



## I. Introduction

Mozambique, with a GDP per capita estimated at below \$100 and about 60-70 per cent of rural and 50 per cent of the urban population living in absolute poverty, is one of the poorest countries in the world. Agriculture is the main source for obtaining the resources necessary to ensure food security, health care and education, and is therefore the main means whereby members of rural households participate in the economic and social development of the country. Agriculture employs 80% of Mozambique's population and contributes about 25-30% of GDP.

Mozambique inherited from its colonial past a situation in which the development of the countryside, in terms of access to basic education, health services and infrastructure, was among the poorest in Africa. Policies followed after independence had a variety of different effects on the countryside. An economic policy that relied on administration control of all markets, and the attempt to impose a way of life and production inconsistent with traditional and existing capacities resulted in breakdown and setbacks in the integration of the rural economy into the overall economy. The situation became worse with the generalized insecurity caused by a civil war, which led to massive displacement of the rural population, both within the country and across borders. The economic policy measures introduced under the structural adjustment program in general had a positive impact on the rural economy, expressed in the gradual liberalization of markets for produce, and a pricing policy that considered the market forces.

However, the lack of a commercial infrastructure and the reduced presence of traders as a result of the war constitute the most important factors in the breakdown of the rural economy. In many areas there is no longer anyone to provide smallholders with implements, seed or consumer goods, or buy their surplus production. In some areas existing traders have ceased their economic activities or have only maintained a minimum level of activity. Many traders were severely affected during the long years of war and instability by the destruction of their goods, vehicles, shops, and storage facilities. The destruction of infrastructure (roads, bridges, railways, etc.) made vast areas of the rural economy inaccessible. Traders react by passing on their increased costs to the rural population, by buying farm products at low prices and selling consumer goods at high prices.

Currently, the rural population is characterized by its isolation from the market and its inability to find an outlet for the increasing volume of products being produced. The commercial system segmented as it is into disconnected regional markets has thus far been incapable of absorbing the increased volume of production. Difficulties in marketing their production is by far the most important characteristic of the economic isolation faced by smallholders. Transaction costs are high, and poor road infrastructure increase these costs to prohibitive levels in some cases and discourages traders from coming into communities. Where problems of access can be overcome, traders' interest in visiting a community depends largely on the number and volume of transactions that can potentially be undertaken with the community. Communities only with small amounts of surplus may be ignored. The lack of producer organization leaves farmers without bargaining power. Their lack of connection to the market ultimately affects the rate and extent of development in these communities.

As a response to the above situation, the government launched a national agricultural development investment program, PROAGRI, which plans to facilitate agricultural production and marketing, regarded as the main vector for gradually achieving poverty alleviation and food security. PROAGRI seeks to “to transform subsistence agriculture into an agriculture where production, distribution and processing are increasingly integrated, tending to produce family sector surpluses for the market, and to develop an efficient and competitive business sector.” The government is implementing this program in partnership with the private sector, NGOs, and farmer associations.

Donors continue to play an important role in the coordination of efforts in the transition period from relief to development. In this context, USAID/Mozambique participates in a number of working groups, that are designed to harmonize donor activities, policies and procedures. Among others, these working groups include PROAGRI, Rural Finance, and Cashew Sub-Sector. USAID and the GRM have jointly agreed that it is appropriate to place high priority and significant resources on improving the livelihood of rural Mozambicans.

The USAID Strategic Objective No 1 is to increase rural household incomes in target areas, namely the provinces of Nampula, Zambezia, Manica, and Sofala. The goal of the program is clear: beyond the impact of the program in alleviating poverty, increasing rural household income is essential to expanding broad-based economic growth and improving national food security. Increased rural household income will enable individuals and families to improve their lives, increase food production and dietary intake, and increase access to and use of education and health services.

To attain these objectives, some USAID funded organizations have been putting emphasis on farmer association development. The organization of producers in associations improves the bargaining power of producers, and allows them access to greater marketing opportunities, and permits a wider and more effective dissemination of agricultural production and marketing techniques allowing the producers to establish and maintain long-term relationships with traders. The associations have a variety of impacts on the rural agricultural and private sector development. The focus of the present study is to evaluate the approaches, methodologies and techniques which have been used in building producer associations and recommends best practices for their development

## **Methodology**

The international consultant arrived on October 5<sup>th</sup> after a two-day stop-over in Johannesburg to obtain a visa. The team met with the USAID/Mozambique Mission Director and staff from the SO1 team (Robert Wilson, Sidney Bliss and Amimo Oliveira) on that day and the following day held meetings and carried out preparations necessary for field work. This work began in Nampula province on 7 October 1999 (accompanied by Mr. Amimo Oliveira USAID/Mozambique), continued in Zambezia province starting on 17 October (accompanied by

Mr. Sidney Bliss from the Mission) and then on to Sofala on 21 October, returning to Maputo on October 23. During fieldwork, meetings were held with government agriculture and extension directors and staff, US and local NGOs and selected producer groups they assist and field staff of other donors (SNV, etc). Private traders were also contacted, as well as financial services projects and institutions (CRER and Banco Standard Totta).

With the exception of 3 days during which time Mr. Muchanga was released from the mission to present a paper prepared prior to the consultancy for the European Union, the consultants spent in meetings and report writing in Maputo. Meetings were held with government institutions including INCAJU, INDER, MAP extension directors and staff and MICTUR representatives. Other donors presently or potentially involved in supporting farmer organizations (EU and FAO) were met. Headquarters staff of US NGOs and the local NGO ORAM also met with consultants, as did representatives of the Land Tenure Center and Michigan State University's Food Security Project. The two teams of consultants working on oilseed matters also were seen. Remaining time was taken up with writing the draft report and preparing the cost-benefit model of CLUSA's work in producer associations, for which an extension to the original contract was agreed between ARD and USAID.

The draft report was presented to the Mission on 15 October and comments from the mission were duly noted and have been taken into consideration in preparing this report. Additional comments were provided by Jim Maxwell of Cargill Technical Services.

## **Report Structure**

The report is divided into three parts: 1) general results, 2) institutional assessments and 3) the cost-benefit model of CLUSA's producer association program.

The first section is subdivided into the following sections:

- ? Current Status of Farmer Association-Building in Mozambique
- ? "Best Practices" in producer association-building valid for such activities in general.
- ? Findings, Conclusions and Recommendations on association-building in Mozambique
- ? Policy Agenda

The second section is composed of assessments of the individual institutions carrying out programs of association-building in Mozambique.

The final section presents the cost-benefit model of CLUSA's past and projected program, along with the assumptions on which the model is based and the interpretation and implications that can be drawn from the model. It also describes how such a model could be applied to other similar programs being carried out by other NGOs. It also covers how economic and financial analysis can be applied to the analysis of other projects and programs which USAID may wish to embark upon.

Annexes include:



- I. Forms of association and legal procedures
- II. List of persons contacted
- III. Bibliography
- IV. Cost Benefit Model: File CBModel7.xls

## **IV. Best Practices in Farmer Organizations and Alternatives for their Continued Support**

### **II. 1. Status of Farmer Association-Building in Mozambique**

Since CLUSA started the process of forming associations in 1996, tremendous growth occurred in the numbers of associations. Associations can be broadly divided into those with an economic orientation, called in CLUSA's parlance Rural Group Enterprises (or RGEs). Other NGOs also sponsor farmers groups focusing production technology or food security issues. The largest number of RGEs is associated with CLUSA, 369 in 1999. The greatest numbers of farmer groups (production and RGE together) is found with WVI, which is second in the number of RGEs with 354. CARE follows with 155 associations all of which seem to have RGE orientations. FHI has 34 associations which it considers viable and which have an economic orientation; of these, eight are fully formalized. FHI also has 22 whose mentality is characterized as "recipient-oriented." ACDI/VOCA has a relatively small program in Mozambique at present and provides specific services to a small number of associations, about half of which appear to have an economic orientation.

While the time available for field work was limited and therefore, despite an effort to cover as much ground as possible (including the use of air-taxi services) the associations visited were most often selected for their proximity rather than their representativity. For example, no specifically women's group was visited, though some groups did include both men and women. In the case of ACDI/VOCA and FHI, groups with a real economic orientation could not be visited due to their distance from Beira. However, by visiting groups whose genesis goes back to the emergency period, the problems of transforming such groups and assisting them in developing an economic orientation became apparent.

World Vision also has a large number of associations with production orientation although it also has the second largest number of RGEs (354), nearly equally the number assisted by CLUSA. In part the large size of World Vision's program is made possible by DFID's funding of WVI's UK affiliate. Many of the WVI associations are functioning at the level which might be expected relative to the amount of time they have been operating (older, more experienced associations work better and do more). However, there is still a residue of thought processes and expectations among the membership, looking fondly back to the emergency period. Promises of processing equipment which could not be fulfilled also cause some resentments; the residue distracts the attention of the group from a focus on what is

<b>Status of Farmer Associations in 1999</b>
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NGO	No. of Associations	No. of Members	No. of Male Members	No. of Female Members	No. of Fora
CLUSA	<b>369</b>	12,214			29
CARE	<b>155</b>	6,550	4,765	1,785	*
WVI					
Production RGEs	902				
	<b>354</b>				
FHI					
Recipient-oriented	22				
RGE (viable)	<b>34</b>				
ACDI/VOCA					
Production***	4				
RGE***	<b>5</b>				
<b>Total RGEs</b>	<b>916</b>				
<b>Total Associations</b>	<b>1,845</b>				

Notes:

\* CARE will organize fora starting in the year 2000.

\*\* FHI calls its RGEs "grupos de productores economicos" (GPEs); 8 are formally recognized.

\*\*\* ACDI/VOCA: estimated figures.

possible to achieve as a group with its own resources and reinforce past rent-seeking behavior.

CARE has organized 155 associations and set up a marketing department a year and a half ago to focus the attention of their members on profitable crops. The direction of the oil seed program has also become more market oriented as demand and competition for oil seeds has expanded, moving the SOEC program away from a food security. There are also associations of oil press owners to allow them to compete for supplies of oil seeds. The sale of the presses (facilitated by a successful credit operation) has also laid the foundation for numerous individual small businesses. Most presses are individual enterprises, but a few presses are operated by associations. CARE is planning to help form second-level associations (or fora) starting in the year 2000.

CLUSA originated the process of association formation in 1996 and its oldest associations and fora are the furthest along in their development. The model established by CLUSA is the one being copied by other NGOs as a tribute to its success. In all there are 369 associations and 29 fora, with plans to organize the fora in the future into a confederation of producer organizations.

CLUSA operations have expanded from Nampula to neighboring Zambesia province and are expected to expand to Manica. This work is financed with USAID funds, and a grant from the Kellogg Foundation for part of the work in Manica. Other sources of funding are subcontracts with CARE in Nampula and with Oxfam in Niassa. CLUSA will work also work in Southern Niassa with the national NGO Olipa formed by its staff. CLUSA has obtained additional funding from the Dutch and the Swiss and is negotiating USAID matching grants with the GRM. Expansion to Cabo Delgado will be carried out with funding from IFAD. For the period from September 1995 through September 2005, core funding of \$11.5 million comes from USAID and \$5.1 million from other sources, partially in the form of matching grants dependent on USAID funding.

## **II.2 "Best Practices" in Farmer Organizations**

### **1. The strongest reason farmers' have for banding together is to end up with more money in their pockets through sales of their products.**

Farmers groups can form best where they have a strong financial interest in joining together. In the areas visited by the consultants, farmer's initial focus was on access to markets. This is the same focus CLUSA found in its initial survey of farmers when it initiated activities. Marketing arose as an issue among groups formed by other NGOs as well. A number of groups were visited during fieldwork had the real prospect of losing part of the value of their production (either to outright spoilage or to use as low-value animal feed) as a result of lack of markets.

### **2. Initial marketing activities should be very simple.**

The first joint marketing activity usually involves a very simple, single truckload sale of whatever product is in greatest abundance and hardest to sell individually. The tasks involved are straightforward but do involve work on the part of the group and the NGO assisting them. These tasks include: estimating the volume each producer has available, aggregating the volume over the number of producers, finding a trader interested in buying, negotiating the price and quality specifications, assembling the product for the delivery date and quantity agreed, collecting payment, paying farmers and retaining a small margin for the group to cover its expenses. A successful first operation lays the groundwork for bigger and more complex operations in the future.

### **3. Subsequent activities can be more complex, taking into account the level of development of the group.**

These can include and have already included receiving advances from traders to buy products of a specified quality and quantity for a fixed delivery date. Some operations like cashew-buying can be repeated over an entire marketing season. Other profitable operations may involve cooperation with other groups. For example, traders are unlikely to pay premium prices for the relatively small volume of products a single group can assemble but would be willing to pay premium prices for the much larger volume a number of groups could jointly provide.

4. **Association operations benefit the community as a whole, including non-members, by providing the entire community with an outlet for its products.**

Operations which involve the group buying products from non-members as well as from members can spread the benefits of the work of an association of farmers into the community as a whole. An active association by providing an alternative to any farmer wanting to sell his principal products establishes a floor price for sales for traders wanting to buy within the community.

5. **The level of development of an association determines what activities it can successfully embark upon. NGOs need to understand the level of development of the associations they are assisting and help them engage in activities in which they can succeed at and which contribute to their development.**

Farmers often recognize needs which are real and pressing but require resources beyond their ability to manage, at least at the initial stage of the development of their institutions, most of which are brand new. All communities want maize mills, tractors, well-supplied stores, etc.; some have visions of having their own cashew-processing factory. In some cases, donors have been found to finance these needs without carefully analyzing the capacity of the community's institutions to manage these resources.

Where activities exceed the capability of associations to manage, failure often results. Such failures detract from the ability of associations to carry out the simpler but profitable activities which they are capable of managing, like simple collective marketing operations. Failures often mean that resources are lost. Perhaps more importantly, leaders are held responsible for the failure and respect for their leadership is diminished. They are held responsible in the eyes of their fellows for misusing or misappropriating those resources. Rudimentary or non-existent accounting systems and the lack of literacy/numeracy outside the leadership of the group makes it impossible to clearly assign responsibility. Further development of the organization is often hampered, and the association may even be destroyed.

6. **Organizational and Business training is essential at an early stage in association development.**

Training first in organization and management of the association and then of managing the simple business operations of one-off sales and later for the more complex operations in which the association may become involved.

Literacy and numeracy training may also be necessary for democratic operation of the association. Without a literate membership, accountability and control over elected officers is often weak, leading to dissention and often the breakdown of the organization.

7. **Some activities cannot be developed by individual associations but only by groups of associations (fora) or groups of fora.**

Many large marketing operations, most large-scale holding operations, and some agro-processing activities can only be carried out on a scale exceeding the capabilities of individual associations. Single truckload sales can be advantageous initially. They benefit farmers who are just starting to organize an association and who might otherwise only be able to sell individually and on disadvantageous terms to itinerant traders. However, the fixed costs of arranging individual transactions. Because of economies-of-scale and negotiating power, associations soon find it advantageous to band together and negotiate as larger units, as fora or even groups of fora, to obtain the best price and other conditions from traders. Repetitive or continuous operations, such as raw cashew buying, also offer considerable advantages over individual transactions.

CLUSA's associations have already moved in this direction; those assisted by other NGOs are also going in the same direction and should be encouraged to move in that direction as fast as possible.

Inventory storage is another area where it may be advantageous for various associations to band together. Initial pilot operations are probably best done by individual associations which have their control systems in place. However, large operations may require central storage and construction of warehouse facilities, greatly exceeding the means of individual associations. Transparency and clarity is needed so that the types of problems faced in the past by state-run cooperatives (lack of accountability for products and sales) can be avoided. This will require outside support of accountants and business managers of a high professional level and commanding salaries which individual associations will not be able to afford.

Credit will be required for operations to work successfully. TechnoServe has experience in this type of lending in other countries. Initial experiences with CRER bear watching. Involvement by private banks (perhaps through financial institutions evolving out of projects like CRER) is also possible. Because of economies of scale in lending and loan supervision, financing for inventory credit will in most cases involve groups of associations rather than individual associations.

## **8. Processing requires a higher level of organization.**

There are many possible agro-processing activities ranging from maize mills to mechanical shelling of peanuts to manual-technology cashew processing factories. All these activities (and even the aggregation of simpler processing activities like manual oil presses) involve major commitments of money. For that reason, *ex ante* feasibility studies (including financial analysis) should be carried out; the level of detail for any given study would depend on the complexity of the operation, amount of resources called for and the proposed management structure.

Agro-processing is also likely to provide a strong impetus for the formation of higher level associations (fora and groups of fora). Most agro-processing operations can only be carried out by higher-level organizations and will be dependent on the development and level of maturity these organizations achieve. Agro-processing of cashews is likely to start during the 2000-2001 marketing season in areas like Murrupula where fora are already well-established.

**9. Major agro-processing activities require feasibility studies prior to their implementation and in many cases can only be developed on a level superior to that of individual associations.**

WVI is to be commended for its early recognition of the importance of agro-processing in stimulating the growth of farmers' organizations. By bringing in equipment, interest in processing was encouraged at an early stage; however, promises were made that later could not be kept, such as associations believing that they would have their own cashew processing factory. In the future these investments and the acquisition of equipment for them should be preceded by feasibility studies.

TechnoServe has already been involved in some studies (mechanical processing of peanuts, manual-technology cashew-processing factories and satellite cashew shelling-operations, etc.) and could be counted on either to do such studies itself or to arrange for national or international consultants to do such studies. No major project or program should be allowed to proceed without such a study because of the damage failure can do to the growth of farmer organizations.

**10. The simplest types of groups are those having a single purpose from the start.**

CLUSA start in communities as a new organization with the announced purpose of helping exclusively with economic activities. Organizations are formed with that purpose in mind. Leaders are elected and develop in this mode of operation. Those who find this approach onerous drop out. People who do not fully understand the approach may continue in the organization but do not find their way into leadership positions. As a result, CLUSA's associations started and grow with a single-minded focus on business.

**11. Transformation of production and other types of groups into RGEs should be encouraged and groups unwilling to make this transition should be abandoned or their assistance turned over to national NGOs and other donors.**

During fieldwork, consultants encountered a number of groups whose reason for existence as groups was unclear. Some groups formed during the emergency period to distribute food and other aid appeared still to remain together primarily because of the hope of getting some kind of external assistance (a maize mill or other capital good, a roof for their school, a well, etc.). Rather than for uniting to achieve some common objective of financial benefit to the group as a whole and which could only be achieved by group action, their interest in staying together appeared to focus on lobbying for donor grants.

Where groups are unwilling to focus on a rural group enterprise of some kind, NGOs efforts in working with them are no longer really justified. NGOs should be encouraged to study possible economic activities with their groups and to embark as a group in some activity determined to be feasible and profitable. If no activity can be found or if the group is not interested in any activity, the NGO should consider abandoning the group or encouraging it to seek assistance from a national NGO which focuses on getting communities the amenities they want. NGOs already having groups

that are focusing on technical assistance for production should consider assisting new groups in forming around economic activities rather than continuing with groups without such a focus. If their main focus is on technical assistance, it might be cheaper to fund the extension agents of MAP to provide this assistance, provided suitable messages are available, than to continue providing assistance through international NGOs.

**12. Groups should be encouraged to expand their membership.**

In addition to banding associations together into second-level associations like fora, individual groups as they become more successful should be encouraged to take in new members. There is a reticence in many organizations to take in new people. Some members of the community did not get the message the first time and would not join when groups were formed. Similarly and worse, others joined and abandoned the groups when they saw that no immediate grants were forthcoming and that a certain amount of effort was required. Despite their reticence to incorporate new members, many of the associations reported that people were now applying and they were considering their applications. Group members are right in thinking that new members should contribute something as the price of their membership, just as founding members contributed their time and effort to establishing the group and making it successful enough for new people to want to join. NGOs and groups should analyze what is fair to ask of new members and then to admit them. From the point of view of NGO resources, working with groups as small as 15 people is costly; increasing the average size of groups is most desirable.

Also in some cases there are multiple groups in the same community, because of religious or other differences. If it is possible to overcome these differences, it would make sense to encourage the merger of multiple groups in the same community. Resistance on the part of some of the leaders to losing their leadership position will have to be overcome. Average group size could be one of the indicators for performance monitoring.

**13. Both production and marketing are both key elements to successful economic activity and support for them must be developed in tandem.**

The consultants observed some convergence between NGOs starting from different points in time and different points of embarkation. CLUSA started after the emergency and designed its program around the community's focus on marketing. CLUSA has recently gone into partnership with CARE to provide the production assistance farmers need to grow new crops successfully and produce a high-quality product. CLUSA also relies on other NGOs like ORAM (land issues and association registration), CONCERN (community services and food security), and a local institution to provide literacy training, etc.

The programs of other international NGOs had, for the most part, started during the emergency; their initial task was to feed people and to keep them alive until an end to the war could be negotiated. Subsequently, the NGOs provided families with what they needed (seeds and hand-tools) to get back into their primary business, which is agriculture. Since that time, food security has

been a primary focus for these NGOs. More recently, however, they have focused marketing as the farmers they are working with find difficulty in marketing their surpluses; in part the success of NGOs work in production assistance is responsible for creating the surpluses farmers now have difficulty in marketing. These NGOs have responded by creating marketing departments and changing their assistance from straight technical assistance in agronomy to market-oriented assistance where production with marketing.

