

EVALUATION OF CLUSA'S RURAL GROUP ENTERPRISE DEVELOPMENT PROGRAM IN MOZAMBIQUE



Presented to USAID-Mozambique
and
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Executive Summary

This report provides an evaluation of CLUSA's Rural Group Enterprise Development Program in Mozambique from October 2001 through January 2004. The report focuses on issues related to USAID-Mozambique's Strategic Objective One -- "increasing rural incomes of selected groups"; on 14 sets of evaluation questions posed by CLUSA and USAID-Mozambique; and on other objectives in the CLUSA-USAID contract. The report also includes a section evaluating the literacy components of CLUSA's Program and the program's impact on "cross-cutting issues" such as HIV/AIDS and other health issues, nutrition, governance/anti-corruption, and gender. The report provides information, conclusions and recommendations regarding the CLUSA program's performance, lessons learned from the program, and recommendations for the future of the program and other rural initiatives in Mozambique.

Major Accomplishments

Between October 2001 and January 2004, CLUSA has taken significant steps toward strengthening agricultural marketing by small farmers in northern Mozambique.

- CLUSA has provided direct and indirect marketing assistance to 728 Rural Group Enterprises and 102 women groups involving 25,000 farmers in northern Mozambique. Overall, these farmers are increasing their production and marketing of high value, commercial crops.
- 102 FORA (secondary farmers' marketing organizations) have been formed of which 28 have become incorporated as associations. Most of these incorporated fora are making effective use of commercial loans from GAPI to increase their profits on the purchase and sale of agricultural commodities.
- OLIPA, comprised primarily of former CLUSA staff, has been successfully established as a domestic NGO and is providing technical assistance to Rural Group Enterprises as a CLUSA partner.
- IKURU has begun operation as a trading company jointly owned by Fora, GAPI and NOVIB. Its goal is to increase the economic returns of Fora and RGEs by coordinating the marketing and processing of their agricultural products.
- CLUSA has assisted Fora, RGEs and IKURU to establish marketing relationships with 18 companies involved in agricultural product marketing and processing.
- CLUSA has developed partnerships with a number of NGOs and government extension agents in the delivery of agricultural production, processing and marketing services to Fora and RGEs.

From 2001 through 2003, CLUSA's functional literacy program assisted over 10,000 rural residents of northern Mozambique to pass Level I, II and III exams in the past three years. Forty-five percent of these graduates are women. CLUSA has also incorporated information and discussions on governance, nutrition, HIV/AIDS, and other health issues in its literacy programs.

Areas for Improvement

CLUSA, CARE, Oxfam-GB and UCASN need to increase their level of collaboration in the delivery of agricultural services. One way to accomplish this is to develop a team approach

among these organizations to coordinate the supply of inputs, agricultural extension and marketing services for specific high-value crops such as soy, sesame, groundnuts and cashews.

A second area for improvement is increasing agricultural productivity in northern Mozambique. Conservation Farming has proven to be an effective means to increase agricultural output by 50 to 100% among small-scale farmers in Zambia. CLUSA and its partners are in the early stages of introducing Conservation Farming in northern Mozambique.

Even though CLUSA met its objectives for involvement of women in rural group enterprises, there is a need for additional work in this area. A Women's Business Development Team coordinated by CLUSA has the potential to address this problem through the formation of village-level Women's Business Groups either as separate entities or as sub-groups within RGEs.

A fourth area that may need renewed attention is for CLUSA and its partners to assist farmers to be actively involved in the decision-making of village associations, Fora, and IKURU.

Lessons Learned

At the project level:

1. Lack of effective collaboration among NGOs, agricultural extension, and marketing businesses has limited farmers' income growth and the number of farmers involved in commercial farming.
2. Rural group enterprise programs are more effective if they are clearly separated from broad community development initiatives.
3. In order to achieve sustainable rural group enterprises, USAID and its sub-contracting NGOs should develop clear, measurable objectives related to sustainability.
4. Literacy increases farmers' productivity and business skills as well as RGE performance.

Related to other USAID-supported projects:

5. Effective collaboration on food security and rural income generation projects requires that each project have clear, separate, and measurable objectives.
6. The decentralized, participatory approach used by CLUSA has already been adopted by other organizations and can be further adopted as an effective strategy for rural group enterprise development in Mozambique.
7. Functional literacy training can be a low-cost and effective means to educate and empower rural men and women on a wide array of issues – such as agricultural production and marketing, other business activities, health and nutrition (including HIV/AIDS), gender, and good governance.

Related to policy changes in Mozambique:

8. A favorable legal climate is of critical importance to rural group enterprise development. Problems with the Association Law, the Cooperative Law, contract enforcement, and inadequate national regulation of local taxes have hampered the development of these enterprises in Mozambique.
9. Neglect of rural roads significantly increases the cost of providing services to farmers, and the cost of transporting agricultural inputs and outputs.
10. It is important to recognize the complementary roles of rural business assistance, food security, literacy, health, good governance, nutrition, etc. An overemphasis on having each assistance provider address a wide range of “cross-cutting” programs can create friction among service providers and reduce their cost-effectiveness.

Primary Conclusions and Recommendations

1. CLUSA is achieving most of its objectives and should continue with a Phase IV Program.
2. In Phase IV, there should be greater emphasis on a Transition to Sustainability – both with the Rural Group Enterprises (RGEs) and with CLUSA’s Literacy Program.
3. Collaboration with business and NGO partners should focus on joint projects involving production, processing and marketing of specific, high-value crops such as sesame, soy, groundnuts, sunflower and cashews. These products should be marketed domestically, regionally and internationally. In the international arena, there should be a special emphasis on organic and fair trade markets.
4. In Phase IV, CLUSA and its partners should:
 - Assist participating farmers to increase farm productivity by 10% per year (measured in \$ value of crops marketed); and,
 - If adequate funding is available, double the number of farmers involved in RGEs to 50,000 by September 2009.

Acknowledgements

We would like to thank the literally hundreds of farmers, NGO representatives, USAID and other government officials, business representatives, and CLUSA staff who made this report possible. However, we take responsibility for any mistakes in the report and for the report's conclusions and recommendations.

We dedicate this report to Manuel Albino and his family. Albino was a skilled and committed CLUSA employee in Nampula who died as a result of a tragic automobile accident that occurred at the time we were conducting our research for this report.

Acronyms

CDL	Comitê de Desenvolvimento Local (Local Development Committee)
CLUSA	Cooperative League of the United States of America
GAPI	A quasi-governmental, non-banking financial institution based in Mozambique
IKURU	A Trading Company owned by 20 Fora, GAPI and NOVIB
MADER	Ministry of Agriculture and Rural Development
NGO	Non-governmental organization
NOVIB	An NGO, affiliated with Oxfam, International, based in the Netherlands
OLIPA-ODES	Mozambique NGO – Organization for Sustainable Development
Oxfam-GB	An NGO headquartered in Great Britain
RGE	Rural Group Enterprise, also referred to as a farmers' association
RGEDP	Rural Group Enterprise Development Program (the name of CLUSA's program in Mozambique)
UCASN	Niassa Farmers Union
USAID	United States Agency for International Development

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1.0 Objectives

The primary objectives of this evaluation are:

- To determine how well the project is meeting the goals and objectives set out in the cooperative agreement and other documents between CLUSA and USAID;
- To determine the extent to which investments in profit-oriented, farmer group businesses supported by CLUSA are having beneficial impacts; and
- To identify ways that CLUSA and USAID/Mozambique can replicate or adapt successful approaches or reorient approaches to achieve intended results in the future.

The report also evaluates the impacts of the CLUSA Program on literacy, HIV/AIDS and other health issues, nutrition, governance/anti-corruption, and gender in **Annex A**.



Participants in one of ten meetings the evaluation team had with Rural Group Enterprise members

2.0 Methodology and Terminology

The **methodology** used to gather information for this report consisted of a combination of interviews, meetings with farmers, and documentary research.

Sources of information for the report include:

- Interviews with representatives from approximately 20 government agencies, NGOs and businesses;
- Twelve meetings with representatives from farmer-owned businesses (approximately 400 participants representing 40 Fora and 100 RGEs);
- The equivalent of three full days of interviews and meetings with CLUSA staff spread out over a three week period; and
- Documentary research, including CLUSA Program documents, other documents related to rural development in Mozambique, and rural development research reports from other countries.

A detailed listing of interviews, meetings, and primary documents used is presented in **Annex B**.