**14. The means used to provide production extension to associations is dependent on the type of crop.**

Production assistance can be obtained in some crops from agribusinesses themselves. Cotton is particularly good example of a crop where agribusiness can recover the costs of its technical assistance. Cotton companies have a concession areas and can be fairly sure of capturing any benefit from increased production due to technical assistance, input supply and credit. At the same time working with associations reduces the cost of providing this service.

For many other crops without a marketing monopsony, private sector technical assistance may not be possible or could self-interested. For example, chemical salespeople have an interest in selling their brand of chemical rather than what is best (or cheapest). The approach of having community people as voluntary extension agents (*animadores de extensao*, or AEs) or local extension agents seems to be a good one and worth encouraging by gratifications (which some associations are providing to those engaged in these activities).

In Malawi where the extension service is well-established, extension is provided to farmer clubs by the extension service leaving the associations to concentrate on business aspects of their operations. In Mozambique, the extension service is less well established and in need of more assistance before it can be counted on for the advice they need on new crops they are growing in response to market conditions. Part of this expertise can be and is being provided in the short-run by USAID-funded NGOs. More collaboration will be needed between these NGOs and the extension service if the service is to effectively take over this work in the future. The current practice is for individual NGOs to be given responsibility for a geographical area which the extension service is unable to cover needs to be changed and the expertise of NGOs shared with DNER staff working together in the same areas. One step in this direction is already being taken with the assignment of some extension staff to work with the fora (one staff member per forum). This approach could strengthen the work of the associations' volunteer extension agents and well as providing government extension staff with an entree to the communities and increase the efficiency of their outreach efforts.

**15. Association development requires time. CLUSA's estimate that associations need to be accompanied at a decreasing level of involvement over five years is a reasonable estimate.**

Farmers understand simple concepts like coming together to sell a truckload of maize within a short time. The leadership of associations will come to understand even more complex operations after a



number of cycles of operation. However, if associations are to thrive and continue in business after most external assistance disappears, it is important that the lessons and methodology be fully internalized by the membership, including the women. Because of the low level of education of most members, a number of cycles will be necessary before most members fully understand how the association secures them advantages in simple marketing operations. Some members will probably never understand but will remain members as long as most of their fellows understand and continue to work with the association.

**16. A major part of the work of association-building is the development of second-and higher-level associations where are the key to sustainability of farmer organizations.**

Development of second-level and higher level associations will take some time. Even in the case of the CLUSA associations, which have been in existence longer than the others, for a still are not fully established and higher level organizations are embryonic. Development of these higher level organizations is crucial to long-term viability of the associations. These higher level institutions will be the ones which get across farmers' points of views on relevant issues and which act as a channel between farmers and those in the outside world (business, government and the donor community) in a position to help them. A sufficient period of support will also give the associations the time to develop as institutions capable of being a force in the community as well as continuing their working in marketing and other RGEs. The association can be a force in obtaining other things the community needs and in helping to manage resources like stores, maize mills, etc., and in helping mobilize the community for community-managed projects like wells, road maintenance, etc.

**17. Coordination with outside donors needs to be maintained by the NGO assisting a given association. It is necessary to fully understand the stage of development of an association and to keep well-meaning donors from drowning associations with resources before they are able to manage them.**

Rural Group Enterprises (RGEs) are not the beginning and end of what communities need. Rural people do have the need of community infrastructure which other donors can provide; they do need maize mills so the women are not wasting their time and energy pounding grain into flour, etc. especially, when financially more attractive alternatives are arising all the time. However, NGOs assisting associations need to know what is the level of development of each individual association and what it can handle, what it cannot yet handle, and what it will never be able to handle. The NGO itself should not provide resources for activities which the community cannot manage, nor should they assist the community in obtaining such resources from other donors. To avoid discord, donor coordination through groups like the *grupo de parceiros* and ADOC in Nampula should be fully utilized. This will avoid one donor being played off against the other; it will also ensure that associations are able to obtain the resources that they are able to handle and which thus contribute to their growth.

**18. Women's participation needs to be enhanced.**

Women's understanding is hampered by their low level of literacy. Women's participation should be encouraged to a greater extent than was observed during fieldwork. (None of the groups visited was specifically a women's group.) A study of how to increase women's participation should be carried out.

Women should be invited to participate in meetings in their own right; at present they are often represented by their husbands who either do not fully understand what has transpired at the meetings or fail to communicate what was discussed to their wives.

Also, where associations have resources which are temporarily idle (as may be the case with profits from marketing margins), part of them might be loaned to groups of women to do petty commerce and other fast-turn-over activities. Many women expressed interest in bread-making which, depending on the results of a small-feasibility study on the cost of oven-construction, working capital and the local market, might be a viable venture in many areas. Women need to be encouraged to participate in business both through the association and in their own right.

**19. Literacy and numeracy (which go together) are key requirements for successful association-building.**

If most of the membership of an association is illiterate and cannot follow simple accounts, the only check on what the leadership of the association can do is the monitoring by the assistant from the NGO working with the association. This is not a good situation, because there will be cases of assistants who are not vigilant or who are fooled by the leaders. It is important that members be able to hold their leaders accountable for their actions and their stewardship. Literacy is a necessary tool for associations to function democratically and to encourage the full participation of women.

It is also important for members in their own business dealings separate from those managed through the associations to be able to think in financial terms, which also requires basic literacy and numeracy.

**20. Where funds are limited for supporting association-building, rather than cutting down the number of years of support an association receives as it is established and grows, it would probably be better to limit geographical coverage.**

This could be best accomplished by not funding new areas rather than cutting existing areas, if possible. If areas have to be cut, it would be better to cut areas where group economic activities have not started and where funding for production support is expiring.

**21. USAID-funded NGOs operating in support of farmer associations should be encouraged to set up European subsidiaries to attract funding from non-US sources, which could substantially add to their core-funding.**

Many donors are limited by their own source of funding to working with European companies or NGOs. Since European Union funding is substantial, as well as funding from individual European countries, it would behoove US NGOs to set up European operations in order to be eligible for this type of funding. USAID/Mozambique should consider funding part of the cost of NGOs wishing to establish European subsidiaries to the extent that it can be shown that such subsidiaries would permit the NGOs to obtain additional funding to continue or expand programs initially started with USAID funding.

**22. The time for NGO direct interventions in provision of resources is ending, and NGOs should act more as facilitators to the market than as providers.**

As the country moved from a situation of emergency to one where development was not only possible but occurring at a fast pace, NGOs should limit the resources that they provide directly. The days of gifts of seeds and hoes are over. Rural stores, including those operated by associations and their members with linkages to wholesalers facilitated by the NGOs, should be able to provide many kinds of tools and inputs farmers need to make best use of available market opportunities.

However, blanket prohibitions are not helpful. The market is still not well developed, particularly in terms of credit for purchase of large ticket items (even pieces of equipment as small as pedal-pumps and oil-presses). There may be occasions when group development can be speeded up by provision of such items by NGOs, particularly in remote areas where they are not readily available or where access to credit is likely to impede their purchase. However, if an item is provided on credit by NGOs, the shortest possible term should be required and a contract written and signed by both parties and the attached payment schedule adhered to. CARE has had good success in its recovery of loans for oil presses and their activities have spurred the expansion of oilseed crops to areas which would have been slow to see their arrival. FHI's use of its transportation resources to make possible initial trades by associations which otherwise might have seen their products go unsold was not unreasonable, since traders paid for the use of the vehicles (direct costs of fuel and drivers). This type of facilitation made it possible to establish successful contact between traders and newly formed farmer groups.

**23. Democratic development of fora should be encouraged to make their opinions heard on issues affecting their members.**

For example, the "debate," if it can be called that, on the cashew export tax lacked one vital participant: the farmers who grow cashews. In the future, as fora and even third-level associations (equivalent to confederations) develop, farmers' organizations should make their voices heard on issues that affect farmers. For example, the export tax which cuts Mt1500 from every kilogram of cashews farmers sell (either for export or to local factories).

USAID should encourage democratic participation of farmer groups by writing into their support to NGOs funding for farmer representatives to travel to Maputo and elsewhere to make sure that

farmers concerns make it to the forefront in discussions of issues affecting their incomes and welfare.

**24. The association itself is responsible for the choice of activities in which it wishes to participate.**

Associations work closely with the NGOs that support them but are ultimately responsible for the choices of activities in which to participate and in which to invest their energy and resources. The NGOs can guide the associations in their choice of activities but should not make the choices for them. If an association chooses to run an input supply and retail goods store with the money it has earned from marketing operations, that is its business and its choice. If the NGO assisting them does not think an activity is a good choice, they should help the association make a success of that activity by assisting where necessary and to the degree that such help contributes to rather than undermines the development of the association. For example, where associations are setting up stores, NGOs should help them analyze the risks. However, if the association decides to go ahead, it should be assisted in making a success of the venture. NGOs should provide adequate training through the association volunteer agents *animadores de associacao* or AAs); the NGOs should also assist in finding wholesale suppliers of inputs and goods in the same way that the NGOs arrange initial contacts with traders on the product side. A basic accounting system for such operations would also be desirable, as well as periodic monitoring by AAs and their supervisors. Each successful venture an association carries out contributes to its development and strength, enabling it to carry out additional and more complex operations in the future.

### **II.3 Alternatives for Continuing and Expanding Support to Economic Activities of Farmer Associations**

The moving force for farmers to expand production and increase income is the ability to market their products. Raising production alone risks losses of investments in inputs and labor if marketing channels are not available at the time the crop is ready for sale. The formation and development of farmer associations focusing on RGEs has shown itself to be the means to have greatest impact on raising farmers' incomes. The starting point of intervention needs to be on the market side. However, once outlets are established for marketing crops, additional interventions need to be made in the area of production. Under present conditions there is therefore scope for interventions by US NGOs in both marketing and production areas. It is recognized that eventually full responsibility for marketing will devolve to the associations and fora and for production support to private sector and government extension agents, in collaboration with the association movement.

A somewhat artificial dichotomy is established between 1) the *tabula Rasa* case of a new geographical area being opened up to farmer association work and 2) on-going programs currently being carried out.

#### **New Areas**

In new areas, the initial approach needs to be toward fostering a focus on marketing. This focus can best be accomplished by NGOs like CLUSA with its single-minded approach to the business side of farming. ACDI/VOCA has followed a similar approach in Malawi and to a lesser extent in Mozambique. This approach tilts the tenor of decision-making toward marketing existing surpluses and focusing new production on crops for which guaranteed markets or at least good marketing prospects exist.

However, once such crops are identified and one or two successful marketing campaigns carried out, attention needs to be given to production. (It is worth noting that in the CLUSA cost-benefit model, while initial benefits come strictly from improved marketing, the largest benefits in later years come from increases in production due to improved technology and better use of inputs.) In Nampula, CLUSA and CARE already have a partnership whereby CARE provides support in production extension to associations assisted by CLUSA for marketing. This partnership could be broadened to cover new areas, with CARE supplying the production technical assistance and CLUSA assistance in association formation and marketing. In Nampula, government extension agents are being placed in the fora to provide outreach to the associations which compose each forum. Similar arrangements could also be made in new areas. Where cost considerations (discussed in the section of the interpretation of the CLUSA model extending it to other activities) can be resolved, introducing production technical assistance provided by a US NGO can be useful. Given the relatively low level of current outreach capability of the government extension service due to low budget and years of neglect of its resource and staff requirements, the service may not immediately be able to provide for farmer TA needs. In some crops, partnership with agro-processing industries and trading groups may be possible as well, both to provide inputs and TA. Credit arrangements may also have to be part of the package, initially through supplier credits and later by other means which allow farmers to obtain their own credit and thus not be beholden to any given supplier.

### **Continuation and Expansion of On-Going Programs**

Existing programs can be expanded either geographically to adjacent areas or temporally in two possible routes:

- 1) Strengthening marketing departments within NGOs whose initial focus was on production by provision of training to production staff in marketing and business and by hiring new staff with agribusiness experience (not limited to agronomy); and
- 2) Establishing partnerships between NGOs, whereby one NGO is responsible for marketing aspects and the other NGO for production assistance.

So far, all the NGOs that were already involved in Mozambique during the period of emergency, have taken the first approach. They moved away from food security approaches and focused more on agriculture as a business. CARE and World Vision already have established marketing departments. CARE's marketing department has been in operation for approximately 18 months.

WVI has been active in marketing since the 1997/98 marketing season. FHI has recently also become heavily involved in marketing. While consultants were in Nampula, a delegation from FHI visited CLUSA to learn more about marketing and to establish contacts for possible future arrangements for training and other joint activities.

### **First Alternative: Strengthening Existing NGO Marketing Departments**

Under this alternative, marketing departments in NGOs whose orientation has been principally toward production would be built up by training provided by NGOs specialized in marketing and other types of business (CLUSA, ACDI/VOCA, TechnoServe, etc.). Additional specialized staff would also be hired.

CLUSA is already supplying some training in this area, as is PACT; additional training of this type would be needed both for staff and for second-level associations (fora or similar). It may also require hiring new people who understand business rather than simply training existing staff in business. People who know and like business will be better able to transmit their knowledge, acumen and interest to association members than retooled production staff.

#### **Advantages**

- ? One NGO maintains overall responsibility for its associations. There can be no shifting of blame if results are not those hoped for, since the NGO is responsible for all aspects of its program. There can be no finger-pointing between NGOs and in theory a more integrated program can be attained.
- ? If NGOs operate in distinct geographical areas, there can be major cost savings by reducing duplication, particularly of staff and vehicle costs by minimizing the number of trips necessary to handle a given association but also of infrastructure.
- ? A single organizational philosophy can be built up so that conflicts between advice offered by marketing and production staff do not occur.

#### **Disadvantages**

- ? Expertise in marketing may not develop within the organization despite the best efforts at retraining production staff. Organizations which have been dealing for years in getting food out to the starving people attract as staff men and women who are used to responding to people's needs by giving what they ask for within the means available to the organization. Likewise, agronomist or those trained in production extension may also be best qualified to impart advice on marketing, even after training. Retooling such people into entrepreneurs is difficult.
- ? Even when the staff do change and adopt the new mentality of treating farming as a business and not just as a means for supplying the food needs of the farm family, members may be

slow to perceive and understand this radical changes. Formed originally to receive hand-outs, pre-existing farmer groups may resist the new approach the NGO is taking in promoting economic activity.

- ? The NGO may be reticent to drop groups that are non-viable as RGEs because of long-standing commitments based on years of association between these groups and the NGOs.
- ? Where expanding the marketing staff could best be done by hiring in agribusiness staff from the outside, principally from private agribusiness firms, NGOs may resist firing production staff which this is called for, preferring to retrain them even if the results obtained are less than optimum.
- ? Unless they receive financial support to cover it, NGOs may be unable to meet the cost of hiring new people. They must simultaneously meet the cost of the severance pay (three months for each two years of service) for staff made redundant by its lack of suitability for the new orientation.
- ? Staff with business acumen in a country where business education and skills are abysmally low command high salaries, which may exceed limits NGOs have established within the pay scales authorized by their national or parent international NGO.

### **Second Alternative: Separate NGOs for Business and Marketing**

Under this alternative, in each region NGOs specialized in business and marketing would handle that aspect of association-building while NGOs whose past focus has been on production would continue providing this type of assistance.

#### **Advantages**

- ? Introduction of separate responsibility for marketing and business aspects of the association building program would allow making the kinds of changes NGOs would be reluctant or would be unable to make with organizations they have served for years.
- ? Following an assessment of their willingness and suitability to become RGEs, farmer groups determined to be non-viable could be dropped. The “blame” would then fall on the new NGO so that the original NGO does not suffer much lost good will as the result of these measures.
- ? New staff could be hired to bring in fresh ideas and these ideas implemented.
- ? Some of the existing marketing staff of the original NGO could be retained by the new marketing-oriented NGO. It is also possible that some production staff could be retrained and transferred to the new NGO.

- ? Farmers of existing associations would be encouraged to make changes that they had resisted in the past (expanded group size, merger with other groups, creation of or joining existing fora, etc.)

### **Disadvantages**

- ? Some of the current production and marketing staff might have to be let go if total program resources are to be maintained the same.
- ? Severance pay would have to be paid to those who are fired.
- ? Collaboration with the marketing NGO and the original production-focused NGO could be difficult if this approach were the result of a “forced marriage.”
- ? There could be duplication of costs for transport, field allowances, offices, etc.

**Recommendation: analysis of these alternatives is a matter in which financial and economic analysis of the type carried out elsewhere in this report might be helpful. Any proposed change should be subject to scrutiny prior to a decision on which of these alternatives (or some middle course between them) to adopt.**

Such analysis would have to consider the following points:

- ? the current level of development of the associations and forecasts of their development under each scenario
- ? their ability to take advantage of market opportunities,
- ? the NGOs cost structure under various scenarios,
- ? the ability of government institutions like extension to provide services currently being provided by NGOs,
- ? expected developments in the market for inputs and agricultural markets, and
- ? the impact of each alternative on access to financing for both production and marketing.

## **II.4. Exit Strategies**

### **Non-USAID donor funding**

USAID’s initial support and continued funding for an entire decade (by the time proposed funding finishes in 2005) will have made possible the establishment of the farmer association movement in Mozambique. There are undoubtedly other areas where USAID’s resources are required and continued US funding without a time limit is simply not possible. However, the common assumption that once funding by donor X finishes, that no outside support can be expected, is generally wrong. Particularly in a country like Mozambique where progress can be



observed, donor support for the country will be needed and will in all likelihood continue for many years to come. That being the case, it is fair to consider funding by donors other than USAID as part of the exit strategy, at least during a relatively long transition period (perhaps for another decade).

The financial model of CLUSA's activity estimates a high internal rate of return for USAID's funding of association-building (24%) occurs precisely because continued expansion in the number of associations and the success of their activities is made possible by non-USAID funding. The US NGOs should be encouraged to establish subsidiaries or affiliates in European Union countries to take advantage of these possible funding sources after USAID's commitment ends or to supplement USAID resources to expand current operations faster. USAID might even consider providing partial funding for the establishment of European subsidiaries of US NGOs. The establishment of European subsidiaries would improve the prospect for increased funding for activities that USAID has pioneered and which it would like to see expanded. This might permit expansion to cover additional areas of Mozambique or activities required interventions extending beyond the period for which USAID funding is available.

### **Agro-industries (cotton and other crops)**

Some crops lend themselves well to provision of a package of credit for inputs combined with technical assistance designed to improve yields and quality. Cotton is an obvious one, but some of the cotton companies themselves are branching out into other crops to take advantage of their presence in producing areas, their facilities and their field staff. Their role can be expected to expand in coming years for those crops for which they can capture most of the benefits of increased production. In the cost-benefit model, one of the factors in increased production is the presumption that associations will get privileged access to inputs and technical assistance due to their ability to offer companies a large number of farmers with significant production acreage located in a given area.

### **Private sector input suppliers**

Private sector input suppliers are being to emerge in rural areas. Together with their supply of inputs, they will also provide supplier credit to farmers in some cases, and may also provide technical assistance as well. The associations and fora may also be in this category. Some are already entering into input supply building on initial experience in basic goods supply.

### **Fora and above**

Associations are also providing some technical assistance, and CLUSA's fora have been adopted as the base for some government extension staff. As fora are established to band together the associations of other NGOs or as they join with those of CLUSA, the fora become a logical point of insertion for technical assistance agents. Fora and confederations of them may also have an interest in providing technical assistance for particular specialty crops which they are interested in through marketing arrangements with traders or processors. In particular, the technical

improvement which have so affected productivity in raw cashew production in Tanzania could logically be introduced through fora in the areas where they are involved in the satellite and small scale cashew processing operations being promoted by TecnoServe.

### **Government extension service**

During the period of operation of association-building activities, increasing involvement of USAID-funded NGOs with the national extension service should be encouraged. This is already occurring through arrangements between CLUSA and the extension service to use the fora as the base for some other extension efforts. Other NGOs already have arrangements with the extension service whereby their staff become de facto providers of extension service for farmers in their coverage area. Some NGOs are also moving in the direction of working with extension agents as partners in the coverage areas they serve. Provided the financial and other resources are available at the time USAID funding for these activities ceases, the extension service could be expected to pick up some of the slack left by the departure of NGO staff. Support from other donors during this transition period seems likely.