Several **key terms** used in this report are defined below:

- **Rural Group Enterprise (RGE)** -- an agricultural marketing association that is democratically controlled by its farmer-members.
- **Forum** (plural: **Fora**) – a secondary marketing association comprised of usually between 5 and 15 village-level agricultural marketing associations.
- **IKURU, Sarl** -- a limited liability marketing company owned by 20 FORA, NOVIB (a Dutch NGO) and GAPI, Sarl (a Mozambican financial institution). IKURU means “strength” in Makua.

It is important to note that the words “association” and “RGE” are used by CLUSA staff and others to refer to village-level marketing associations (even though a Forum also meets the definition of an RGE). We will follow this same practice.

3.0 Background

This section of the report provides a brief historical review of CLUSA's Rural Group Enterprise Development Program (RGEDP) in northern Mozambique.

Phase I of the CLUSA Program began in 1995 when the country was ending a period of emergency. Most NGOs operating in the country at that time were just beginning their first development activities and phasing out the free distribution of food and other commodities.

Politically, Mozambique had just begun a multiparty democracy with the first elections held in 1994. Economically, the country was continuing to move away from a centrally planned economy and toward a market-oriented economy. Restructuring of the banking system and privatization of state-owned companies was just starting.

Despite initial concerns that Mozambican rural producers might not be ready for the Rural Group Enterprise Development Program proposed by CLUSA, CLUSA began the program in Mozambique with USAID funding in September 1995. The first local staff were recruited in October 1995. Field staff joined the program in January 1996 and services to the first communities began the following month.

The Mission Statement of CLUSA-Mozambique was, and continues to be:

To improve the income of farmers through the development of Rural Group Enterprises that are:

- Democratically Self-Managed;
- Financially Viable; and
- Sustainable.

From the beginning, the focus of the CLUSA-Mozambique program has been on assisting farmers to market agricultural products through the formation and democratic operation of group enterprises. The program has not focused directly on agricultural extension and productivity.

The CLUSA project was originally funded by USAID at the level of \$1.4 million for a two-year period from September 1995 through September 1997. Initial funding was provided for "pilot phase" activities to be carried out in three districts of Nampula Province -- Mogovolas, Monapo and Ribau.

An extension of about \$900,000 was signed by USAID in October 1997 for expansion of program activities to five additional districts of Nampula Province through September 1998, bringing the total USAID funding to about \$2.3 million for the three-year period.

A second extension (which we will refer to as **Phase II**) was signed in October 1998. This extension continued CLUSA activities in Nampula Province and added Zambezia Province. The

extension provided \$3.2 million for the three-year period through September 2001.

Total USAID funding for Phases I and II was a little over \$5.5 million for the six year period from September 1995 through September 2001. A series of agreements were also signed with other donor organizations and partners, providing complementary funding to the RGEDP totaling about \$2.1 during the same time period.

Phase III of CLUSA's RGEDP program began in October 2001 and will be completed at the end of September 2004. This phase was funded at about \$2.5 million by USAID. CLUSA pledged to raise a little less than \$1 million in cost-sharing funds from non-federal sources during this phase.

It is important to note that the amount of the USAID contract for Phase III was about 22% less than the amount for Phase II.

This lower level of funding resulted in:

- A reduction in the number of districts directly served by CLUSA;
- A greater reliance on other NGO partners for the development, training and monitoring of RGEs (See **Table 3.0**, presented below which provides information on farmer participation and NGO service providers in Nampula, Niassa and Zambezia); and
- A strategy by CLUSA of focusing more of its commercial development work at the Forum level rather than the RGE level.

The implications of the funding reduction and service delivery changes in Phase III will be explored later in this report.

Table 3.0 Farmer Participation in the REGDP Program by Province and Technical Assistance Provider in 2003

Farmer Participation in the RGEDP Program in 2003	Nampula -- Assisted by CLUSA with Support from CARE	Nampula -- Assisted by OLIPA with Indirect CLUSA Support	Zambezia -- Assisted by CLUSA	Niassa -- Assisted by UCASN and Oxfam-GB with Indirect CLUSA Support	TOTAL
RGEs	280	233	75	140	728
Women's Groups	23	31	---	48	102
Fora	39	29	12	22	102
Men	8,586	4,223	1,959	2,718	17,486
Women	3,183	1,809	986	1,764	7,742
Total Members	11,769	6,032	2,945	4,482	25,228



Tilapia ponds maintained by a forum in Zambezia Province

4.0 Evaluation Issues

4.1 Results

This section of the report focuses on the results of the CLUSA Program during the first two years and four months of the three-year agreement. Information and analyses are presented on program performance related to:

- RGE member income;
- The six goals presented in the executive summary of CLUSA's **Request for a Follow-up Phase**, as revised on September 21, 2001;
- The 22 targets identified in the Cooperative Agreement with USAID;
- The Monitoring and Evaluation Indicators agreed upon between CLUSA and USAID; and
- Agricultural production and sales

4.1.1 Program Impact on Rural Household Income

USAID's Strategic Objective One -- "increased rural incomes of selected groups" -- is the primary objective of CLUSA's Rural Group Enterprise Development Program, and is, therefore, the first evaluation issue presented in this report.

Since the first year of the project in 1996, CLUSA has calculated its impact on rural incomes by dividing the value (in US\$) of agricultural commodities sold through the RGEs by the number of households participating in these sales.

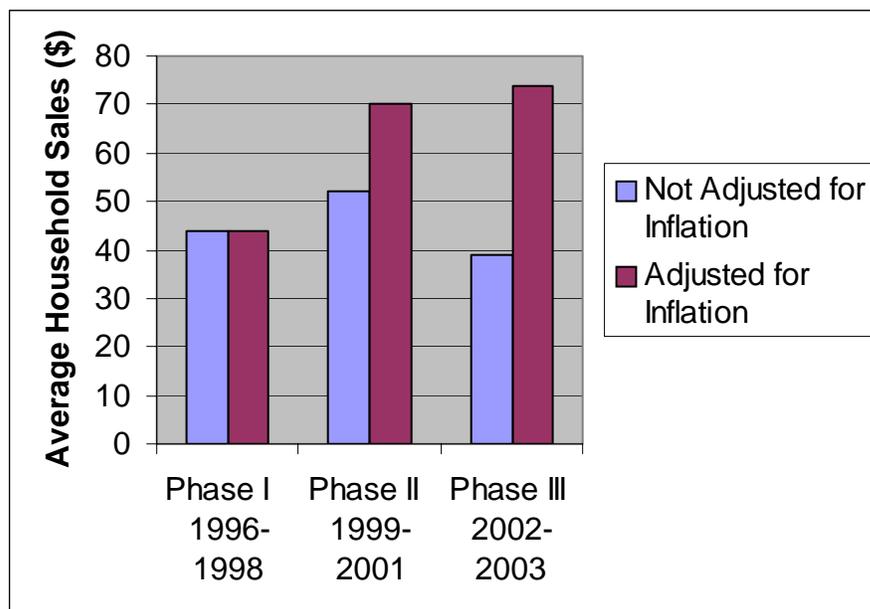
Table 4.1.1, on the following page, presents a comparative analysis of "average household sales" for the three Phases of the project -- 1996-1998, 1999-2001, and 2002-2003.

There are two sets of columns in this chart. The first column in each pair represents the value of products sold, excluding inflation of the Metical relative to the dollar. The second column is adjusted for inflation. The exchange rate for one dollar was about 12,600 Metical in 1999; 21,000 Metical in 2001; and 24,000 Metical at the end of 2003.

As **Table 4.1.1** indicates, the unadjusted value of sales per household increased by about \$8 per year from Phase I to Phase II, and then decreased by about \$13 from Phase II to Phase III. When adjusted for inflation, annual household income increased by about \$28 from Phase I to Phase II, and \$4 from Phase II to Phase III.

Key factors responsible for the slower growth in RGE household incomes in Phase III compared to Phases I and II are the collapse of cotton prices, the market volatility for traditional crops such as cashew and maize as well as the lower level of funding for the program in Phase III. These and other factors that inhibited household income growth in Phase III will be discussed throughout the report.

Table 4.1.1 Average Household Income from RGE Sales, 1996-2003



4.1.2 Performance Related to CLUSA’s Request for a Follow-up Phase

In the executive summary of a revised “Request for a Follow-up Phase” submitted to USAID in September 2001, CLUSA presented six goals intended to build on the achievements of the RGEDP from 1996-2001. A brief, qualitative assessment of CLUSA’s performance on each of these goals is presented below. More detailed information related to CLUSA’s performance on these goals is provided throughout the report.