### **National NGOs**

Staff of US NGOs could set up their own national NGOs. They understand the work needing to be done, they have the contacts with farmers and at least some of the contacts with donors and funding agencies. This has already occurred in one case, with the establishment of OLIPA, a national NGO formed by some CLUSA staff. OLIPA will begin operations by taking responsibility under an arrangement whereby CLUSA is responsible for initially coordinating and supervising the work of OLIPA. Other NGOs like WVI are staff almost exclusively with national staff and are

### **Private contractors and consultants**

In the initial stages of association-building, NGOs have taken the lead in facilitating initial contacts with traders and have collaborated with other NGOs (TechnoServe, PACT, etc.) to provide specific services. As they gain strength and experience, many of the trading functions can be taken over by the fora and the associations themselves. However, there will necessarily be areas in which the association movement will not have expertise and which can be obtained in the most cost-effective manner by hiring the services of specialized institutions or consultants. One can imagine that needs in the area of processing now being handled by TechnoServe as an NGO, could well be continued in the future by its staff acting as a private contractor. Some of the training activities now being handled by PACT and the NGOs could also be done by groups of consultants, providing that other donor support is available during a transition period and that the association movement becomes strong enough eventually to cover these costs in the future.

## **II.5 Policy Issues Related to Association Building**

As is true with "Best Practices" for most any rural institution development, a favorable policy environment can facilitate association-building and maximize results from a given level of resources. In Mozambique, despite major improvements since 1992, considerable work remains in providing an environment conducive to association development. Principal policy-related issues are described and appropriate positions that USAID might consider adopting are outlined below.

### **1. Simplification of Procedures for Registration of Associations**

The current modality of registration as an "association" is adequate for the purposes required over the medium-term (3-5 years) by association farmers; the amount of time and money it takes to achieve legal recognition is, however, excessive. Thus far, only one association has completed all the steps required for its legalization. The entire process costs nearly US\$900 (not counting travel costs and food which could easily add another \$500) and takes approximately two years. The process is highly bureaucratic, with much duplication of effort among the various stages of the process. MICTUR with the support of FAO, the European Union and CLUSA have produced a paper outlining two alternatives for simplifying the association registration process. One proposal is an interim solution substituting voter registration cards (which everyone has) for national identity documents (which most people do not have) and the other would eliminate the need for approval by the provincial governor and the publication of the full statutes. All text and draft statutes and forms have been prepared. All that is needed for the first alternative is approval by the Ministry of Justice; the second option requires the approval by the Council of Ministers (but new legislation would not be required).

**Recommendation:** Subsidiary recommendation: In a few years after most associations have been operating for some time as legally constituted institutions under revised registration procedures and if there is a real felt need for a new modality on the part of the associations, fora and other structures they may create, USAID could at that time consider financing a request for assistance in studying an alternative juridical structure. However, no action on this matter should be contemplated at the present time as it would confuse the issue of simplifying registration of associations, which should be USAID's single-minded goal at this juncture.

### **2. Elimination of State Agricultural Marketing Institutions**

USAID has played a major role in liberalizing agricultural marketing. The staff of Instituto de Cereais de Mozambique (ICM) has been significantly reduced and the disruptive operations it carried out have been largely eliminated. However, ICM still has not been privatized. ICM's current arrangement with V&M lacks transparency and does not appear to be moving its closure as an institution and the sale of its assets. (It should be noted that if assets, principally warehouses located in rural towns, were sold individually, the farmers through their associations and fora would have an opportunity to acquire some of them.)

**Recommendation:** USAID should support the privatization of ICM. A major obstacle to privatization is the payment of severance pay for the years of service of the remaining ICM staff (about 200 people). The cost of paying off these workers so their contracts can be terminated, is estimated to be US\$650,000 by USAID and US\$800,000 by the European Union. USAID should renew its offer to fund this necessary measure as part of an agreement to privatize ICM in a transparent way and sell off its assets individually.

### 3. Liberalized Agricultural Trade

Various impediments still arise with relation to trade in agricultural products in regions where association-building is being carried out. A recent prohibition of exports of maize to Malawi by a regional governor is an example why this area of concern still needs attention. Local governments should have no power to regulate trade in any way.

**Recommendation:** USAID should encourage free trade in agricultural products in general and in particular products like maize, raw cashews, pigeon peas and other specialty crops which are major cash crops for small farmers and are being marketed through farmer associations.

### 4. Trade Regimes

Maize exports to COMESA countries (Kenya, Tanzania, etc.) were made difficult this year by the apparent failure of Mozambique to pay its membership dues in this organization.

**Recommendation:** USAID should encourage Mozambique to keep up its membership in organizations such as COMESA even in years where membership does not appear to bring any immediate tangible benefits, unless careful study shows that future expected benefits do not outweigh cost savings from dropping membership.

### 5. Land Tenure

There has been some backsliding on the land tenure area. Government has apparently reduced land taxes on concessions designed to encourage development of land given out in concessions, many of which purportedly have been obtained by less than transparent means and are being held for speculative reasons. These concessions remove land from the hands of smallfarmers who would use it productively. Furthermore, associations are going to have to legalize their rights to land owned by the associations and by the fora. In particular they are going to have to get clear title to land on which they build warehouses, offices, stores and other expensive structures. Association members also need secure land rights before investing heavily in permanent crops like new cashew plantations.

**Recommendation:** USAID should consider continuing its support to work on land tenure issues, which affect farmers and ultimately the associations they belong to. The Mission should continue its

support for work in the area of land tenure. The value of this work was reported to the consultants to be highly appreciated and respected by a broad spectrum of farmer organizations and NGOs.

**Recommendation:** ORAM also needs and could make good use of financial and technical support at the headquarters level and in the field. ORAM's work on legalization is crucial to associations to operate as legally recognized enterprises and to make certain that the land rights of the associations and their members are respected.

### III. COST-BENEFIT MODELS

#### III.1 ASSUMPTIONS AND INTERPRETATION OF COST-BENEFIT MODELS OF USAID-FUNDED ACTIVITIES

##### III.1.1 THE CLUSA COST-BENEFIT MODEL<sup>1</sup>

#### ASSUMPTIONS

**Margins:** Margins include both the margin to the association and the margin to the farmer. The association margin equals the cost of products purchased subtracted from the sales price to the trader. The farmer margin equals the difference between the price they receive from the association and the price they would otherwise receive from traders buying products at farmgate. The two margins are aggregated together since they both are benefits in terms of raising farmer incomes.

**Change in Margins:** Margins are assumed to decrease by 2% per year, recognizing that markets will become more efficient over time and as a result of better market linkages.

**Price:** Prices are assumed to remain constant.

**Change in Number of Associations:** 30 percent annual increase.

**Change in Average number of Members Per Association:** 5 percent annual increase.

#### Change in Yields:

<b>Maize:</b>	5%
<b>Cotton:</b>	5%
<b>Raw Cashew:</b>	5%

#### Change in Volumes Marketed:

**Pigeon Pea**

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<sup>1</sup> Model is in Annex IV.

**&Specialty Crops:**           50%   2000-2004  
  20%   2005-2015

**Discount Rate:**           10 percent in real terms

**Monetary Units:**        US\$ and Thousands of Meticais (Contos).

**Exchange Rate:**        One dollar equals Mt. 13,000, shown in model as 13.0 thousands of meticais (contos).

**Sensitivity Coefficients:** Key variables are all associated with sensitivity coefficients which can be changed independently. The value of the coefficients is set at 1.00 for most key variables; a twenty percent reduction in the associated variable can be achieved by substituting 0.80 for 1.00 in the relevant coefficient. Coefficients are included for:

- ? Average number of members per association
- ? Number of associations
- ? Margin
- ? Price (actual value can be changed by substitution at the top of the “Associations” worksheet of the CBModel)
- ? Yields
  - Maize                   5 percent (responsive to fertilizer)
  - Cotton                5 percent (better access to inputs, TA and improved varieties)
  - Raw Cashew        5 percent (new factories, favorable price, association involvement in marketing)
  - Pigeon Pea        10 percent (better access to seed & inputs for new specialty crops, TA, early adoption)

**Percentage of associations** where a store is in operation (either by the association itself or some member of the community) will remain constant at 50%. (In fact, stores of some kind were observed in more than 50% of the RGEs visited by the consultants.)

**Input supply stores:** The stores sell a broad variety of inputs and basic goods used by the community and start with a low level of capital (approximately US\$200). Rapid growth is projected in initial years, reflecting the lack of competition from other stores and the strong demand for these services. Savings of time due to the long distances people have to walk to purchase basic essentials are included; if anything, these savings are underestimated since real round-trip travel times observed in fieldwork substantially exceed the conservative 4-hour average assumed for the purposes of the model.

Annual change in profit per store

Years	Percent increase
1-5	50 percent
6-10	20 percent
11-20	5 percent

**Government interference** with the product market will remain minimal, and for raw cashews will improve (eventual reduction or elimination of export tax).

**Raw cashew prices** will rise as marketing margins and export duties fall, gradually attaining levels currently being obtained by farmers in neighboring Tanzania. Quality will also improve as a result of better crop management and proper attention to cashew trees encouraged by the associations through their marketing and processing activities.

**Cashew processing** by the associations will start in the 2000-2001 year at the modest level of 250 MT and grow at the rate of 20% a year.

**Association legalization** will be simplified within the next two years.

**Land access** by farmers and associations will be protected (i.e., will not be squeezed out by ever expanding concession-based agriculture).

## **INTERPRETATION OF THE MODEL**

### **MARKETING**

The main sources of growth in the model are increases in the number of associations, in the average numbers of members and with it, increased production and marketing of that increased production. At present four crops are modeled: cotton, maize raw cashews and a proxy for specialty crops, of which pigeon pea is currently the most important. Maize is included because though not highly profitable, it is grown both for on-farm consumption and as a cash crop by a high percentage of the farmers in the areas served by CLUSA and continues to have a potential in the regional export market in most years.

Cotton prices at farmgate are currently only 18 cents/kilogram, compared with \$1.30 in 1995. Despite farmer dissatisfaction with prices, cotton will remain an important crop and one in which the association approach has strong advantages over production and marketing by individual farmers who are not organized in some fashion.

Associations can apply these same elements to raw cashew production and marketing. Consultants found considerable interest among traders in establishing relationships with associations in cashew-producing areas to purchase the raw cashews of their members and those of other producers. Some have already provided cash advances to associations to buy raw cashews on their behalf. The associations' honesty and their proper use of funds provided in previous years together with their guarantee of high quality and no tricks has led traders to have trust in them and will facilitate the ability of the associations to rapidly expand their marketing of this crop. The involvement of CLUSA with the associations as a guiding force provides additional moral support to traders in deciding to provide the associations with cash advances to purchase cashews. In particular, the results of this marketing season for cashews (just now starting) should be incorporated when the

season ends. The ability of the associations to deliver quantities and qualities on-time and as agreed will give them a big advantage in cashew marketing. Both traders and processing factories are interested in maintaining special relationships with associations. These same exporters and cashew-processing companies have had bad experience in terms of poor quality, high humidity, and misappropriation and misuse of funds in their dealings in the past with rural fixed and mobile traders acting as their agents in the past for purchasing raw cashews. The associations could fill this gap if they are able to build on their initial success and maintain their good reputation in raw cashew marketing.

Specialty crops constitute the major area of change in cropping patterns introduced by the association-building program. The rapid transmission of market demands through traders to associations and farmers means that organized farmers will be the first to take advantage of marketing opportunities for new crops as they emerge. Initially, CLUSA (and other NGOs) have been instrumental in making this link between traders and farmers through their associations. However, as the associations grow and develop, the link will become permanent provided good relations are maintained. As traders become aware of profitable marketing opportunities and new crops, they will transmit this information to associations which will buy existing crops from farmers and encourage production increases for the next marketing season. The crops of this type which are currently important are the following (with estimated marketing volumes for 1999 given in parenthesis ):

Pigeon Peas	300 metric tons
Peanuts	162
Cowpeas	138
Butterbeans	26
Tobacco	<u>21</u>
Total	647

Significant volumes of oilseed crops are expected to be purchased next year.

Sunflowers	250
Sesame	<u>200</u>
Total	450 (projection)

The associations will in the future also be the moving force in introducing new crops, as they have been with the introduction of sunflower, sesame, etc. Their links with traders, who are the first to know of new crop marketing opportunities abroad or domestically, will give them priority access to information, seeds and other inputs and technologies for the new crops as they enter the Mozambican market.

The model will need to be refined over time to include these other crops. The associations are still new and experience with these crops is limited, although initial results have been highly



favorable. The associations will have privileged access to specialty crops as a result of their tight links with traders, input suppliers and technical assistance providers. This entree will allow them to get in on the ground floor as profitable new crops are introduced; farmers will thus be able to capture the high returns which come to early entrants as profitability of these crops declines over time due to increased competition.

## **PRODUCTION**

Association farmers can on average expect growth in yields as a result of being part of these farmer organizations. They obtain privileged access to inputs through arrangements with programs like SG2000, relationships with companies and traders supplying inputs on-time and in the right quantities for the crops they want grown, and through better access to technical assistance. CARE currently provides technical assistance for production. In the future, associations will have priority access to technical assistance through greater ability of private agribusiness companies, national NGOs, other donors and Government extension services to reach farmers who are organized in associations. Average annual growth is posited to be modest, though nonetheless significant. The value of this incremental production contributes significantly to farmer income. It also contributes to the growth of the associations, since the increased production will presumably be marketed through the associations' marketing structures.

### **Maize**

Maize is assumed to grow at 5% per year. To the extent that a significant proportion of the crop is produced for sale rather than on-farm consumption, farmers can afford to do their planting in a timely fashion, invest in improved varieties more responsive to fertilizer than traditional varieties and keep closer control on weeds. (Minimization of post-harvest losses will also contribute to farmer income and family nutrition and might be included in the storage section of the model in the future.)

### **Cotton**

Organized farmers will obtain inputs in a more timely manner, at lower prices (either due to bulk discounts from the companies or through private credit arrangements with CRER or banks) and will be paid higher prices for their product. Part of the higher price will reflect savings to companies from having to deal with a smaller number of entities to provide inputs and pick up production; part will reflect higher cotton quality due to better technical assistance through groups and better quality control by the associations. Quality bonuses in the future are reflected in higher prices for association cotton (Mt 2750 instead of the current Mt 2300).

### **Raw Cashews**

Cashews are poised to again become a major crop for boosting small farmer incomes with the establishment of efficient small factories in producing districts and ties between these factories and

the associations. High prices, technical assistance and farmer organization to coordinate application of fungicides will lead to increased production. Lower marketing margins and assured marketing to satellite operations and small, labor-intensive processing plants located in cashew producing areas will also encourage production. Association involvement in marketing and in joint-venture ownership of plants will also stimulate renewed farmer interest in the crop.

The 5% annual increase in yields and the 20% annual growth rate in processing may underestimate the importance of this crop to farmers and their associations. Actual growth in this crop may be much higher at all levels (production, marketing and processing) than posited in the model; this needs to be followed as no information is obtained from the current and future marketing seasons and appropriate adjustments made in the model. For example, current prices may be higher than those reported to consultants in October 1999 and might encourage associations to increase the volumes of cashew production.

### **Specialty Crops**

The crops in this category will vary from year-to-year depending on the profitability and demand for each product. However, because of the overall profitability of these crops and the possibility of traders financing of some inputs and crop operations as part of crop production contracts, 5% annual increases in the average yield of these crops is projected. Likewise, newly formed associations and their members are expected to become marketing and in supporting the production of specialty crops, contributing to volumes of production available for marketing by the associations.

### **INPUT SUPPLY AND BASIS GOODS STORES**

Like the general stores still found in parts of rural USA (including rural areas of south Florida), selling everything from flour to fertilizer and animal feed, input supply and basic goods stores have already developed in at least half the associations. Unlike the *lojas* of the colonial era, money earned in these stores circulates within the community and has a multiplier effect, stimulating further growth.

Input supply and general goods stores are developing as a result of the associations' existence. However, not all stores, however, are or will be necessarily owned by associations, some being owned by private individuals from the community, a few by women's groups. The profits are estimated to grow at 50% due to high demand for the types of goods these stores offer and a virtual monopoly in their selling areas during the first five years, then are projected to fall to 20% and to 5% after 10 years.

Inclusion of benefits from these store is not critical to the profitability of the model. However, the existence of stores within communities to supply inputs and to allow farmers to purchase inputs and basic goods without leaving the community are a key element in improving farmer welfare by allowing farmers local and quick access to needed inputs and farm tools.

## **FLOOR-PRICE BENEFITS**

One of the main impacts large farmer marketing cooperatives have had in America is to set floor prices even for farmers who do not sell to the cooperatives. Associations were seen during fieldwork with posted buying prices of Mt4000 per kilogram; that sets a floor on the price farmers will be willing to sell at. That means that even farmers who do not sell to the association benefit in large measure from the association's marketing activities.

It is estimated that the improvement in the marketing environment and the alternative to sell through the associations will benefit three times as many farmers in the community as there are members of the association. The value of this benefit has been set somewhat arbitrarily at Mt50 per kilogram on three times the tonnage of production now being marketed by the associations (CLUSA thought the figure was somewhere in the 3-5 times range.) Research into this benefit should be carried out and its results incorporated into the model.

## **INVENTORY STORAGE PROFITS (not modeled)**

Holding of products for higher prices is just starting and there is no data yet to estimate what benefits are likely to be from this activity. TechnoServe and CLUSA have studied this possibility and CRER is financing it on a trial basis. When information on quantities held and profits from holding are available, these benefits can be included in the model.

## **QUALITATIVE ASPECTS**

There are a number of types of benefits which derive from the experience of associations-building but which are difficult to quantify. These are therefore excluded from the economic model of CLUSA's activities in association-building. They are nonetheless important and are mentioned here even if they cannot be quantified.

## **HUMAN CAPITAL**

Through the literacy programs, members gain dignity by learning how to sign their name. Significant numbers learn how to read and write. In observing and participating in the business deals the association engages in, they learn business skills they can apply in their own dealings directly with other economic actors.

## **SOCIAL CAPITAL**

In a country where the structure of communities has been disrupted by years of war and relocation, members learn that cooperative behavior (selling together) pays off. This lesson can then be applied to other problems the community faces where cooperation may also be essential if common problems are to be resolved.

## **ORGANIZATIONAL CAPITAL**

Having joined together for commercial reasons, associations often take a lead role in addressing other community problems. Associations often take responsibility for maintaining entrance roads and sections of feeder roads they use for their own trading activities and which serve the communities in many other ways. The associations often spearhead work on other community projects: school construction, obtaining a safe water supply, etc. The association often forms the nucleus of other community organizations (school betterment associations, etc.). Often the association becomes by default the only representative organization of the community, and thus the focus of the community in addressing problems going far beyond crop marketing.

## **DEMOCRATIC PARTICIPATION:**

The associations operate on democratic principles and encourage the emergence and growth of leadership within the community. The second-level organizations (fora) developing to coordinate the work of the associations are also operated on democratic principles. These organizations are the embryo of a movement truly representing the interests of the farmers and uninfluenced by party politics. Such representation is crucial to allowing farmers to have a fair chance in the marketplace. For example, in the recent cashew industry debate, the lack of a vocal representative of the interests of farmers adversely affected their incomes. It permitted a small group of owners of closed and bankrupt -viable factories in concert with 7000 displaced workers to obtain favorable treatment from Government to the detriment of hundreds of thousands of cashew farmers. Losses are on the order of Mt500 per kilo as a result of the increase in the export surtax from 14% to 20%, and Mt1500 per kilo compared to the "no tariff" option of free trade. The loss to farmers is monumental and could only have happened because farmers were not represented in the political process. As the fora and perhaps higher level institutions develop, in the future farmers will be able to make their voice heard on issues which affect their well-being.

## **OTHER DONOR INVESTMENT:**

Other donors have rightfully found the association model to be appropriate to their own interventions with farmers. In their own projects, they are utilizing the same model and inviting some of the same NGOs (as well as local NGOs in partnership) with international NGOs to develop projects following the association-building methodology pioneered by CLUSA with financial support from USAID. These types of interventions are likely to lead to the same beneficial results for farmers and can fairly be counted as a return to USAID's investment in association-building. Their existence partially answers the question of what will happen to the associations when USAID is no longer able to continue the funding; it also answers the question of how farmers can be assisted in geographic areas not targeted by USAID. Nevertheless much of this funding is on a matching grant basis and is therefore contingent on continued funding by USAID.

## **SENSITIVITY ANALYSIS**

**20% increase in exchange rate:** A twenty percent depreciation of the exchange rate (from Mt13,000 to Mt. 15,600) would reduce the internal rates of return for USAID funding and total funding by approximately 3 percentage points to 28 and 23% respectively.

**20% decrease in the average number of members per association:** A twenty percent reduction in the average number of members per association would have negligible impact on the internal rates of return for the model, reducing the IRR for USAID funding by one tenth of one percentage point and for total funding by four tenths.

**20% decrease in the number of associations:** A twenty percent reduction in the number of associations would reduce the internal rates of return for USAID and for total funding by almost ten percentage points to 22.2% for USAID funding and to 15.8% for total funding.

**20% decrease in margins:** A twenty percent reduction in margins would reduce the IRRs for USAID and total funding by approximately twelve percentage points to 19.9 and 13.6% respectively.

**20% reduction in the number of associations having stores:** A reduction in the percentage of associations having stores would reduce the internal rate of returns by about one percentage point to 20.1 and 24.5% respectively.