1. *Consolidate and strengthen the network of RGEs and Fora along the Malawi-Nacala corridor involving the provinces of Nampula, Zambezia and the southern part of Niassa.*

We give CLUSA and its partners a mixed grade in their achievement of this goal. On the positive side:

- 28 Fora are now incorporated, despite onerous and time-consuming registration requirements. A number of others are in the process of incorporating. Incorporation has paved the way for Fora to receive commercial loans from GAPI. CLUSA data indicate that these loans have had a substantial positive impact on Fora profits and member income.
- Based on our site visits and meetings with Fora and RGE members, there appear to be a serious, business planning

orientation among these farmers and a commitment to growing and marketing high value crops.

- The formation of IKURU as a marketing agent for Fora and RGEs in northern Mozambique is an important step toward “consolidating and strengthening” their network.

On the negative side:

- Efforts by CLUSA’s partners to improve productivity among most of these farmers have not been successful to date, thereby limiting the program’s impact on increasing farmers’ incomes. It should be noted that agricultural extension is not a direct service provided by CLUSA, and, therefore, it would be unfair to “blame” CLUSA for this continued low productivity.
- In our interviews with CLUSA staff and with staff members of other NGOs, we were told that there has not been a high level of trust, collaboration and commitment to the same objectives among these partners in implementing Phase III of the RGEDP program. However, these interviews also indicated an improving collaborative orientation among these organizations.

2. *Facilitate new business opportunities for the network of RGEs and Fora.*

CLUSA deserves high marks for achieving this goal.

- CLUSA has helped Fora and RGEs to identify trustworthy buyers and to increase the number of buyers for farmers’ products. The formation of IKURU, and relationships established with Export Marketing, Twin Trading (a British Fair Trade organization), and Felleskjøpet (a Norwegian co-operative) appear particularly promising.

3. *Increase crop productivity and diversification in coordination with partners.*

CLUSA and its partners get mixed grades on this goal. On the plus side:

- CLUSA has done a good job of identifying markets for high value crops, (such as sesame, groundnuts, cashews and soy) and helping to increase the volume of production of these crops.
- At a time when international cotton prices have been depressed, CLUSA has helped farmers diversify their market orientation away from cotton and reduce their dependency on this crop.

On the minus side:

- As mentioned above, there has not been significant improvement in productivity during Phase III, although, in the past year, CLUSA and its partners have begun a concerted effort to introduce Conservation Farming in northern Mozambique. The introduction of Conservation Farming should bring about significant

productivity gains over the next few years.

4. *Increase RGE access to financial services.*

CLUSA deserves high marks for achieving this goal.

- As mentioned above, the legal difficulties in registering Fora and RGEs as associations have been a major barrier to their receiving commercial loans. CLUSA not only assisted these organizations in the incorporation process, it also played the key facilitation role in helping them to access commercial loans from GAPI, a quasi-governmental lending organization. There is much more to be done in improving small farmers' access to credit in northern Mozambique, but CLUSA has made a major breakthrough during Phase III.

5. *Increase literacy levels among RGE members, and participation by women.*

CLUSA deserves a high grade for its performance on this goal.

- During Phase III, CLUSA continued its effective provision of functional literacy services in northern Mozambique. All together, 7,100 RGE members and other rural residents, who participated in CLUSA training programs, passed the Level I literacy exam between 2001 and 2003. Another 3,300 passed Level II and III exams. Forty-five percent of these graduates were women.

6. *Prepare for institutionalization of CLUSA approach and services.*

Overall, we give CLUSA a positive grade in achieving this goal.

- As mentioned above, our interviews and meetings with representatives from farmer associations indicate a commitment to, and knowledge about, commercial farming that will continue after the RGEDP program is completed.
- OLIPA has been spun off from CLUSA as an independent, domestic NGO and appears to be doing a very good job in its technical assistance work with farmer groups.
- As mentioned above, IKURU has been formed, and has the potential to be an effective marketing organization for small farmer associations in northern Mozambique.
- Our concern is that this process of institutionalization is not yet completed. Terminating the program in September 2004 would cause a major setback to small farmer commercial production, processing and marketing in the region.

4.1.3 Performance Related to the Cooperative Agreement Targets

Table 4.1.3, presented on the following two pages, provides a comparison of performance targets contained in the Phase III Cooperative Agreement between

USAID and CLUSA and actual or projected performance during Phase III. The CLUSA staff in Nampula compiled the information presented in the table. Numbers are rounded where appropriate to simplify comparisons.

Note that the table presents results for CLUSA’s direct assistance to Fora and RGEs (including projects in which CARE is providing RGE-level assistance) as well as indirect assistance provided through OLIPA in some districts of Nampula Province and through a joint project with Oxfam-GB and UCASN in Niassa Province. Refer to **Table 3.0** for a detailed breakdown of participation in the RGEDP program in the three provinces.