**50% decline in the growth rate of yields (2.5% instead of 5.0% and 5% instead of 10%):** A 50% reduction in the rate of growth of yields would reduce IRRs by approximately six percentage points to 25.5 and 19.3% respectively.

**20% reduction in the prices of the four main crops:** A reduction of 20% in the prices of the main crops modeled would reduce the internal rate of return by little more than 2 percentage points to 29.7 and 23.8% respectively.

**50% reduction in the processing margin:** Such a reduction would have a negligible effect on the return (one tenth of one percentage point).

**An increase in the discount rate from 10% to 15%:** Such an increase in the discount rate would reduce total discounted benefits from about \$27 to \$13 million. An increase to 20% would reduce benefits to a little over \$6 million.

## **SUMMARY OF CONCLUSIONS FROM THE MODEL**

The model shows that funding provided by USAID for association-building being provided to CLUSA is highly beneficial in terms of the results included in the model. Some important benefits have been noted qualitatively but are not included because they cannot be quantified, at least at present. Value of the benefits quantified are estimated conservatively at fairly low levels; additional data and empirical research are likely to raise these values when the model is updated. Assumptions are generally conservative; therefore, if anything the model probably

underestimates rather than overestimates the value of this program. Sensitivity analysis shows that the results are robust in the face of major (unfavorable) changes in principal variables. The model is adaptable and can be easily modified to include new crops and activities as they become important to farmers and their associations. Its basic conclusion is that high returns will be obtained as a result of initial investments by USAID for association-building, and subsequent funding by other donors for association-building activities should also be rewarded with highly positive results.

### **III.1.2 ADAPTATION OF THE CLUSA MODEL TO COVER ASSOCIATION-BUILDING PROGRAMS OF OTHER NGOS**

Modeling CLUSA's program is fairly straight-forward because of its focus is almost exclusively on raising farmer incomes through cooperative marketing (and input supply) activities. Costs are related to the achievement of project goals and objectives of raising farmer incomes. With the exceptions mentioned above, most benefits have clearly defined values which can be estimated quantitatively (prices of products, marketing and processing margins, etc.). The clarity with which project objectives were defined and the relatively short amount of time that the project has been active make the activity fairly easy to model accurately.

Other NGOs have been involved in supporting rural people throughout the many years of war and emergency. These NGOs manage multi-faceted programs having a broad range of objectives. Many of these objectives may also have changed over time. Such complexity makes modeling more difficult and makes results less clear-cut. Some of the objectives like applied agricultural research will in all likelihood yield very significant benefits in the future; however, these are hard to quantify ex ante with any degree of precision. Activities like road construction and rehabilitation have highly positive benefits on overall development of rural communities. Estimates can be made of probable impacts of roads on the economies of the communities, on reduction of transport costs, improved marketing of crops and livestock, lower prices for inputs and basic goods, better access to all kinds of private and public services. Health and nutrition activities have ex post measurably positive benefits (longer life, fewer infant, child and maternal deaths, less morbidity, more time available for productive work, etc.) on communities. These benefits can be established by evaluation methodologies used for on-going projects, and results of such evaluations used to estimate ex ante what benefits are likely to result from similar activities in the context of rural Mozambique.

Food security activities can be evaluated in terms of their contribution to greater availability of food to communities, their reduced risk of starvation or malnutrition, and greater ability to remain on their farms and grow food and other crops for their families. For projects or project components focusing on food security, food produced has a very different value than for a marketing project, where the value of a crop is basically its farmgate price. In the food security context, food produced is often replacing food which must be purchased either by rural families themselves or by donor agencies on their behalf. The value of such food is its opportunity cost: what it would cost to buy that amount of food needed for the family diet or alternatively, or for humanitarian agencies to supply it to farm families where they reside. Relevant costs would

include transportation from port cities and may greatly exceed the farmgate value of the same amount of food produced *in situ*. As food security projects (or components) evolve into projects more oriented to marketing surplus production, the value placed on the food being produced should also be revalued. In a certain sense, food being produced for on-farm consumption might be valued at one (higher) price whereas surpluses sold might be valued at a lower farmgate market price. In most cases, the real value is the farmgate price. Such projects at this point in time might best be reoriented to maximizing farmer incomes. With higher incomes, the farm families themselves will be the best judges of how to divide their income among food and the other goods and services the family needs and how to assure family food security over the course of the agricultural year.

Normally cost-benefit analysis is used to determine whether or not to finance a proposed development activity, in this case farm association-building activities. However, in some cases decisions may have to be made during the course of project implementation on whether or not to continue a project along the lines of its original design, to modify the design or to stop the project entirely. Since some projects evolve during the course of their implementation, it is important to establish what the projects objectives are, what results are likely to be observed in the course of fulfilling project objectives and what value can objectively be placed on the benefits obtained from these results. It is probably best to start such analysis at the point where a new or changed activity is contemplated and evaluate the costs and expected results from that point on.

Cost-benefit analysis can also be useful in making the decision on whether or not to close down a project or project component. If closure is an option, closing costs (severance pay to staff, penalty clauses, etc.) must be taken into account. For analyzing the option of continuing with the project, costs already incurred up to the point of proposed cancellation are irrelevant (sunken costs). What are relevant (for the option of continuing) are the costs necessary to achieve the stream of benefits which would be foregone if the project were cancelled. Take the extreme example of a hydroelectric dam project slated for cancellation, let us suppose because of cost-overruns, at the point where the only remaining step for project completion is the installation of the motors to raise and lower the gates leading to the turbines. The only relevant cost for consideration at that point is that of the installation of the motors; the benefits remain whatever they were initially (assuming they were accurately calculated in the first place). On projects where benefits have already started to be obtained, past benefits are not relevant nor are other benefits that will continue even if no further funding is provided.

In all cases of economic analysis, benefits are not limited to those occurring before the end of the project (EOP) from the stand-point of the funding institution. If this were the case, virtually none of the dams build around the world which have contributed to agricultural and industrial development would ever have been built. Their costs are after all incurred toward the beginning of a project whereas benefit stream may last 20 years or more and does not start until most or all of the money for construction has been disbursed. At that point, from the point of view of most development institutions, the project has been "closed."

### III.1.3 APPLICATION OF COST-BENEFIT ANALYSIS TO OTHER TYPES OF ACTIVITIES

Many international development finance institutions and development agencies, like World Bank, FAO's Investment Center, IFAD, and many others cannot submit proposed projects or loans to their board without financial and economic analysis. These institutions have therefore developed a good level of competence in this type of analysis (regardless of any criticisms that might be made of other aspects of their project preparations and appraisal). All kinds of activities can be modeled provided that analysts can derive quantifiable and generally agreed upon indicators of benefits to be obtained from the project or activity.

Evaluation methodology has improved over the years in measuring the impact of projects and other types of interventions. Past evaluations of similar projects or activities can often provide the best source of estimates of what projects have been able to do and how their accomplishments can be accurately measured and quantified. USAID's change to a result package approach is a move to allow project management to see whether their ex ante estimates of key indicators (which should be closely linked to benefits) are in fact realized ex post.

One issue that needs addressing is the tendency on the part of those proposing projects to include as project benefits any change occurring after the inception of the project as if it were the result of the project. In life, progress is on-going in all fields everyday; life is better as the result of the passage of time and changes occurring in the overall society which happen anyway and are unrelated to project activities. In the case of agricultural marketing, described here, there would have been some improvement in marketing simply because of the end of insecurity, improvement in major roads, reinitiation of trade (both domestically and internationally), etc. In the case of USAID-funded activities implemented by CLUSA and modeled in this report, an attempt has been made to separate what would have occurred without the project from changes that have taken place because of and therefore which are attributable to the project. The tendency to model before and after scenarios as if they were equivalent to with and without project results needs to be avoided. Claims that benefits are due to project interventions need to be evaluated carefully before they are included in models.

The economic and financial analysis itself is fairly straight-forward once benefits or proxies for them are agreed upon; it does, however, take time which must be budgeted for in the project design phase. The difficulty in application of cost-benefit analysis to types of projects to which it has not traditionally been applied is to derive a set of benefits that project managers and institutions providing funding can agree upon. Agreeing upon appropriate measures of or proxies for benefits in projects or activities of this type will also require more creativity than with traditional agricultural production projects and will require that practitioners participate with analysts in the design phase of projects. It is important that a consensus be developed on assumptions and measures of benefits, since disagreements on financial and economic analysis are more likely to center on the assumptions and values put on benefits than on the analysis itself.



For institutional development programs, the benefit stream can be measured at two levels: at the level of the institution itself and at the level of the population it is trying to serve. At the institutional level, the institution's ability to obtain and manage funds (presumably in benefit of its target population) is the easiest measure of benefits, on the assumption that each agency providing funding is doing so based on its own analysis of benefits related to its funding. At the level of the target population, benefits can be estimated in terms of measurable impacts (increased income, better health, greater longevity, etc.). Many, if not most, of the project benefits, including those from institutional support projects will occur long after the funding has stopped. Nevertheless if these benefits are in fact attributable to project interventions, they are valid and need to be included in analysis if a model is to accurately represent the reality of a project's accomplishments.

### **Modeling Rural Finance**

For credit and finance programs, benefit streams can also be measured at two levels: at the level of the institution and at the level of the target populations being served. Traditional financial institutions have in the past systematically excluded the poor from access to their services. Therefore, measurement of benefits from USAID-funded activities would have to include changes in institutional portfolios of loans going to USAID's target population, being careful to exclude lending leaking into the Banks' traditional clientele composed largely if not exclusively of non-target populations. It would also include an estimate of the way in which funding has affected bank lending policy toward the target population for funds other than those provided by USAID. In other words, does funding affect bank policy or are banks simply taking advantage of USAID funds to expand their capital base and channel additional funds thus obtained to the groups they have traditionally served? Establishment of efficient systems to serve the needs of the target population (such as lending to agribusiness for on-lending to farmers or farmers' associations) would also be a benefit needing to be quantified.

Where funding is channeled through projects or finance institutions established to serve the target population, the transformation of projects into viable officially recognized financial institutions would have to be classified as a benefit. That part of the loan portfolio still consisting of loans to USAID's target population would also be classified correctly as a benefit.

At another level, the value of farmers' ability to exploit new opportunities is likely to greatly exceed the value of the loans they receive less the interest they pay. For example, the value of a loan allowing farmers' associations to set up a spraying service for cashew's might best be measured as the sum of the following elements:

- ? the value of incremental production (and improved quality) to farmers,
- ? profits obtained by the association through its marketing margin,
- ? those obtained by processors (associations or private parties) on processing, and

? those obtained by exporters for the incremental value of production through higher prices due to better quality.

Other types of businesses need to be evaluated on the contribution that access to credit and the amounts they obtain as loans make to their businesses directly. The long-term impact of rural finance activities can also be measured as the increased ability of farmers and other rural entrepreneurs to later obtain access to credit from other sources as a result of their successful experience in credit operations with rural finance activities initially financed by USAID.

## **Conclusion**

Financial and economic analysis can contribute to selecting and designing better projects. Properly constructed models will require the participation of experts in the activity under consideration and economists with experience in that field or, at least, the willingness to learn from those knowledgeable in the field. Agreement on assumptions is crucial. Simplicity should be a goal so that models are understandable. Overly complex models (trying to model all details of a program) are unhelpful to decision-making about whether or not a given project or activity is viable. Models often become so esoteric that even those designing them can have problems interpreting their results and therefore cannot advise those having to make decisions on the appropriate courses of action.

I helped design a financial analysis capability component for the agency responsible for dollar water and sewerage projects being financed by USAID/Cairo a few years ago. At that time, multi-million dollar projects were going ahead with no financial or economic analysis whatsoever and as a result major mistakes were being made affecting project profitability. Many of the projects selected (whatever the selection criteria were, a matter which I was never able to clearly establish) were unlikely ever to return a stream of benefits equal to project costs. Particularly at a time of limited resource availability, USAID should insist on financial and economic analysis of all major proposed projects and activities. Such analysis has a major contribution to make in the design and implementation of better projects<sup>2</sup>.

A few of the projects with outside funding or matching grants (related to levels of USAID funding) which make use of CLUSA's methodology and its services for forming associations are listed below:

IFAD - PAMA

CLUSA methodology: 3 districts of Cabo Delgado, 3-4 districts of Southern Niassa, and Maputo. The first two fit in with CLUSA's plans which concentrate its efforts on areas which abut with its core area along the Nampula Corridor.

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<sup>2</sup> Note: Dr. Duncan Broughton, Director of the Food Security project at MAP provided valuable advice on both qualitative and quantitative aspects of costs and benefits of farmer associations.

INCAJU: Association-building for cashew promotion. Carlos Costa (TechnoServe) set down a concept and modeled several aspects in 2-3 pages to address cashew production and marketing & processing.

EC offer Zambezia Namathunda and Southern Niassa Corridor

Consultancy Services Provided by CLUSA:

Local OXFAM Union of Farmers (acting as a consultant, i.e. cost recovery: Veloso from STP's salary is being picked up)

FHI invitation Work on marketing

Assistance to GTZ Scheduled for February 2000.

WVI: Zambezia past training & sharing costs with Tim Russell: info and materials

CARE Continuing training

OLIPA (Means "Solid Thing" in Macua): National NGO is a legacy of CLUSA's work; OLIPA will be given limited responsibility

for one or two districts starting in April 2000 and continued oversight by CLUSA.

## **IV. Programs of NGOs Supporting Farmer Association-Building**

### **IV.1 CLUSA**

#### **Program**

CLUSA has been involved in farmer association development in Mozambique since 1996. The main goal of the CLUSA program is to increase producers' income in program target areas. This goal is accomplished by consolidating and expanding the network of Rural Groups Enterprises (RGEs) to enable them to provide necessary services to their members and other farmers in the areas of:

- ? marketing agriculture commodities, and
- ? agriculture input supply.

The specific objectives of the program are to:

- ? develop a network of viable rural group enterprises,

- ? increase producers access to markets,
- ? develop a market information system,
- ? increase producers access to rural financial services, and thus
- ? improve of the overall environment for rural enterprise development.

The programs includes services to farmers associations and other RGEs in the areas of: institutional capacity-building, business management training and advising, functional literacy and numeracy training, audit, marketing information and agriculture commodity brokering, savings and credit training and information.

CLUSA approach is to establish methodologies and techniques fostering the development of independent group-based rural enterprises. These constitute viable private sector businesses in which smallholders (as the owners) make the decisions for their association, invest their own resources and undertake well thought out initiatives to resolve their own problems. It involves integration of commercial, private sector agents (agribusiness, private traders and transporters) with smallfarmers and women in the development of rural economic development and community-based group enterprises.

The decision to form farmers organizations focused on economic activities goes back to the post-emergency period (1994). CLUSA did not come into its target areas of Mozambique imposing a predetermined strategy. Rather CLUSA adapted the approach it had been using in other countries to the situation of the communities which undertake collaborative agriculture-based rural development. The period when CLUSA came in was one of transition between emergency and development. Work started with 4 districts in Nampula province. At the time, people did not want to hear even the mention of cooperatives or collective gardens (*machambas*); even the concept of association was anathema at first.

CLUSA prepared a proposal based on a sample survey of communities; out of that initial study came the felt need for support in marketing. The program's orientation towards marketing was derived from the communities' perception of what was needed. CLUSA adapted a methodology that it has employed in similar situations in countries of West Africa. This methodology has been adopted in Mozambique and more recently extended to Zambia. The methodology involves low input in terms of goods provided, and high input in terms of developing the ability of farmers to organize themselves to carry out joint marketing operations and eventually to build long-term relationships traders. CLUSA is not involved as a principal in financial operations in Mozambique; it does, however, try to link viable businesses to financial institutions.

The target areas in Mozambique are Nampula (since early 1996) and more recently Zambezia provinces. The program in Nampula covers 8 districts namely, Monapo, Meconta, Mogovolas, Moma, Ribaue, Malema, Mecuburi and Murrupla. Zambezia province (since early 1999) covers 5 districts namely, Alto Molocue, Gurue, Ile, Milange and Mocuba.

## Organization and implementation structure

The program is organized in teams: 2 central technical and administrative support teams (one per province) and 14 field teams (8 in Nampula and 6 in Zambezia) involved with client RGE development at the village level.

The two central teams are formed by:

- 1 RGE development advisor/trainer - coordinator (expatriate)
- 1 RGE business advisor/trainer - provincial coordinator (expatriate)
- 1 senior business advisor (deputy coordinator for Nampula)
- 5 RGE advisors (3 in Nampula and 2 in Zambezia)
- 1 marketing advisor
- 1 M&E/NRM advisor
- 1 administrator/account
- 5 administrative assistant/logistics (3 in Nampula and 2 in Zambezia)

The field teams are formed on average by 5 facilitators/trainers who reside in the community where they work. Each team has a team leader (*animador*) selected by the team members themselves. The training and services are decentralized with bases in the communities. The training is oriented towards business. CLUSA does not believe in subsidies, seeing them as false bases for making decisions. The only aspect of its program that CLUSA subsidizes is training.

CLUSA follows a careful identification process for hiring people, young people in first job, others with some experience, some itinerant traders, farmers, etc. The people hired do not have to be rural but all of those met by the consultants were from rural areas. CLUSA trains them with training of trainers in management of businesses, auto-analysis, feasibility studies, financial training, etc. The training is theoretical and practical in alternatively short periods, totaling about 6 months, and is done in the same area where they are going to work. They also get a driving education course for their motorcycles. After finishing training and installed in their assigned areas, new staff are involvement in the community by assisting producers to organize groups.

Training in the new communities is oriented to local *animadores* (volunteer extension agents), leaders, managers and other members. These agents are generally young people from the same villages selected by their communities to work in the process of economic activity analysis, selection, and implementation. Following the training of *animadores*, as the association begin to grow in terms of its capacity and marketing ambitions, training is directed to board members, managers and other members of the association. Training in existing associations concentrates in the planning and management of their business activities, by-laws drafting and legalization process.

Training subjects include:

- ? Association self-analysis
- ? Conduct of a feasibility study for an economic activity

- ? Market analysis
- ? Techniques on negotiating with buyers
- ? Design and use of basic management and accounting systems for a business activity
- ? Meaning of an association, benefits of working together, what type of association meet a group's specific needs and objectives, basic association principles, rights and responsibilities of members, and association by-laws
- ? Role and qualities for good leadership
- ? Role of the board and other committee members
- ? Introduction to planning techniques
- ? How to plan and facilitate a meeting
- ? Functional literacy/numeracy training. (Four literacy advisors/trainers from a local adult education center, under a sub-contract with the program, are currently providing support to client associations in the area of functional literacy and numeracy.)

**Association development and marketing** (*See summary table at the end of this section*)

CLUSA primary strategy for activity implementation consist of five main elements:

1. Assist client RGEs to market crops that their members and other producers are growing and for which a demand exists. The main crops covered include: cash crops - cotton, cashew nuts, food crops - maize, pigeon peas and other types of beans, groundnuts and rice.
2. Assist client RGEs in identifying crops which members are not producing or are producing in marginal quantities but that have a high market value and an unmet demand (e.g. sunflower, sesame, and more recently pigeon peas).
3. Identify reliable agriculture agribusinesses and traders, both in-country and in the region (Malawi and South Africa), and establish linkages (production and marketing) between these companies and producers which can result in additional economic gains for the RGEs and their member producers.
4. Concentrate on the development of RGE/associations and second-level groupings of associations (fora) as the primary link between the individual producers and buyers.
5. In addition, considering that in most areas of RGE operation, like in most parts of the country, producers yields are very low, identify and facilitate contacts between reliable suppliers of agriculture inputs (improved seeds and fertilizer) and extension training and information sources and RGEs.

CLUSA facilitators transfer knowledge on organization and management of business to the producers. They try to introduce a dynamic among the farmers so the people together fully participate in the diagnostic studies. The process is not at all theoretical, but practical in its nature;

studies and their implementation can take from one to two months. (*See in Annex B summary of services provided by CLUSA to farmers.*)

**CLUSA's association-building methodology includes the following steps and practices:**

1) CLUSA facilitators make initial contacts with traditional and administrative authorities, explain and offer the services. The parts write an agreement on providing services and meeting obligations.

2) If the terms and conditions are mutually agreeable, as a first step, two or three people undertake a diagnostic study of some problem that the community has. CLUSA does not believe in participatory rural appraisals (PRA) when, in point of fact, they are done by technicians, without any real community participation. CLUSA's approach is different and requires the full participation of association representatives in doing the diagnostic. CLUSA facilitators and community members conclude about the activities that can resolve problems (economic, social, etc.) and prioritize solutions to them. One conclusion of the study conducted in Mozambique was that the form and structure of the existing organizations was weak and informal; the decision-making process was not clear. Based on this study, CLUSA developed an assistance strategy. The assistance strategy added to what the farmers already did, but with transparency and full understanding by the entire association. To minimize the weaknesses, CLUSA designed its interventions to strengthen the associations both institutionally and operationally.

3) Next, CLUSA facilitators provide training on feasibility/profitability study methodology with the people and the local facilitators (*animadores*). For marketing, for example, representatives of the associations contact traders together with CLUSA staff. Together, they formulate their conclusions and present their study to their communities. Facilitators help the association members obtain market information, identifying which enterprises are serious about buying products and transmitting this information to the producers. Facilitators from CLUSA help producers negotiate contracts with businesses, traders and warehouse owners (*armazenistas*).

4) CLUSA facilitators train a team of managers: manager (*gerente*), *fiscal* (quality), treasurer, warehouseman, weight inspector, etc. Four or five farmers are made responsible for managing marketing operations for the association. The first organization and training cycle ends with an evaluation, the results of which are communicated to all the members.

Among other findings, the study revealed old type of organizations with no accountability, and no clarity about division of profits. This is all done without a formal structure, with only a supervisory committee. If the first operation works and all are in agreement, then the members formalize their group, transforming it into an association.

5) After the association is formed, the internal development stage begins, and with it the economic development planning, management training, leadership training, statutes drafting, internal regulation drafting, etc. This second cycle takes 8-9 months and is implemented together with concrete marketing activities. Most commonly, the marketing process starts with the search for

buyers by a CLUSA facilitator and association representatives, especially the manager. After estimating the amount of products they can assemble in their warehouse, the association signs a contract with a buyer with the CLUSA facilitator as witness. The buyer sends sacks and transport and sometimes gives a cash advance. In a few cases buyers are reported to have charged for the use of their transport but normally pick up products at the association warehouse at no charge. (The association, in turn, does not charge for the work of its members in loading the truck.) CLUSA has quality inspectors to make sure the people provide products of a predetermined quality (not spoiled or rotten, without excessive humidity, containing no extraneous matter like rocks or earth to increase weight, etc.). The association does not buy products with low quality, wet or in bad conditions. Assured quality (in addition to bulking in a single location) is one of the main advantages associations have to offer to traders. The main actors in this first cycle are the *gerente* (manager), weight inspector, quality inspector, treasurer, warehouseman and a guard. Currently, most products are bulked and sold within a few days. However, initial trials are going on for storage to await expected market price rises; this practice is expected to become more common as association and fora warehousing facilities improve and credit arrangements for inventory storage credit prove successful.

6) By the third cycle, which takes 2-3 years to reach, associations are considered mature, and are expected to understand the techniques. CLUSA managers believe associations will be ready to work largely alone at the end of five years. Some may need a longer time, some shorter. CLUSA's approach is based on the assumption and evidence that one producer has no market power and *even one group has very little power*. Thus, CLUSA has tried from the start to band associations together in a larger group (or forum, composed of six or so associations). Bargaining power is associated with the larger size provided by the forum of associations, equivalent to a federation of cooperatives. CLUSA has concluded that grouping together too many organizations in one forum is counterproductive and makes it difficult for people keep in contact, since their main mode of transportation is walking on foot from one place to another for meetings and other joint activities. Bicycle use is however, more common now, as observed by consultants in their visit to Murrupula. There are 32 fora, some more advanced, others less advanced. A few for a are one-year old but most have just started and are still very weak in terms of their development. The institutional development of the fora is critical to the long-term sustainability of the associations. There are two general meetings of all fora each year.

The organization of the associations into fora changes the dynamics of input marketing as well. By joining together, farmers are able to purchase tens or even hundreds of tons of inputs one at a time. Likewise, suppliers can handle many associations in a single large operation instead of many small operations. CLUSA is engaged in assisting some client association to obtain inputs on credit through the pilot SG2000 initiative.

Some associations have various uses for the profits they earn from the margin they retain to cover the costs of the services they provide. A substantial proportion at the time of field work was held in cash for use by the association for future operations. A few deposit in the bank although they are hampered by the inability of the association to open a bank account on its own since they are still not legally recognized. Some of the money is used to buy hanging or platform scales. Many



associations have opened small stores for retailing basic goods and inputs. They use the profits to pay gratifications to those people who provided services to the association, though the amounts being paid out are still relatively small (usually less than Mt100,000), with some receiving more and others less in proportion to the funds each association has available and the level of effort of the individual. The associations also contribute to the fora's funds based on the earnings from sales through the fora.

After the restructuring of the fora, CLUSA trained a number of animadores associativos (AA) and animadores de extensao<sup>3</sup> (AE). The AAs & AEs are from the community; though working as volunteers, they may receive some small compensation for their work out of profit the associations obtain from marketing margins. The AAs act as organizers for the association. The AE acts as an association-level extension agent, helping farmers obtain inputs and use them appropriately throughout the agricultural year, etc. They receive two weeks training in various production and extension methodologies. The two types of animadores train their member producers in organizational and production aspects respectively. By drawing some extension personnel from the community, long-term sustainability is made more certain.

With the margins on their sales some associations open small stores where they sell some basic necessities. In most cases there were no stores within hours of walking. The association members see the benefit of opening a store in the community as the members have to walk long hours to buy salt, sugar, wrappers, and other primary necessities. Some were considering adding seeds and other inputs.

In the group of associations participating in a meeting with consultants in Murrupula, women were more concerned than the men in having a store in the community, since most of the burden of shopping falls on them. The women would also like to have a maize mill in the association because it takes too long to use mill maize manually (*pilao*). With a maize mill they can make sure lunch is ready in time and with the time saved they could sweep, wash, go early to their fields, and do other domestic services. Members want also to have a shelling machine (*fabrica de descasque*) for their peanuts and other products. The women show great interest in getting involved in association affairs and would like to be trained (just like the men) as *animadores*, and *assistentes* (some of whom are women), etc. Association members also take keen interest schools for their children, health facilities and the supply of medicines for the community. NGOs other than CLUSA (including national NGOs like Concern) are active in assisting associations with these issues, which

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<sup>3</sup> The *Animadores de Associacao* (AA) have as their objective to help the associations grow, and eventually they will be the ones who remain behind when CLUSA leaves. (OLIPA, an NGO formed by some of CLUSA's staff is also expected to continue working in the area.) The work of the CLUSA facilitators is to train the people to form associations, to manage economic activities, and to provide advice on the resolution of problems.

The *Animador de Extensao* (AE) guarantees the formation of the associates in agriculture: providing advice on planting to obtain better production, to improve their cultural practices, the efficiency of input use, etc. They do not have a salary but they do receive gratifications when the associations sell and a profit remains.

CLUSA considers (rightly) to be outside its mandate. Association members also want to rebuild the community livestock with animals like sheep, goats, oxen, etc.

### Sustainability

The vision for the future is based on the existence of a large number of associations, themselves grouped together in autonomous fora, fully legalized, with strong managers, and bank accounts, etc. With the support of the fora, the associations should continue to organize and deliver products and services with efficiency for their clients and members for the foreseeable future.

CLUSA is currently assisting the emergence and organization of a local non-governmental organization, adopting the CLUSA model to carry out the same services in the future. The organization, OLIPA, is composed of CLUSA local staff, presently in number of 15, and the program is expected to carry lower costs and to provide continued coverage to associations and fora. OLIPA's statutes have already been prepared and submitted together with the other necessary documentation documents for the Governor's approval. The members were finalizing their strategic plan by the time this study was conducted. OLIPA is expected to begin operations in April and some staff currently working for CLUSA and will leave to take up positions in OLIPA.

CLUSA plans to subcontract OLIPA to run the program in two districts in Nampula. CLUSA could then act directly in new zones in Zambezia. OLIPA would be accountable to CLUSA, which would continue to perform in an advisory and supervisory role for several years while it operates its own programs in areas where association development is just starting. Besides CLUSA, CARE, EU, and PACT are helping OLIPA to become fully established.

## Section VI: Annex A

## CLUSA RGE DEVELOPMENT PROGRAM: IMPACT PER ANNUM

INDICATOR	Set. 1996	Set. 1997	Set. 1998	Set. 1999
<b>Total No. RGEs Assisted</b>	<b>48</b>	<b>144</b>	<b>237</b>	<b>369</b>
<b>Women owned enterprises</b>	<b>14</b>	<b>27</b>	<b>55</b>	<b>55</b>
<b>Inter-Group Fora</b>	<b>0</b>	<b>4</b>	<b>16</b>	<b>29</b>
<b>Total Number of Members</b>	<b>1,684</b>	<b>5,643</b>	<b>7,136</b>	<b>12,214</b>
<b>No. Of Women Members</b>	<b>434</b>	<b>1,159</b>	<b>1,844</b>	<b>2,333</b>
<b>No. Of Economic Activities</b>	<b>27</b>	<b>163</b>	<b>455</b>	<b>1,039</b>
<b>Different Types of Business Activities</b>	<b>6</b>	<b>9</b>	<b>12</b>	<b>15</b>
<b>Credit Volume</b>	<b>0</b>	<b>68,930</b>	<b>\$354,981</b>	<b>\$800,196*</b>
<b>Reimbursement Rate</b>	<b>n.a.</b>	<b>98 %</b>	<b>99 %</b>	<b>99%*</b>
<b>Members? Equity</b>	<b>\$3,000</b>	<b>\$22,000</b>	<b>\$46,000</b>	<b>\$72,000</b>
<b>Volume of RGE Sales</b>	<b>\$88,000</b>	<b>\$395,500</b>	<b>\$1,037,000</b>	<b>\$2,168,000</b>
<b>Net Income to Producers**</b>	<b>\$73,330</b>	<b>\$285,000</b>	<b>\$747,000</b>	<b>\$1,557,000</b>
<b>Net Profits to RGEs</b>	<b>\$5,685</b>	<b>\$50,000</b>	<b>\$83,000</b>	<b>\$133,109</b>
<b>Total No. Beneficiaries ***</b>	<b>15,405</b>	<b>25,585</b>	<b>59,450</b>	<b>83,580*</b>
<b>Social Investments ****</b>	<b>n.a.</b>	<b>\$40,000</b>	<b>\$62,500</b>	<b>\$120,500*</b>

\* estimated; final figures are currently being processed;

\*\* net income or return on labor for the average user of RGE services from agricultural commodity sales done through the RGEs (it includes members and non-members);

\*\*\* total number of users plus family members (members and non-members);

\*\*\*\* estimated value of infrastructure : roads, storage facilities and other social infrastructure constructed/rehabilitated by RGEs

Source: CLUSA filename: impac99.doc

## Section VI: Annex B

The following services are provided by the CLUSA program:

### A. Training and Advising to Producers

Institutional Development	Creation, legalization and operation of a democratic community based organization
Business Development	Creation, planning, organization and management of group business activities including crop marketing, retailing and rudimentary processing, credit utilization.
Literacy and Numeracy	Basic skills, particularly those relating to beneficiaries' ability to carry out roles in associations' development.

### B. Linkages and Information for Producers

Marketing	Identification and qualification of buyers, market information-prices and demand.
Input Supply	Identification of suppliers, specifications, prices.
Transportation	Identification of sources, availability, costs.
Credit	Identification of sources, eligibility, terms and conditions.
Technical Services	Identification of sources and qualification.

### C. Training of Trainers for Program Staff and Other Development Partners

In addition to the training of local program staff, training services are provided to other development organizations working in the province. The content may include the topics above, general training of trainers techniques, plus a general orientation in the CLUSA strategy and approach.

## Section VI: Annex C

### Technical Assistance to RGE

The process of providing technical assistance to an RGE involves a number of steps. This step-by-step approach, using homogenous and discrete units to transfer needed skills to rural villagers, when followed carefully facilitates the establishment of an RGE. The actual formation of an RGE takes place as villagers go through the process of understanding the constraints to the development of their family farm businesses and identify and implement economic activities that respond to their perceived needs.

The steps include:

### Operation Level

1. Preliminary contacts with the community/RGE (when it exists) to analyze interest of villagers in the program and prepare a village wide meeting;
2. Village wide meeting with community/RGE to present CLUSA Program services and conditions, including potential benefits and responsibilities for participation;
3. In-depth contacts with villagers or members of the group to review step 2;
4. Decision to participate in the program made by the RGE/community group;
5. Service agreement signed;
6. Election of local animators and self-analysis (e.g. analysis of resources, constraints, problems, activities to carry out) by community/RGE;
7. Economic activity selected (EA);
8. Structuring and feasibility analysis of the EA (contact with buyers, suppliers);
9. Plan for financing the EA developed;
10. Financing package approved/put in place (using member capital, credit from suppliers or other financing);
11. Selection and training of management and control committee;
12. Implementation of the EA;
13. Final Evaluation and conclusion of the EA (e.g. for seasonal activities).

### Institutional Level

Once a group goes through a business activity (after 4 to 6 months) they make a decision about setting up a more formal structure for their RGE. This process includes:

1. Final decision about the membership
2. Elect board (5 to 7 members)
3. Develop bylaws
4. Registration

### **Best practices**

1. Conclusions. The associations have an impact otherwise people would desert the groups, which is for the most part not the case.
2. Each activity should be viable. The producers have to do a market or feasibility study before they start any business and see if it is profitable and viable.
3. Literacy and numeracy is essential for allowing members to absorb business skills and for assuring democratic management of the associations and fora, since only literate members can make certain leaders are not using funds and other resources for their own benefit.

## V.2 CARE INTERNATIONAL

### Areas of intervention

CARE's focus is on improving food security for 45,000 vulnerable households in Nampula and Zambezia provinces through its Viable Initiatives in the Development of Agriculture (VIDA) project, which initiated operations in January 1997. The project has two inter-linked components: the Sustainable Oils Enterprise Component (SOEC) and the Sustainable Agricultural Component (SAC).

The Sustainable Oils Enterprise Component works in 11 districts of Nampula Province and 5 districts of Zambezia province. Its goal is to increase domestic production of sunflower and sesame for edible oil production in rural areas and to promote manually operated presses for the production and sale of edible vegetable oil. In all 607 presses had been sold at the time of fieldwork. Presses were for the most part provided to individuals rather than associations; buyers were provided commercial credit for the purchase of the presses (4 months term) and most of these loans have by now been paid off. CARE has in effect created a market for these presses and now two Mozambican engineering firms are building these presses and a wholesaler in Nampula is selling to the local market. Presses located in the project's target districts have stimulated the market for oil seed producers and encouraged the rapid expansion of oil seed crops. The major industrial processing company located at Monapo is now also buying these crops in competition with local press owners. Press-owners have found it advantageous to set up a press-owners' association to improve their ability to compete for the purchase of sunflower seed. SOEC works closely with other institutions (SEMOC, INIA, etc.) on seed supply; seed multiplication is done commercially by farmers with CARE playing a facilitating role in obtaining pre-basic seed.

The Sustainable Agricultural Component (SAC) works in five districts of Nampula province and focuses on the production and marketing of maize, pigeon peas and groundnuts. These crops were selected out of a longer list of crops with good market potential, including tobacco, cotton and cashews. Tobacco is a difficult crop for USAID to justify financing; cotton was already well supported by the cotton companies and WVI already was heavily involved with cashew promotion to improve farmers' production skills, diversify crop production and facilitate linkages between traders and smallholder farmers. SAC provides technical assistance for the production of the three crops and organizes associations along the model developed by CLUSA. SAC in turn provides production assistance to CLUSA associations. SAC is also involved in input supply mainly seed but some fertilizer, and works closely with SEMOC and seed multipliers, INIA, and others. The ultimate objective of this is to facilitate the sale of seed to farmers through the private sector with the support of technical public institution like INIA. SAC extension agents are now working in 134 communities with 140 farmer associations.

SAC and SOEC were originally designed as components of a production project with a marketing component. Now the project's focus has been reoriented more towards marketing.

Production assistance is required to achieve a volume and quality of production for which market outlets have been arranged by the farmer associations with CARE's support. Both marketing and production assistance are necessary element of the project's success.

### **Organization and implementation structure**

CARE basic structure includes VIDA project coordinator responsible for the overall co-ordination of the project: SAC and SOEC. SAC has a component manager as well as an agronomist responsible for supervision of the SAC field supervisors and extension agents who work in five districts: Malema with 6 extension agents, Ribaué with 7 extension agents, Mecuburi with 6 extension agents, Nampula with 6 agents, and Mogovolas with 9.

SOEC has a component manager and a deputy component manager. In addition, an agronomist assists with the supervision of field staff who work in 11 districts: Mecuburi, Meconta, Erati, Monapo, Murrupula, Nampula, Mongincual, Malema, Ribaué, Angoche, and Mogovolas with about 1 to 2 extension agents in each. Other VIDA project senior staff include a project administrator, a training officer, a monitoring and evaluation officer, privatization officer (focused on SOEC activities), a marketing officer (focused on work with associations). CARE is currently recruiting a nutritionist to be responsible for the new nutrition component and an agronomist to assume responsibility for horticulture activities.

CARE has a marketing officer as part of its senior staff who co-ordinates the work with farmer associations. There are two marketing agents in each of the five SAC districts who help farmer organize into associations and then provide training and support. The project also has a network of extension agents who concentrate on the production aspects of the project but also help in the work with associations. Both the marketing agents and the extension agents live in the district towns and work in a number of communities.

CARE basic training program includes agricultural training which covered agricultural techniques (seed production and multiplication, on-farm trials), principles of plant protection for focal crops, extension methods, and processes of formation. Training has focused on strengthening groups, with topics such as the organization and management of farmer groups/associations, basic financial management, and record keeping. In addition, CARE's program includes the introduction of new varieties, training in sustainable agriculture techniques (such as intercropping) and appropriate post-harvest storage techniques. A training program to cover these topics has been developed for DPAP extension staff. SAC staff learnt the skills of association building from CLUSA and in return has provided TA on production to CLUSA associations.

### **Marketing**

SAC staff uses the associations as the principal marketing vehicle for participating farmers. It links associations and other farmers to the traders for crop sales, and participates with the DPAP, WVI and CLUSA on providing farmers with market information. The DPAP leads this latter process.



VIDA collaborates with the DPAP, WVI, and CLUSA in providing market information to farmers through bulletins, blackboards, radio announcements, etc. VIDA assists farmer associations in making contacts with traders. Following negotiations, contracts are signed between the associations and the traders and CARE as a witness. The traders provide advances to the associations who then purchase produce from their members and others in their communities. When they have accumulated the agreed-upon quantities the trader provides transport from the associations' warehouse to the own warehouses. CARE helped initially by bringing scales when sales were arranged. Subsequently many associations have now bought their own scales. Others work with scales provided by the traders.

The project helps association members learn to estimate their production in order to facilitate the signing of contracts with reasonably accurate production estimates. However, farmers still have problems doing estimates of the production making planning difficult. The tradition makes it difficult as they compare planning to know the sex of a baby before delivery, which is for them simply impossible. The more experienced association members become facilitators (promoters) who are expected to continue the work after the project ends. In the future each association will have a voluntary extension agent (*animador*) who will work with other farmers in the association. Each forum (made up of associations) will also have a senior extension agent who will play a role in training the other agents. It is expected that these agents will receive some form of remuneration from their respective associations or forums.

CARE started organizing farmers at the end of 1997 as groups and in 1998 as associations; farmer groups were not initially involved in marketing. In 1997 there were 121 groups. By 1998 49 associations had been established and by 1999 the number of associations had grown to 155 with a total membership of over 6500 (just under one third of them women). None of the associations is legally recognized yet, but CARE is working with them on the process, which is a slow and expensive (discussed elsewhere in this assessment). During the course of the year 2000, CARE plans to help interested associations organize into forums. SAC extension agents began working in 90 rural communities with 120 farmer groups during the marketing season just concluding (May 1998-April 1999). SAC - assisted farmer groups are reporting favorably on the marketing experience, reporting decent prices, and transportation by the trader. Below are the sales by association:

Product	Amount sold	
	1998	1999
Maize	293,775 kilos	981,108 kilos
Groundnuts	51,489 kilos	74,998 kilos
Cowpea	69,138 kilos	237,670 kilos
Pigeon Pea		315,138 kilos
Total sales	2.050.000.000 Mt	2.525.695.700 Mt
Margin	85.000.000 Mt	280.350.200 Mt

Note: At the time the fieldwork for this study was being carried out (October 1999), associations were still selling other commodities.

Oil seeds marketing is done straight to oil press owners and now in Monapo. Sunflower is seen as a good cash crop at present, and where sesame is grown it has now become a sought after crop. Over 25,000 farmers now produce sunflower or sesame in Nampula. About 40 tons of white sesame seed was produced last season and is now in heavy demand by growers and the market.

### IV.3 WORLD VISION

#### Program

World Vision International Mozambique (WV-Mozambique) has been active in Mozambique since 1984. Its multi-sectoral program to restore food security in central and northern Mozambique after years of war and drought which affected smallholder farm households. In 1992 WV-Mozambique began to shift from relief to development and established a multi-year development program focusing on the following areas:

- ? Agriculture (production and marketing);
- ? Health and nutrition (mother and child health services and practices);
- ? Water and sanitation (infrastructure, services and practices); and
- ? Infrastructure rehabilitation (farm-to-market roads, health posts).

A major component of WV-Mozambique development program has been the PL480 Title II Development Activity Proposal (DAP) started in FY 97; the most recent DAP started in October 1999. The overall goal of the DAP is sustained improvement in household food security. The DAP recognizes that constraints on food availability, access and utilization are the most critical and fundamental hurdles to overcome in an effort to attain greater household food security. To achieve this aim, the DAP proposes four specific objectives:

- ? Improved agricultural productivity and use of natural resources;
- ? Increased access to and participation in markets;
- ? Improved on-farm storage and food processing; and
- ? Improved health and nutritional status of mothers and children;
- ? Technical assistance, training, and operational support to community-based agriculture groups, local government, and non-government institutions.

The selected target area for the DAP includes areas with high incidence of food insecurity coupled with strong agriculture potential. DAP coverage includes Zambezi River valley, Nampula, Zambezia, Tete and Sofala provinces; however, activities are concentrated in Nampula and Zambezia. The districts in Nampula are Erati, Muecate, Meconta, Nampula, Gile, and Nacarroa. The districts in Zambezia province include Morrumbala, Nicoadala, Namacurra, and Gurue. In Zambezia Valley, the districts are Caia and Mutarara.

The World Vision through its special monetization handles the sales of grain donations to finance its development activities, facilitates the distribution of agricultural inputs through linking retailers, private sector and farmers, promotes crops production and microenterprise development. In the past, WVI supported radio programs to disseminate market information but no longer does so, having been replaced by government in this task in some areas. The assistance provided to the farmers include also improving production technology, improving cashew tree production, developing agroprocessing enterprises, developing on-farm storage, training in

business management and assistance in marketing. In past years WVI was also involved in livestock promotion.

Other assistance included improved seed and seed selection, application of manure, crop rotation and diversification schemes, tree planting, controlled, and improved storage. These practices introduced and/or promoted by WV-Mozambique that increase the availability of food through improvement in crop yields, risk reduction, and conservation of resources and the productive capacity. Increased crops sales, especially later in the season when prices rise, and new off-farm wage opportunities enhance the purchasing power of rural households and hence their access to food, health services and education. Improved on-farm food storage and processing, diversification of crops produced, and higher cash incomes broaden the selection and quality of food consumed and contribute to greater and nutritional status of rural households. Through these methods and others WV-Mozambique aims to achieve the DAP objectives and broader development goals.

Progress has been notable in the development of agricultural groups, using them as a focal point for on-farm training, planting demonstrations plots and doing field trials, including basic grains, fruit and forestry development, and increasing focus on the marketing of surplus production. Research activities have been transferred to Government (INIA).

### **Organization and implementing structure**

WVI has a total of 258 professional staff, technical specialists, and supervisory staff. Of these, only nine are expatriate staff. The fields in which this staff is specialized are the following: business management, plant physiology, plant breeding, cashew production, soil science, agronomy, agriculture extension and community development. WVI implements its program through extension workers coordinated by the agriculture department and the marketing department which also include training and research. The extension staff of 249 includes agronomists and support staff. All staff has been trained in some or all of the modules. The marketing extension staff is mostly medium level. The extension agents either work in conjunction with government extension agents or alone (because there are no government extension agents in some areas). The extension workers leave in the communities in houses built together with the community members. The staff distribution is given below.

**Non-Degree Staff**

Staff Specialties	Area			
	Nampula	Zambezia	Zambezia valley	Total
Marketing	13	10	0	23
General extensionists	63	41	17	121
Business Development/Agroprocessing	2	6	1	9
Cashew	10	6	0	16
Research/seed	3	0	1	4
<b>Total</b>	<b>91</b>	<b>63</b>	<b>19</b>	<b>173</b>

**Degree Staff**

Staff Specialties	Area				Total
	Nampula	Zambezia	Zambezia valley	Maputo	
Management	3	6	2	3	14
Research/Extension	2	1	0	0	3
Marketing	1	1	0	0	2
Cashew	2	1	0	0	3
Business Development and Agroprocessing	2	1	0	0	3
<b>Total</b>	<b>10</b>	<b>10</b>	<b>2</b>	<b>3</b>	<b>25</b>

WVI taught government people in the areas where they are working group formation techniques (SPER extension agents). Currently the government provides extension services to only approximately 25% of rural households and does not plan to hire more extension staff. Working at current capacity, the government cannot cover the entire country, nor is the budget and number of staff to do so. Government looks to NGOs to work in partnership with their staff. If WVI were to withdraw, many of the areas it works in would have not extension service at all. In some areas, WVI and government extension agents work together to provide services for farmer associations.

On strengthening the government agriculture services, World Vision works together in the planning and implementation of extension services, provides on job training for government technicians including formal extension methodology training, and shares information at monthly meetings with the government. World Vision operates in a mix of high and low productivity areas. The WVI associations visited during the course of field work showed some independence from the technicians and in some districts have evolved to the level of having their own fora. At the end of June 1999, the distribution of farmers groups was as shown below. Production-oriented groups still far surpass RGEs in number; such groups at present account for a little more than one quarter of all groups assisted by WVI.

**Farmer Groups and Rural Group Enterprises**  
Assisted by World Vision

Group type	Nampula	Zambezia	Zambezi R. Valley	Total
Production groups	383	321	198	902
RGEs	177	90	87	354

### Marketing

Linking private sector enterprises with associations is part of the WVI marketing strategy. Within this approach, World Vision assists associations' in increasing their production to commercially attractive levels, linking traders, commercial enterprises to associations and linking commercial equipment service and sale facilities to farmers. WVI has in the past two years shifted the emphasis to marketing and group organization. WVI teaches agricultural methodology (technology) to farmer groups, but as the groups mature and begin to focus on moneymaking activities involving marketing, WVI supports group strengthening to make them better able to manage their business affairs. WVI assists them in making market linkages and helps them with the legalization process so that they can sign contracts and borrow money. WV works with nearly 1200 agriculture production and marketing groups, of which slightly more than 900 are production groups and slightly under three hundred are marketing groups. More than 8,385 training sessions (field days) have been held.

Under the WVI association-building methodology, a marketing assistant is assigned to work with associations in a given locality. The assistant meets the traditional and administrative authorities, explains the WVI marketing-support program and the advantages farmers find in selling as a group rather than individually. Open meetings are also held with all members of the communities of the locality who are interested in participating; the message at these meetings is the same: explanation of the advantages of group-marketing. After this initial contact, community members who decide to join the program organize themselves into groups. The association-building practice and training package includes explaining to the group the need to have leaders, a name, and space for the association. The leaders and the association members receive training in various modules (described below). This process is preceded by an agreement between both parts whereby the associations declare their interest in training and their willingness to build some simple facilities, such as a shelter in which to hold meetings and a warehouse for temporary storage of products and supplies.

A series of training models has been developed to help organize and operate commercially viable farm associations. The modules (prepared by the FAO People's Participation Program) cover group self-evaluation, group organization, business development and plan, marketing and legalization. ORAM also teaches villagers about their rights with respect to land and also provides assistance in legalization of associations. The training modules are used to train both extension personnel (future trainers) and farmer groups and do not include literacy and numeracy activities. The goal is to establish profitable independent enterprises with effective linkages to private markets and public services.

WVI has recently developed an innovative partnership with several private firms, public agencies, and NGOs (INCAJU, INIA, Bayer, Entrepoto, Agrifocus, ADPP, and ADRA) to design and carry out critically needed cashew fungus research trials. Following these trials, private companies will finance programs to supply inputs and credit, and to promote whatever technology proves to be successful in the treatment of fungus. Establishment of local small businesses will be supported to provide spraying services in cashew growing areas. Adoption of spraying to combat fungus is already occurring spontaneously along the Tanzanian border where the technology originated and where raw cashew prices are high enough to justify the added cost.

Finally, discussions are underway with private companies (SEMOC, Agrifocus, and AGRIVET) to establish linkages between the private retailers and farmers organizations to sell commercial inputs. The companies have agreed to experiment with different methodologies designed to ensure that commercial inputs such as seed and fertilizer can penetrate the countryside. World Vision supports these efforts with crop and market research and its extension network.

**WVI Program Budget**

	FY 1997	FY 1998	FY 1999	FY 2000
SOAG	\$0	\$1,382,469	\$1,382,469	\$1,270,298
Monetization	\$3,617,253	\$3,940,398	\$4,093,309	\$3,237,814
202 (e)	\$142,560	\$142,560	\$147,840	\$147,226
Total	\$3,759,813	\$5,465,427	\$5,623,618	\$4,655,338

## **IV.4 FOOD FOR THE HUNGRY (FHI)**

### **Areas of intervention**

Food for the Hungry's involvement in relief operations in Sofala province began in 1989 responding to a food emergency caused by the war. By 1990 FHI had already begun the transition to development activities based on food-for-work and focus on agricultural production, income-generating activities and rural employment creation. The new program starting in 1994 included components for agricultural extension, human resource development, research, seed supply, and agribusiness development. A new program covering the 1997-2001 period continued the focus on food security, increasing farm production and raising rural incomes through support to production, marketing and enterprise development; another part of FHI's activities focused on maternal-child health through better nutrition and reduction of morbidity.

On the farm and rural income side, the focus was on adaptive agricultural research, extension in food and cash crops, crop marketing and rural enterprise support. The geographic area of intervention includes the Nhamatanda district of Sofala province and Marromeu district. Recently Gorongosa district has been added and integrated into FHI's general program. Extension activities, access to inputs and credit and marketing activities are channeled through farmer associations. Agribusiness activities are for the most part independent of the associations.

Adaptive research focuses on largely on low-input and environmentally sound agricultural technologies for maize and other staple crops as well as technologies for high-value cash crops. The goal of this research has been to provide the basis for extension messages to farmers to increase yields, food supply and incomes. Extension messages being carried by FHI extension agents stress marketing as well as production, working in groups, and coordination in nutrition areas with the maternal-child health and nutrition component of the project.

### **Organization and implementation structure**

Extension agents now handle a broad spectrum of tasks (production technology, groups formation and strengthening, and marketing). Each agent works with six groups, averaging 30 members each. Coverage within individual communities varies from 15 to 30% of the community. Intensification of groups within the same communities might not bring greater efficiency since messages attempting to be gotten across penetrate even to non-members. Increasing the numbers of groups would probably involve extending the coverage to more remote and marginal geographic areas and thus increase cost per beneficiary. Many of the extension staff have had up to 5 or more years working with FHI and have had a chance to absorb its approach and methodology. The average education level of staff is relatively low and they benefit from the experience and close weekly contact with supervisory staff. Supervisors are drawn in part from market support units and thus can provide extension staff with good back-stopping in marketing.

### **Association development and marketing**



FHI's Crop Marketing and Storage Team keeps abreast of market conditions and opportunities and marketing cost information, providing this expertise to the Rural Enterprise Development Teams and extension units for transmission to farmers. Enterprise support has been largely in the form of training farmers on how to produce for and operate in the market.

The Extension Team works to ensure that farmer groups continue to sell their products. Extension agents have been trained in association formation and development and are working to build effective farmer groups. Marketing training is new in FHI and the training department is putting emphasis on it. Both the Marketing and Extension Teams train farmers on how to make their own decisions through the provision of increased market information and marketing training. As of the present time, the groups do not yet seem to have adopted common objectives and strategies for marketing and association development. The sense of "*a common group acting in a strategic and organized manner for a joint and private benefit*" is still very weak in the associations. Association members occasionally sell their products as a group, but in the groups visited by consultants many still market individually.

FHI is working in Nhamatanda with 24 formal associations, 6 of which are considered viable. They are working with 17 "grupos de productores economicos" (GPE) which are groups of farmers working together to market their produce. For the 99-00 season, FHI aims to form/work with a total of 90 of GPEs in Nhamatanda (including the original 17). In Marrromeu, FHI works with 13 "associations", 9 of which are considered viable. They are registered with the UDAC, but have not gone through all the steps to become truly "formal associations." For 99-00 agricultural season, FHI aims to form/work with a total of 22 GPEs. In Gorongosa, the association development is beginning this year. The goal for 99-00 is to work with 72 GPEs.

Many of the groups now being transformed into associations were originally formed during the period of the emergency to assist with distribution of supplies of food and other essentials and free crop inputs needed to keep assisted families alive. Some groups clearly have not modified their orientation to take account of the financial opportunities that are increasingly available to organized groups of farmers. Such groups continue to meet but lack a group purpose, thus are slow to avail themselves of the benefits often being obtained by new groups who organize based on a common interest only achievable by joint action. Efforts of FHI extension staff on such groups are largely wasted in terms of the financial results obtained by the groups. New groups are being formed around financial opportunities open to the groups. Most of these groups have been in existence for one or two years at most. Second-level groups (fora) have not yet formed.

Some of the groups also appear to be located where marketing opportunities are such that group marketing is unlikely to result in benefits sufficient to offset the organizational costs to members of such efforts. Others are located in areas where group marketing efforts are likely to be effective. Farmers in both groups visited appeared to be doing reasonably well on their own, without joint marketing; in such cases, it is difficult to see what further assistance FHI can provide them. Where groups are still concentrating on obtaining hand-outs of one sort or another, FHI should consider putting them in contact with the organizations and turning them over to donors who continue to

provide this type of assistance. Abandoning such groups, while concentrating on new groups formed specifically for economic purposes achievable by group action, may be a better use of FHI resources.

FHI has established good relations with some of the major traders in Beira on behalf of its associations. It has acted aggressively in assisting farmers to get products bulked at collection points accessible to traders' trucks. The use of FHI transportation resources (in some cases) may have been a key factor to initiating the first operations with traders, based on traders' payment of direct costs for the use of these resources. This use of resources appeared to be appropriate, given the following facts:

- ? FHI had these resources and alternative transport was not available in the zones where they were and
- ? farmers had significant quantities of products available in remote areas, which otherwise it might not have been possible to get into market channels.

The operation constituted a one-off catalyst initiating marketing operations rather than a year-after-year element of trader-associations marketing arrangements. It is important to note that the traders paid for the cost of mobilizing FHI transport resources (i.e., paid the variable costs associated with mobilizing existing and otherwise unemployed FHI resources). It should also be noted that many trucks destroyed during the war still have not been replaced and even the biggest traders are short of transport to meet peak marketing demands.

Even repeat use of FHI transport resources in areas of difficult access or marginal areas where new groups are being formed could be considered. Once the business contact is established and both buyers and sellers are satisfied with the way it has work, deals between traders and associations will continue in the future without further FHI intervention.

Major traders were invited to a general meeting organized by FHI for the benefit of the consultants; they presented a very positive picture of their commercial relations with groups organized by FHI. The traders appreciated the role associations could play in improving marketing. Given the limited amount of time consultants had in Sofala, the meeting provided the only opportunity to meet with major traders and to hear their views on FHI and its associations.

FHI's facilitation of the work of ORAM appears to be useful and appropriate. One farmer group knew about ORAM and mentioned its being located in a nearby town, although it had not yet come to assist them in resolving their land problems.

In some areas where FHI has been able to assist traders to come in and buy significant quantities of products (50 MTs and above), the price traders offered the group has then become the floor price below which other farmers are unwilling to sell their products. Thus the benefits accruing to these group efforts accrue to non-members as well as farmers who are members of the groups, even those not selling to or through the association. The agronomic advice being provided appears to be appropriate, necessary, and responsible for production (and income) increases.

Farmers sold 45 tons of sesame initially in Nhamatanda (with direct FHI involvement); they then sold additional tonnage directly to the buyer with no further FHI assistance at a price which they were satisfied with and with transport costs being picked up by the trader. As a result of FHI's initial involvement, a relationship has been established between a group of farmers and a major trader that will be valuable to them both for years to come. Furthermore, because of the lack of other buyers, farmers would otherwise have sold only a fraction of their production, done so individually and in small quantities spread over a larger time span, and would have incurred transport costs. Other farmers in Nhamatanda and Gorongosa organized by FHI sold 90 tons of maize.

In Marromeu, farmers sold 10 tons of rice at a favorable price (Mt 2000 less Mt 500 for transportation to Beira), while others managed to sell quantities of sesame that they never before had been able to market in such amounts. The local market can absorb only small quantities and over a large amount of time. Marketing of pigeon pea in Marromeu, Nhamatanda and Gorongosa is still in progress but the expectation is that about 34 tons will be sold. Per hectare yields vary from slightly higher over double those of maize, and labor demands are less than maize. Most farmers have never sold pigeon pea, but only used it for on-farm consumption only. The fact that this crop is now being exported to India represents an excellent opportunity for small farmers. Marketing of chili peppers is also in progress in the same districts. Like pigeon pea, this crop is being exported on a scale never before seen by farmers in Sofala. Per hectare yields average about 300 kgs/ha, the price is 10.000 Mt/kg.

### **Recommendations**

FHI management should organize a process of group selection of groups have real economic goals, which FHI can help them achieve and build toward long-term sustainability.

Where FHI has provided financial resources or equipment provided on credit and still not fully paid, groups should be billed for outstanding balances and requested to formulate a payment schedule which pays off the remaining balance within 12 months if at all possible. They should then receive monthly statements to help them adhere to the payment schedule. This approach will help groups to better understand the need to respect contracts when doing business and to establish a credit rating which will stand them in good stead as rural financial services now on the horizon become available.

With older groups, FHI has to get across the point that free assistance is a thing of the past and that the cost of valuable resources have to be reimbursed. With new groups, FHI is getting this point across, as evidenced by departure of some members attracted only because of their expectation of free seeds and other inputs. FHI needs to get across the message that at certain times it can facilitate access to resources only until such time as the market in conjunction with the association can provide them. At this stage, however, full cost of providing the resources provided needs to be recovered.

Where resources (like bicycles for lead farmers) are provided, a signed contract covering rights and obligations is necessary. This constitutes part of the business training FHI is providing.

FHI need to improve the assistance strategy for farmer associations' development. Extension agents need further training on market approaches and perform closer follow up on the first stages of the development of the association. Extension agents-marketing officers have to understand the community social organization, structure, habits and tradition and how association members are involved in the production. The focus on marketing has to start from a clear understanding of the producers' social organization.

Within the assistance strategy emphasis should be put on strengthening the association internal organization. Their leaders have to be very carefully selected among members who are influential and well-respected in the community. Association representatives have to have their responsibilities very clearly defined and the association structure should be built in ways that encourage wider participation from all members, including young people and women. We recommend the association manager to be someone dynamic with some business experience. Members with lower educational levels and limited current levels of participation, should be incorporated more fully in the activities of the group; this can be accomplished by giving them roles in assisting association representatives in their activities.

FHI marketing specialists should facilitate contacts between buyers and representatives of each association. As its experience develops, the association should increase its role in making repeat contacts, with the marketing specialists playing a purely advisory role. The marketing specialist should spend more time evaluating and monitoring the commercialization process and advice for new techniques and strategies for improving it. The marketing specialist should make sure the training package for the marketing officers is the most appropriate and that the assisting methodologies are the most adequate. The marketing specialist should also assist the government in developing a marketing information system in connection with the private sector.

## IV.5 ACDI/VOCA

ACDI/VOCA is the institution which created by the merger three years ago of ACDI (the Agricultural Cooperative Development International) and VOCA (Volunteers in Overseas Cooperative Assistance). ACDI was founded in 1963 to promote coops overseas. VOCA was founded in 1970 to provide short-term technical assistance from American cooperative community to cooperatives overseas; this mandate has since been extended to supporting rural entrepreneurs other than those organized strictly as cooperatives. The merger was the result of several factors. The two institutions were membership organizations of large agricultural cooperatives, their mandates and programs had by that time converged, they had many of the same board members, their separate offices were physically located within the same building, and both were both engaged in promoting cooperatives and agribusiness overseas. ACDI/VOCA is heavily involved in Eastern Europe (about 67% of its business) but also has significant activities in Africa (24%). Putting more money in farmers' pockets is its goal. The way it achieves this goal is by focusing on agribusinesses and rural enterprises.

Its program in Malawi, the Smallholder Agribusiness Development Project (SADP), is of particular relevance to Mozambique. The "Best Practices" international consultant had the opportunity to observe this project at its inception. The project started in late 1994 with farmer clubs, each with bank account for use in its tobacco crop marketing. Payment for tobacco sales are deposited into club's bank account with Malawi Rural Finance Company; proceeds of tobacco sales thus cover input loans and interest charges with the remainder being divided up among the members and the club itself. The project's methodology is remarkably similar to that of CLUSA's program in Mozambique. In order to build up economies of scales, 10-12 clubs (250 members) form a Group Action Committee and 4 GACs would form an association (a federation of clubs, which is legally registered under the Trust Act). Better prices are negotiated for trucking contracts and associations are also able to obtain assured delivery of their tobacco during the short tobacco marketing season, on-time delivery of inputs, and the establishment of an input supply store by one of the associations. Other associations are negotiating better fertilizer prices for their members by breaking down bulk purchases to GACs and thence to village-level farmer's clubs for distribution to member farmers. A national federation called the National Association of Small Farmers of Malawi (NASFAM) was established in 1997. At that time there were 8 associations with a total of 12000 members; these numbers have grown to 22 associations with 30,000 members at the present time. So you end up with a vertically integrated marketing organization operating on the product and inputs sides. Principal benefits to farmers take the form of higher incomes resulting from a more rapid and efficient market chain, cheaper transportation, cheaper inputs and a set of training sessions which allow farmers to go about their business more efficiently. Training is supported by 9 Agribusiness Development Centers (ADCs) which bring training out to the associations and provide training to farmers. Training materials are available in English as well as Chichewa and Timbuka; this is worth noting since Chichewa is almost the same as the Nhanja which is spoken in Tete Province. Business skills training is stressed as well as organizational development training in the rights and responsibilities of members and boards, and training in business profits and loss calculation and accounting is also provided. The system works because individual members benefit from it; the

system grows because non-members recognize that the system is providing benefits to members and they form farmers' clubs of their own to participate in these benefits. Farmers are diversifying out of tobacco and into other high value crops. For example, farmers in Mulange have begun growing chilipeppers, while those in the north grow arabica coffee which they export themselves through Tanzania, eliminating the Smallholder Coffee-Grower's Association of Malawi (SCAM) which in the past appropriated much of the margin now retained by the farmers. Farmers are also moving into cotton. ACDI/VOCA is assisting farmers in looking for specialty crops and for niche markets. ACDI/VOCA has pursued Certification that crops are organically grown and has obtained fair trade stickers for their production as smallholder cooperatives or associations. ACDI/VOCA's Mozambique program is following these same kinds of interventions with respect to ginger producers.

ACDI/VOCA's program in Mozambique started in 1997 and is centrally funded by USAID/Washington's Bureau of Humanitarian Response, Office of Private Voluntary Cooperation (BHR/PVC). Its focus is on agribusinesses and rural enterprises. ACDI/VOCA's funding is US\$785,000 over 4 years (June 1997 to May 31, 2001). The same grant (totaling US\$3,750,000) funds activities in Mozambique, includes similar programs in other countries (Brazil, Philippines, southern Ukraine) and for building a rural finance unit at its headquarters in Washington.

ACDI/VOCA's main office for Mozambique is Beira where it works with other NGOs, linking farmers with markets. Most of the work is in Sofala but coverage also includes Manica and even Zambezia, Nampula and Tete. ACDI/VOCA works principally with FHI and GTZ (Manica) in strengthening associations in whatever activities they are concentrating on, principally by providing consultants for specialized problems. Its headquarters in Washington finds volunteer consultants who come for 2 weeks to 3 months. In all, 17 projects have been carried out since 1997. Its activities include piripiri processing with FHI, sales of ginger to Europe making contacts with traders, solar dryers, and association development (including training in organization, planning, marketing and leadership).

Because ACDI/VOCA was not here during the emergency period, its association development is not linked with health or other programs. Thus, its assistance can be very focused on the goal of putting more money in farm's pockets.

ACDI/VOCA has submitted a concept paper to USAID for a Development Assistance Program (DAP) whose central activity would be association development in Manica province using the model proven in Malawi. Manica is an area where none of the major NGOs is currently working in association development; it has good marketing outlets down to Beira and up to Zimbabwe and better soils than Sofala which make it possible for a wider variety of crops to be grown. Due to monetization constraints, the Concept Paper was not developed into a full proposal, and the DAP has so far not been approved. Funding is ACDI/VOCA's biggest constraint right now for expansion of its program.

## IV.6 TechnoServe

TechnoServe (TNS) has been providing technical assistance to agroprocessing and agribusiness enterprises. TechnoServe has worked with associations around the world, and is focussing its interventions in Mozambique on linkages with agribusiness and agroprocessors to enhance cost-effectiveness and sustainability of association-building. It has provided assistance in market research, cashew processing, peanut shelling, oilseed pressing, crop storage and input supply aspects of agribusiness. They have concentrated on crops with a high commercial potential and have stayed out of crops like maize which despite being grown commercially by many farmers have a lower potential for profit.

TechnoServe is convinced that the most successful organizations are those working with agribusiness, in bulking and storing, and ultimately in input supply. It focuses on high-value, profitable cash crops and believes that increasing productivity is a key factor in profitability and that associations have a very important role to play in raising productivity through timely and accurate technical assistance and access to inputs. Their profitability is not based just on sales of products. Associations need to increase their involvement in input supply.

TechnoServe has been studying the cashew market in Mozambique as well as in Tanzania and Ghana where it also works. TechnoServe is heavily involved in encouraging the establishment of small cashew factories in areas where the associations are working. The small cashew factories will have a drainage area and by paying better prices encourage interest in the crops. Proximity of the local factory to the farmers supports compliance with input supply repayment. Based on this assessment, TechnoServe is planning on becoming involved establishing a credit program with an initial capital of approximately US\$800,000 to supply inputs for improving cashew production. Cashew prices are increasingly attractive despite the negative impact of the duty levied on raw cashew exports. Farmers have been getting a higher percentage of the world price of raw cashews as time goes on and cashews constitute the second most important crop in terms of association marketing activities for CLUSA-assisted associations last year. The importance of this crop is likely to rise in the future as production rises in response to favorable marketing prospects and demand from new local processing and the export market.

TechnoServe notes that agribusiness has responded positively to the formation of producer organizations. Many traders are pleased with the results they have obtained so far in working with the associations. Cotton companies would also rather work with associations than with individual farmers. Value added (and hence bargaining power) for the associations is based on 1) volume, followed by 2) quality of product, 3) ease of pick up and 4) availability at right time and right place.

TechnoServe believes that government will not have the ability to pay for extension, and that associations can perform the extension function in conjunction with input supply. An extension agent paid by the association who is working for the farmers and fails to provide good service will be out; this clear link with responsibility for service provided is absent in the case of Government or even NGO extension agents. Private industry and input supply companies are generally not going to

see sufficient margins with small holders to establish an extension network. Agents of private companies can be source of expertise but the association will control input distribution.

In some cases, associations may be able to process products efficiently as well. Initial levels of processing of cashews, for example, could be done by associations or fora either directly or working in joint ventures with private entrepreneurs. In the case of processing confectionery varieties of groundnuts, TechnoServe believes that partnerships with private sector processors are more likely outcomes. Efficient processing of confectionery varieties of groundnuts is capital-intensive and dependent on established relationships to major users. Mechanical-shelling and grading services provided by the private sector to produce several grades of groundnuts, each destined for a particular segment of the domestic and export markets: large-size for Europe, medium-size for a South African chocolate factory, small-size for the Maputo market, and broken for the local *matapa* market.

TechnoServe is also working on finding the right combination of storage and inventory holding with credit to finance input supply needs and maximize farmer profits for selected crops. Products in storage can provide a guarantee for the credit farmers need to finance inputs for the next planting season. For example, long-duration varieties of pigeon pea are harvested in September and October but now have to be sold immediately in October before price drops in India. An alternative strategy is to store them until March or April when prices rise again. Since the farmer needs money in December and January for inputs, the inventory stock of pigeon peas in storage could be a guarantee for loans to pay for inputs. This scheme is being tried on an experimental basis with CRER and a small number of CLUSA-assisted associations in Nampula. Discussions between the consultants and the manager of the Nampula branch bank indicate that private banks might also participate in this type of operation together with finance institutions like CRER; bankers in general are more comfortable with collateral-based lending, with inventory lending falling into this category. TechnoServe's discussions have also led to the same conclusion: some banks might be interested in this type of lending for associations and fora.



## **IV.7 CREDITO PARA EMPRESARIOS RURAIS**

CRER is a microfinance project established under the auspices of CARE in Nampula province providing working capital loans between 300 000 and 8 million meticaís to small businesses in Angoche, Moma and Malema, using solidarity groups of 3-5 people. CRER has also confirmed a strong propensity for formal savings in rural areas and is providing savings services to over 1000 customers through savings groups and using a stamp system (stamp denominations of Mt5000 and Mt10,000) (in districts Angoche, Moma, Malema, Ribaue, Monapo, Murrupula, Meconta, Mogovolas). CRER has formed rotating savings and credit associations on an island near Angoche and in a fishermen community in Moma district. (a first experience started in October this year).

Recently CRER has started a program of lending for input purchases for cotton (backpack-sprayers and pesticides). Participating farmers obtain their chemicals by direct purchase instead of on commercial credit from cotton companies and thus are able to sell to whomever pays the best price at harvest instead of being bound to sell to the concession holder who has supplied the inputs. There have been some loans to associations for the purchase of inputs for reselling to other associations who then sell them to their members.

CRER has set up a pilot program of lending for input for cotton December 1998. CRER lends to two associations, who then sell the inputs on credit to their members and to 12 other associations. Untied loans from CRER allow the associations to purchase inputs outside of the traditional scheme of cotton company credit which obliges farmers to buy inputs from the company instead of from whichever supplier offers the best prices; in the future availability of credit of this type will allow the association to sell their cotton to whichever company offers the best price once the associations obtain recognition from the government Cotton Institute. The two pilot associations have now received recognition from the Cotton Institute, even though they have yet to be official legalized. So by next year's harvest these two associations will be able to sell to whichever company pays most and other associations are expected soon to follow.

CRER is also working with 15 associations (assisted by CLUSA and by CARE itself) in financing cashew purchases. Officers of the associations are held personally responsible for loans since the associations themselves are not yet legally constituted. The interest rate is a flat 3% per month. The repayment of 100% is for all loans CRER has provided so far to associations.

CRER is also experimenting with inventory credit for maize (and later other crops). The crops are stored in rented warehouses (belonging to V&M and other traders). No sales are permitted without prior authorization from CRER; the principal is similar to that of bonded warehouses which are used extensively in Central America to guarantee loans based on certified coffee inventories. Crops are fumigated as necessary to prevent insect damage. TechnoServe assists CRER in supervising quality control aspects of maize inventory lending. At the present time, the principal risk associated with the inventory-based lending appears to be the lack of fire insurance, since an insurance company willing to provide coverage has so far not been found. Lending is currently on a trial basis, to be expanded if initial operations are successful.

CARE has a license from the Bank of Mozambique allowing CRER to operate in the financial area. Funding is provided by SNV (60%, Holland) and IFAD (40%). CRER is currently operating as a CARE project but plans to establish itself as an independent financial institution in the future. Currently, CRER is providing services which commercial banks are not yet ready to provide and to customers they are not yet ready to serve. Discussions between the international consultant and the manager of commercial bank where CRER keeps its accounts indicate that commercial banks may eventually become active in inventory credit, depending on the success CRER has with this type of lending.

## **IV.8 Private Agencies Collaborating Together (PACT)**

PACT is an international NGO based in Washington, DC having the mandate of contributing to the growth of civil societies by strengthening community-focused non-profit organizations seeking to implement participatory development at the community level. Working in 17 countries worldwide, PACT has its headquarters for Mozambique in Nampula, where it has been operating since 1997 with a staff composed of its director and its managers for training, program development and grants to local NGOs. PACT supports sustainable development for the NGO community and capacity-building within community associations. Mozambique is one of the least developed countries in the world with respect to the development of a civil society; which has its roots in the peace accords signed less than a decade ago in 1992. The rapid growth of national NGOs is one manifestation of the rapid movement toward development of a civil society; however, only a small percentage of NGOs represent final beneficiaries in any meaningful way.

In 1997 out of a total national NGO community in Nampula of 45 organizations (which number has now grown to over 60 in the past year), PACT selected 13 NGOs as partners, the main criteria being probability of successful subsequent operation and intervention in their chosen field. Of these, 7 have already been strengthened while the remainder show varying degrees of improvement in their levels of development. Of these thirteen, six are working with farmers' or women's organization's in one way or another, and 2 more plan to do so in the future. Thus eight of the NGOs focus all or at least part of their attention on association-building.

PACT's work with a new NGO starts with a process of organizational capacity assessment (PACO) carried out with the participation of PACT and each NGO. It then designs a training program for the NGOs (up to 16 months). PACT has almost completed one full cycle with the first cohort of NGOs selected as partners, with training of the participating NGOs in Nampula finishing now. PACT trains mentors (who work directly and intensively with each NGO as consultants). After the first module of training, mentors give hands-on follow-up in the field helping NGOs set up accounting systems and training them in their use; they also replicate training in areas such as strong governance, participation, and leadership. Mentors are not permanent staff but do work on a basis which maintains continuity with the client NGOs.

Once processes are in place, NGOs receive grants into their new accounting system to manage some money to use their newly acquired capacity to manage funds. PACT monitors each NGO monthly. NGOs receiving grants learn to write monthly reports. A PACT full-time financial accountant works with PACT to set up systems and help monitor their use. Grant funds provided by PACT are used to equip NGO offices and put control and management systems in place. Soon thereafter grants of incrementally increasing size are provided to allow the NGOs to implement whatever programs the NGO has planned based on its PACO analysis with PACT and agreed upon as its activities in the communities. Some grants have already been provided to participating NGOs for equipping their offices. Grants for community-level interventions will soon be starting for the first cohort of NGOs with which PACT has been operating. Positive results of these grants can be anticipated between now and September 2001, with the benefit-flows from these and other on-going

interventions which the NGOs will be able to carry out as a result of PACT's work expected to continue for many years into the future.

PACT gets weekly requests for training often from walk-in customers who they do not even know. There is a tremendous demand for the kind of services PACT provides. PACT was in the process of selecting a second cohort of NGOs when the decision by USAID to close down grant operations was announced. The decision effectively brings to a close the program's support for national NGOs and for strengthening second-level farmer organizations. One of the NGOs affected is OLIPA, an NGO formed by CLUSA whose goal is to take over responsibility for farmer associations in some geographical areas formerly assisted by CLUSA directly.

PACT has also brought in consultants from WOCCU to assist in the growth of the *Caixa das Mulheres*, a credit union supporting business activities of women organized in groups. Most of these groups are assisted by the *Associacao de Mulheres Rurais* (AMR) which is one of the NGOs PACT is assisting in Nampula.

In addition to working with individual NGOs, PACT is working to reestablish ADOC as an umbrella-group of Nampula-based NGOs whose ability to coordinate NGO activities has suffered as a result of poor leadership and other management problems. ADOC received six years of support from Canadian Cooperation in Mozambique (COCAMO) in the past but did not achieve a level of accountability commensurate with the resources it received. The Canadians, Dutch and Swiss are cooperating in the effort to rehabilitate ADOC. This process is expected to take 2 years before ADOC is fully functional, but PACT believes it can guide the process of new staff selection and help get a first-class team in place as early as January 2000.

PACT is largely responsible for the attempt to coordinate donor support to Nampula-based local NGOs. The donor group is called the *Nucleo de Parceria*. The Directors of PACT and COCAMO are secretaries. The group includes the German Development Service (DED = *Deutsche Entwicklung Dienst*), Swiss Cooperation, CONCERN, and PEIPA (Dutch). It is hoped that USAID-financed activities will also coordinate its assistance to national NGOs with this coordinating group at the provincial level.

#### PACT-Zambezia

PACT has just opened offices in Zambezia and went through the process of selecting approximately 10 NGO partners to work with. Consultants were able to confirm that the opening of PACT's Zambezia offices was greeted enthusiastically by both NGOs and donors. Not surprisingly, the decision to close the office has been greeted with great disappointment by local NGOs and the Zambezia based donor community. The national NGOs and the associations in Zambezia as yet do not have concrete objectives. They had counted on PACT to complete the process of focusing their ideas and developing clear objectives. They had also expected to have support in training staff, planning activities in accordance with each NGO's objectives, managing resources and finally focusing outreach to insert their programs into the community, based on the community's own identification and planned resolution of its problems.

International NGOs based in Quelimane also think that PACT's program is very important to their own work and to the training of their staff. Contacts have also been made with international NGOs concerning possible collaboration and training which PACT planned to offer. The loss of these services could be reflected in a decreased ability of World Vision and the national NGOs to build up the capacity of farmer associations. It should be noted that farmer association development is further behind in Zambezia than in Nampula. (The same could be said of Sofala province.)

The PACT activity was designed prior to the implementation of the results package approach and as a result project design does not fully mesh with this approach. As a result PACT's building capacity of local NGOs may not be able to show final beneficiary impacts within the current planning horizon (from now until September 30, 2002). The two results packages most closely linked with PACT's activities are SO1 (rural incomes) and SO3 (maternal and child health), although some SO2 (democracy and governance) type activities are also covered.

To date about US\$1.35 million of the US\$1.95 million obligated have been spent on setting up PACT's activities in Nampula and Zambesia.

## IV.9 NATIONAL NGOS SUPPORTING FARMER ASSOCIATIONS

The main criticism of the support provided by international NGOs to farmer associations is its cost. Such assistance is felt to be too high to be sustainable in the long term. While it may be possible to justify this type of support during the establishment and consolidation phases, sustainability requires that the cost of support fall over time to a relatively low level. The international NGOs themselves believe that their support is needed by the associations to fully learn how business is done. CLUSA, for example, estimates that it takes on average five years for an association to fully assimilate its program.

After they are well established, farmer associations will require less support than during the initial years. When they are being formed and while members, leaders and managers trained in business techniques and instructed in how to do business efficiently on behalf of their members, associations require a high level of external assistance. At this time they are being introduced to new crops for which profitable market opportunities exist, they learn the production technologies these crops call for and develop a reliable supply of required inputs. During this period of apprenticeship, international NGOs have a major role to play in the development of farmer associations to the point at which they are sustainable largely with their own resources and using the skills they have developed. However, continuation of support in perpetuity at the levels required initially is neither feasible nor is it necessary.

Less costly solutions are needed. One proposal is to carry out this work using national non-governmental organizations. The consultants were asked to investigate how national NGOs could be used to support associations. We met with a number of national NGOs and observed the support they were providing to farmer associations; we also interviewed persons knowledgeable in the situation and operation of national NGOs. We arrived at some conclusions as to just how viable programs of support for farmers organizations based on NGOs could be under present conditions. We also came to some conclusions concerning the changes that are called for before significant levels of funding can effectively be channeled through national NGOs to benefit farmer associations. While cost considerations are important, the capacity and accountability of national NGOs to carry out meaningful and reliable programs is also of paramount interest.

The consultants heard from the local NGOs in meetings in Nampula, Zambezia and Sofala and observed the activities and observed the results of the activities of a subset of these NGOs in field visits. We also met with PACT, which operates in Nampula and recently opened an office in Zambezia, is providing technical support to build the capacity of national NGOs and assisting them in initiating operations with final beneficiaries; however, its activities are to end 30 June 2000.

### **Field Assessment of Local NGOs**

#### ***Organizacao de Juventudes de Desenvolvimento Rural (OJDR)***

*The Organizacao de Juventudes de Desenvolvimento Rural (OJDR)* was formed in early 1994 and operates at the national level. Two of the associations they assist in Nampula were visited. OJDR

works in self-managed development, group formation and association development at local level, participation, training, sound management of local resources, interchange of experience, cultural values and management practices of basic organizations. OJDR's focus is on production and yields, marketing, and storage and processing; OJDR also has a community fund to provide credit for local initiatives. They focus on rural community groups, women's groups, and youth groups (excluding old people and children), professional groups (farmers, fishermen, carpenters, tinsmiths, etc.). They have a number of groups of various types in diverse areas of Nampula province. OJDR receives donor support from the African American Institute (South Africa and USAID), Netherlands (agricultural inputs), Bread for the World (Germany) and Trocaire (Ireland).

The first OJDR group we visited was the *Nucleo de Camponeses de Katoa*. This group was formed with 30 members in October 1996; at the time of the interview, 27 remained as some had moved away. An estimated 1000 families live in the vicinity of the group. The group obtained a site from the traditional authority and built a thatched hut to hold meetings in. OJDR told them to build a store and helped find donor funding (Mt20 million in donated funds to stock it). At the time of the visit, the store was empty (except for a few packages of cigarettes, estimated value = Mt200,000); Mt800,000 in cash remained in the till. Approximately Mt19 million (95% of the capital) had disappeared since the store was opened.

The group wanted a maize mill. In response to this felt need but without regard for the management capacity of the group, OJDR made contact with Trocaire (an Irish NGO) which provided a used maize mill. The group went into debt to hire a local technician to install the maize mill and fix it on various occasions when it broke down; at the time of the visit they still owed the technician Mt1 million. The maize mill was dismantled and spread out on the floor in pieces the day of the visit. However, it had been in operation the day before and was being fixed by one of the members. The mill had in fact worked 21 days in the previous month. However, it is difficult for the association to cover all costs associated with the maize mill, since the price for milling had been set at too low a level Mt500/kg. (compared with Mt750/kg. in commercially operated mills in town).

Despite having two major commercial activities, the group had received no training in accounting or business management from OJDR. The accounts of the maize mill and store were kept together; a quick revision and separation revealed that the maize mill might be covering direct operating costs but could not amortize past debts for repairs nor establish a fund to cover the cost of future repairs. The store had apparently made significant losses. Monthly salaries for the store were listed as Mt300,000 but were apparently being paid out of revenues from the maize mill.

Because of the muddled state of the accounts, it was impossible to apportion blame for the money that had disappeared. An election was recently held, and the entire leadership of the group was voted out, but former leaders still remain in the association as members. The group had no joint marketing activities despite problems individual members reported in selling their maize.

**Conclusion:** OJDR has obtained valuable and difficult to manage assets wanted by the group before establishing a level of competence through group organization, training and experience with simple group business activities on a gradually increasing scale. The premature introduction of major assets

beyond the capacity of the group to manage is responsible for the reduction in the group's cohesiveness and ability to work together on business activities which are needed and could be financially viable. This disservice to the group is compounded by the failure of OJDR to closely work with and monitor the group, with periods of up to 4 months going by with no visit from the coordinator. The financial chaos has caused deep rifts in the group, with the former leadership suspected of having misappropriated tens of millions of meticais of group funds. The group has no statutes and internal rules, and no bank account. They have a collective garden financed by another donor, but most their production is from individual plots from which they obtain large volumes of production due to donated tools and seeds. However, they do no joint marketing; one member complained that individually they have large amounts of maize stored (11 bags in his case) and no buyer. OJDR has not oriented them toward joint marketing. No steps toward legalization have not been taken.

**Murripa Group:** A second OJDR group visited consisted of 30 vegetable farmers. This group had led the community in the construction of a school and was seeking funding for a roof for the school and a bridge. They had received some seeds obtained on credit by OJDR from the Dutch and had repaid the loan. They were irrigating their vegetable crops with buckets provided by the Austrians. Their goal is to get a donor to give them a motorized irrigation pump and pay for a combination warehouse and market in Nampula city so that they can bring their vegetables individually and market them. The group does not engage in any joint marketing nor does it plan to do so in the future.

Conclusion: The main purpose of the group appeared to be in soliciting donations, assisted to that end by OJDR. The members' ability to start producing vegetables appeared to be partially the result of initial donations of seeds and tools. They said they have a common fund (based on contributions of 5-10% from sales) which so far has been used for the construction of the school. No steps toward legalization of the group as an association have been taken.

Our perception of OJDR was that the NGO did not have its own affairs sufficiently well in order to be able to provide assistance to associations. Its main focus appeared to be to satisfy short-term community aspiration rather than to build sustainable associations capable of making long-term contributions to raising the incomes of their members. OJDR also appeared to focus significantly on the financial situation of its own staff rather than on the needs of the clientele it purports to serve.



### ***Uniao Nacional de Camponeses (UNAC)***

The *Uniao Nacional de Camponeses* (UNAC) is a national level umbrella organization that seeks donor funding for project of member associations. The organization is national and has local offices throughout the country.

We visited one UNAC group in Morrumbala district, the *Associacao de Camponeses de Cumbabu*. This association originally had 69 members when it was formed in 1995, and still had 68 members at the time of our visit in October 1999. The stated goals of the association are to work more and produce more, with each member profiting from the common experience. The principle achievements of this particular association are: a maize mill, basic goods store, chicken house and tractor. The first three items were provided by donations from Spanish cooperation; the tractor, by the Swiss.

There is no collective *machamba* and no joint marketing of agricultural products. The association's principle activities consist of operating a maize mill and running a general store. Until 1997 separate accounts for the two activities were not kept. The price charged for milling maize was Mt400 per kilogram, which is low in comparison with prices charged in Morrumbala (fifteen kilometers away); as of September, all the associations working with UNAC agreed to raise their price to Mt500 per kg.

When it arrived, the tractor was used mostly for transportation using a trailer that came as part of the package. When a crack appeared in the trailer (perhaps by overloading), they continued using the trailer until it broke completely last year. It has not been replaced because of its cost (Mt42) million and the apparent failure to charge transportation fees during the time it was in service to cover costs (including the cost of replacement). In fact, except for 1996, when considerable land preparation was done, the tractor is little used because there is no money for fuel. Per hectare charges for land preparation have recently been raised from Mt300,000 to Mt350,000 (compared with Mt400,000 charged by Agrimo, the local cotton company). Very few farmers have the money to use this service; also, some fields cannot be plowed because stumps were never pulled.

Except for a shelf half-full displaying unsold under-arm deodorant, the store is basically empty. Inventory was said to be valued at Mt1.2 million. The store is said to have Mt6 million in cash and they were soon going about 15 kms to Morrumbala to replenish stock but apparently had left the store virtually empty for a considerable amount of time. The initial stock with which the store was set up was Mt15 million, so losses must be on the order of Mt8 million.

The chicken coop is empty. Potholes in the floor indicate that the base material (sand) must not have been proper and that the cement is only about 1 cm. thick.

**Conclusion:** The tractor was underutilized (less than 100 hours per year in land preparation) due to lack of control and organization. The maize mill was still operating and if properly run with

appropriate charges, could make a profit based on the number of customers seen to be waiting for service. The organization seemed to have little purpose except to keep the maize mill running.

The overall impression was that UNAC's ability to assist associations in doing productive activities was very limited. In Nampula, its associations were also not doing any joint marketing (in Nampula joint marketing failed in 1997 after funding from COCAMO ran out).

### **ASSOCIACAO DE MULHERES RURAIS (AMR)**

The *Associacao de Mulheres Rurais* was founded in 1989. AMR works with rural women on access to land and financing group microenterprises. The *Caixa de Mulheres Rurais* was set up out of collective savings by initial groups formed by AMR and who were in the business of selling cakes.

The AMR group we visited, Grupo Tchaine, is composed of rural women who live mostly in or around Nampula City most of the year. There are 135 members in their group, of whom 105 now have *machambas* either in Tchaine or other areas. They got together during the emergency to set up income-generating activities and while their husbands made gardens in the *zonas verdes* on the outskirts of town. Like most women of rural origin, they feel the need to produce at least part of their own food and were not happy with the results from the small overworked gardens they were able to obtain near Nampula. One woman was doing her *machamba* further out than the rest and found an unoccupied piece of virgin land 60 kms from Nampula. They were given permission by the traditional authority to develop it and eventually with the support of AMR and the *Fundacao para o Desenvolvimento de Comunidades* (FDC) to help them get full-title to 400 has. of land in 1995. They have cleared the land and are planting gardens (maize, cassava, etc.). They have groups of interest within the overall group, engaged in different activities in town and in the area where they have their *machambas* (charcoal selling, bamboo, etc.).

The road reaches their plots where it dead-ends but public transport ends 10 kilometers down the road from their area. They are fortunate in having a tractor which they inherited from a partnership they were in with a private party who emigrated. They have had this tractor for years and have managed to keep it working chipping in when tires, etc. have to be replaced (Mt1-2 million for a tire). It is a tribute to the cohesiveness of the group that they could keep a tractor operating over an extended period of time, since most group-owned tractors usually breakdown and fall into disuse in a relatively short period of time. The tractor provides them with cheap access to their land (they charge themselves only Mt200,000 per 60 kilometer trip to Nampula with a trailer); by comparison, a rented tractor would charge Mt one million for the same trip. Recently the water-pump broke and a replacement pump costs Mt14 million which they are not sure they can manage on their own.

The group we interviewed did not have an account with the *Caixa de Mulheres Rurais*. At this point they are not doing any joint marketing but have already talked to CLUSA about the possibility of doing so. They are already working with PACT and help their subgroups obtain credit from the *Caixa* for the subgroup income-generating activities.

## **OLIPA**

CLUSA arrived in Mozambique with a model it had already developed in Sao Tome and Principe (STP) and have in fact brought a consultant from the project. The associations in STP have formed a national level federation of fora to continue the work of marketing; former local CLUSA staff have set up a national NGO and continue to provide services along the same lines as they had been providing when they were working with CLUSA. There is no reason why this modality, which has worked elsewhere, cannot also work here in Mozambique. Some microfinance programs set up in conjunction with international NGOs have also transferred responsibility to their local staff and continue to be run successfully by them after the departure of the international NGO.

Some of CLUSA's Mozambican staff in Nampula is establishing OLIPA. OLIPA expects all steps in its legalization to be finalized in March 2000. Actual operations are scheduled to start in April 2000. Initial contacts with donors have already started. CLUSA is making plans to subcontract some of its operations with OLIPA. CLUSA will still be working in the country (in Zambezia and possibly in other areas that donors are trying to interest them to set up new programs). This situation will allow the immediate transfer of some aspects of the program while some elements (monitoring and evaluation, audit, etc.) can be retained centrally by CLUSA. This modality retains accountability with the international NGO while operational capabilities are transferred to a national NGO. CARE, CLUSA and EU will be helping OLIPA get set up. PACT was also supposed to help OLIPA get established.

## ***Associação Rural de Ajuda Mutua (ORAM)***

ORAM is a national NGO with headquarters in Maputo and programs throughout the country. The consultants heard about ORAM's programs in Nampula, Zambezia and Sofala; the international consultant met ORAM's director in Maputo. Repeated attempts to meet with ORAM staff in Quelimane failed due to conflicts and other meetings which ORAM staff had scheduled previously, a meeting was arranged in Maputo with its national director. ORAM's programs are soon to be extended to soon to Manica.

While the land law is clear, the way it is being implemented is less so. Consultations are supposed to take place with between 3-9 local people. However those wanting concessions are selective about who is consulted, choosing people who give them the answers they want (i.e., "the land is not occupied"), including people in the public administration. ORAM attempts to create a representative group of young people, local authorities, village elders, etc., people who know the local situation to form an informal group which would have to be consulted. At present it is sufficient to put up a sign written in Portuguese for 30 days in the public administration office: if there are no complaints, land being sought for a concession can be given out. ORAM's staff are vigilant and keep a look-out for such signs in the local administration office. However, such signs (written in the local language) should be affixed in a visible site in the places where concessions are being proposed. The Dutch are already providing some support to ORAM and additional funding is being sought from DFID.

In Nampula, CLUSA has one staff member assigned as liaison legalizing land titles and registration of associations, coordinating in these activities with ORAM, which takes the lead role, especially in land legalizations. One of the WVI associations visited decided to legalize the association not long after its formation, and was assisted by ORAM to take the steps necessary for the legalization. SNV (Dutch aid) is financing the work on legalization.

ORAM also has a joint program with WVI in Quelimane. ORAM does the land registration work in the areas in which WVI works. ORAM helps inform people concerning their land rights, make a registry of land which might be subject to such conflicts. ORAM has worked with 60 associations, focusing on getting land legalized. There are 23 cases of communities whose land has been legalized and 40 in process. The Extension Service of DPAP also collaborates with this process.

In Sofala, ORAM works in land registration and legalization of the associations in 4 districts. There are 15 associations with which it is working and are in the process of legalizing land in 3 communities based on the land law, so the farmers can defend themselves better. Under the old law, they were obliged to legalize the associations first and then the land; however, under the new law they start with the area and then legalize the association (easier). Three communities are going to be legalized in this manner. ORAM works in conjunction with the *Uniao Provincial dos Camponeses* and receives support from GTZ. ORAM also works with ADRA in Maganja da Costa in training associations and assisting them with some marketing activities.

## CONCLUSION CONCERNING NATIONAL NGOS

The national NGO community does not currently have the capacity to handle even relatively small volumes of funds in a manner which guarantees accountability for their use. The national NGOs in Nampula are internally focused on the welfare of the staff, not on that of the communities they ostensibly serve. The organizational capacities and control systems of local NGOs need to be built up. In tandem with the increase in capacity, funds need to be made available for equipment and for community-level interventions, proper reporting on their use guaranteed and the ability to manage larger volumes of funds in the future built up. Unless this process of institutional development is followed and supported by an entity capable of carrying out this work, national NGOs will not develop the ability to make use of the volumes of funds donors (including USAID) are indeed willing to make available for reaching end-user goals. Attempts to provide end-use funds through NGOs before their capacity to manage such funds is in place, has had a detrimental impact on the communities they are supposed to serve and particularly on the development of farmer associations. It has also had a detrimental impact on the national NGOs themselves.

ORAM is an exception. It already has a national outreach capacity. Despite the need for additional funding to upgrade this capacity both at headquarters and in the field, ORAM is currently in a position to make a positive contribution to furthering essential work with associations (legalization of the associations themselves, land registration and resolution of land conflicts as they develop). ORAM is an institution which USAID can work with immediately to strengthen associations and help members protect their rights to land. Though guaranteed by the terms of the land law which

passed with USAID's support, land rights can in practice be lost through lack of vigilance during implementation.

## **ANNEXES**



## ANNEX I.

### FORMS OF ASSOCIATION AND THE LEGAL PROCEDURES FOR REGISTRATION

There are three basic forms for registering associations in Mozambique. Depending on the nature of their activity and their objective, members can decide to register as economic association, as a cooperative association, or as a not-for-profit association.

#### I. ECONOMIC ASSOCIATIONS (4/82, 6 April 99)

Economic associations normally seek profit for the organization and include private singular or collective individuals. These associations have to be recognized by the superintendent minister on their area of activity, who then approves the statutes. The approved statutes are summarized and published at the *Boletim da Republica* the country's official publication bulletin. The request to form an association has to be subscribed by a representative number of individuals (minimum two people) performing the same economic activities in the same province – it can involve other provinces and activities. This kind of organization is subject to 45% tax on their profit.

As profit making organizations, economics associations have to have license to perform their activities. There are two types of license: *Alvara* and *licenca*. The *alvara* allows a commercial activity for unlimited time (for example for a shop or supermarket), while *licenca* is valid for a limited time (for example for a *comerciante ambulante*). Applicants have to pay a tax for the licenses.

Table 1. License taxes in various zones according to the type of activity (Unit: K Mt)

Type of activity	Zones				
	Cities			Villages	Rural zones
	Maputo, Matola Beira, Nampula Nacala	Pemba, Quelimane Tete, Inhambane, Maxixe, Xai-xai, Chimoio, Chokwe	Lichinga and others		
Gross, retail, import, export	400	300	250	100	50
Gross, retail	400	300	250	100	50
Gross	300	250	200	300	150
Retail	250	150	100	250	100

Source: DNCI, Maputo

To get a license (*alvara* or *licenca*) applicants have to make a formal request (*Requerimento*) to Minister of the Industry, Commerce, and Tourism (MICTUR) and to the President of the Municipality. Together with the *Requerimento* applicants have to submit the approved and published statutes, a certificate of the *Conservatoria dos Registos Comerciais*, including the map and the title of property of the establishment where the business is going to run. For the case of



farmers, it can be done a confirmation letter of the appropriate authority (the local administration or the Department of Agriculture) of right to use the land.

The Minister of the Industry, Commerce, and Tourism authorizes licenses for commercial activities that include import and export, but can delegate the prerogative to the governor. The National Director of Internal Commerce is the entity responsible to issue the *alvara* for such activities. The governor authorizes and issues *alvara* for gross and retail sales, including provision of services and can delegate that prerogative to district administrator. The Administrator of the district authorizes the licenses for *negociante ambulantes*.

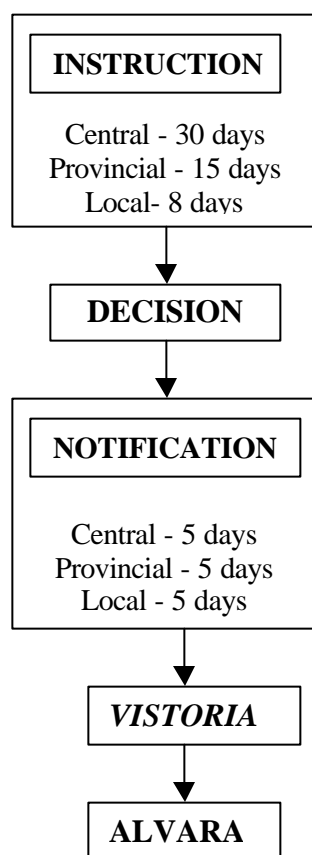
MICTUR has to inform the applicants about the status of the authorization within 30 days from the submission date. Activities requiring authorization at provincial level (governor) take 15 days. Activities at local level take 8 days. The notification about the final decision has to be done within 5 days independently of the levels of authorization. After the authorization is issued, the applicant has to request a *vistoria* within 30 days. (See Diagram 1 below). The start of the commercial activity is conditioned to the *vistoria*. *Vistoria* is the verification of the commercial establishment by a commission that integrates a representative of the instructing entity, the local administrative authorities, the local health authorities, the salvation army authorities and other entities according to nature of the activity licensed. Applicants requesting *vistoria* have to pay a tax of 300,000.00 Mt in the city and 50,000.00 Mt in the rural zones.

Differently from the previous process, the application form is very simplified and there is no need for presenting a criminal certificate. There is no need as well of showing financial capacity and any body can apply independently of its academic level. There no need for stamps at the *Requerimento* and the *Requerimento* can be submitted without *memoria descritiva*.

## **II. COOPERATIVES** (121/88, 28 Sept. 1999)

Cooperatives are also for profit organizations, but not for individual profit. That's, the cooperative earnings should be put back into the organization. The constitution of a cooperative association is made through the publication of its statute in the *Boletim da Republica*, and signed by at least 10 of its members. The publication is subject to the presentation of a copy of the statute and of an authorization issued by the competent organ of the superintendent Ministry. For its registry, the cooperatives should require authorization of the *Conservatoria dos Registos Notariais* of the administrative area where the main offices are located within 180 days from the publishing day. The recognition of the cooperative is made within 45 days.

Diagram 1. The process of licensing commercial activities



### III. ASSOCIATIONS (8/91, 18/July/99)

These are non-profit organizations. For its registration associations should have the minimum of 10 founding members. Other requisites are:

- ? The statute of the association;
- ? Present the required documents to the *Conservatoria dos Registos Notariais* such as, negative certificate, criminal certificate and photocopy of the IDs for the 10 founding members.
- ? Submit a formal request for recognition (*Requerimento*) to the governor
- ? Submit a formal request for authorization (*Requerimento*) to Minister of Justice
- ? Publish a registered version of the statutes in the *Boletim da Republica*, the official bulletin in the country.
- ? After the publication the management board should make a definite registration of the association at the public notary or commercial section.

This all process takes between 5 to 6 months and costs about 1,814,800 Mt discriminated as the table below shows:

**Table 2. Required documents for the legalization of the associations**

Document required	Quantity	Time (days)	Average cost
Bilhete de identidade	10	30	300.000
Certificado negativa da conservatoria	10	8	14.800
Registro criminal	10	30	325.000
Estatutos da Associacao	1	15	500.000
Requerimento ao governador	1	75	10.000
Cost of Transport (estimated)			665.000
Total necessary		158	1.814.800

Source: CLUSA, 1998.

## ALTERNATIVE PROCEDURES FOR THE REGISTRATION OF THE ASSOCIATIONS

### PROPOSAL I

Rectification of the Ministerial diploma n 31/92 of 4 March it proposes that:

The *Conservatoria do Registro Commercial* is a competent entity that can handle the recognition and registration of the associations. It also proposes that the signatures for the association members requesting registration could be recognized with an ID or a voter card. Lacking these cards, it could done in the presence of two witnesses. This proposal also states that the need for publication, after the recognition process, should not prevent the associations to start their activities.

This alternative would just need the approval of the Ministry of Justice, which would simply issue a diploma ministerial. The disadvantage is that the associations would still need to draft the statutes and would as well need the recognition of the governor. This alternative does not introduce an easy standardized registration process.

### PROPOSAL II

It suggests that the *Conservatoria do Registro Commercial* is a competent entity that can handle the recognition and registration of the associations and that, the need for publication, after the recognition process, should not prevent the associations to start their activities. It proposes the introduction of a “Standard requesting form for registering the associations”. It also proposes the introduction of an unique form of associations’ statutes.

This alternative is considered the most appropriate. The proposal suggests that in the current phase there is no justification for the governor to recognize the associations. It just makes the process more bureaucratic and gives unnecessary administrative load. The revision of the process would need the approval of the council of ministers or the revocation of the article in the decree

Nº 21/91 of 3 of October stating that “association have to be recognized by the governors, when the activity of the associations are circumscribed to a province.”

In the new proposals, the recognition of the association through the *Conservatoria do Registro Commercial* would take the following steps:

- a) The *Conservatoria* receive and approve the requests for the creation of an association from at least 10 of its members, submitted with the respective statutes (standardized statues for the proposal II).
- b) The *Conservatoria* recognizes the signatures of the members based on the Ids or voter card or yet in the presence of two witnesses.
- c) The *Conservatoria* has to inform within 10 days whether the statutes obey the requisites of the law and in that base recognize the association.
- d) By recognizing the association the *Conservatoria* gives it the capacity acquire and exercise obligations that correspond to the implementation of its ends.
- e) The period for the publication of the association in the *Boletim da Republica* is 60 days
- f) The publication at the *Boletim da Republic* should not prevent the association to exercise its activities.

Table 3. Comparison table between requirements for licensing and operating commercial associations and non profit associations

Status	Document required	Commercial Assoc.	Non profit Assoc.
Legalization	Photocopy of ID	X	x
	Negative certificate	X	x
	Criminal certificate	X	x
	Statutes	X	x
	<i>Requerimento</i> to governor	X	x
	<i>Requerimento</i> to Minister MICTUR	X	x
Activity	<i>Licenca</i>	X	x
	<i>Alvara</i>	X	
	<i>Vistoria</i>	X	
	License tax	X	
	Income tax	X	



**ANNEX II**

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### **ANNEX III:**

#### **BIBLIOGRAPHY**

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**ANNEX IV:  
COST-BENEFIT MODELS**