Table 4.1.3. Contract Agreement Targets vs. Performance

Performance Measure	Target Performance	Actual or Projected Performance
Number of RGEs	700	728
All women groups	75	102
RGE members	22,100	25,228
Women members	5,300	7,742
Number of Fora (second-level RGEs)	60	70
Number of district Inter-Fora groups	10	7
Number of beneficiaries	110,60	145,900
Sales from RGEs	\$3.6. million	\$2.1 million as of 12/31/2003; \$3.2 million projected for 9/31/2004
Profits of RGEs	\$108,000	\$102,000 (est.)
Number of districts	15	15
RGE advisors trained	18	27

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RGE Facilitators trained	1,200	4,300
Board members trained	3,500	4,800
Managers trained	2,300	5,900
Volume of agricultural commodities	22,000	9,400 as of 12/31/2004
Value of inputs received	\$300,000	\$460,000
Buyers	15	18
Outgrowers	5	8
Fora with credit	70% (42 Fora)	40% (28 Fora)
Value of credit	\$1.2 million	\$1.22 million
Repayment rate	97%	90% as of 12/31/2003
Low cost registration*	Yes	No

* “Low cost registration” in the above table refers to a simplification of the law for registering associations. While, a revised law has not yet been approved, CLUSA’s and USAID’s work over the past eight years on this issue finally appears to be paying off. The National Assembly is expected to consider such a law in 2004.

The data presented in **Table 4.1.3** indicate that CLUSA met or exceeded its performance targets in 15 of the 22 categories, including:

- The number of farmers, household members, RGEs and Foras assisted;
- The number of women and women’s groups assisted;
- The number of RGE advisers, animators, managers and board members trained;
- The value of agricultural inputs and loans facilitated; and
- The number of buyers and outgrowers working with RGEs in close coordination with CLUSA.

Two important targets that will probably not be met during Phase III are the volume and value of commodities sold through the RGEs and Fora. A steep reduction in cotton marketed through the RGEs in 2003 is the primary factor responsible for this shortfall. This issue will be discussed later on in this section of the report.

4.1.4 Monitoring and Evaluation Indicators

In addition to the target vs. actual performance measures presented above, CLUSA and USAID also agreed on a shorter set of indicators to be used for

ongoing monitoring and evaluation purposes. Project targets are compared with

performance in 2002 and 2003 and projected performance in 2004 in **Table 4.1.4** presented below.

Table 4.1.4. Monitoring and Evaluation Indicators vs. Performance

Monitoring & Evaluation Indicators	2002 Actual Performance	2003 Actual Performance	2004 Projected Performance	Average or Combined Performance	Project Target
1. Number of Households Receiving Income from Assisted RGEs	29,200	25,228	23,800	26,200	22,100
2. Revenue of Assisted RGEs in USD	1,103,000	1,000,000	1,135,000	3,238,000	3,600,000
3. Number of Assisted Rural Enterprises	860	728	700	762	700
4. Value of Financial Resources Mobilized:					
a. Equity in USD	32,000	40,000	60,000	132,000	
b. Loans in USD	119,000	167,000	150,000	436,000	
c. Commercial Credit in USD	317,000	161,000	175,000	653,000	
Total Financial Resources Mobilized in USD (a+b+c)	468,000	368,000	385,000	1,221,000	1,200,000

The data presented in this table indicate that actual and projected performance for the number of households receiving income from assisted RGEs, the number of assisted RGEs, and financial resources mobilized all exceed the project targets.

However, revenue of assisted RGEs is projected to fall about \$360,000 or 10% short of the target. The next sub-section of the report takes a closer look at the shortfall in the volume and value of agricultural commodities marketed by the RGEs and Fora in Phase III of the RGEDP.

4.1.5 Trends in Agricultural Commodities and Their Relative Value

The following table compares the volumes of the major agricultural commodities marketed by RGEs and Fora during the three phases of the RGEDP.

Table 4.1.5a. Volume of Commodities Marketed by RGEs and Fora: 1996-2003

Commodity (in Metric Tons)	Average 1996-1998	Average 1999-2001	2002	2003
Cotton	777	2,518	3,512	1,439
Maize	807	1,719	630	663
Beans	27	371	250	529
Cashew	55	208	141	190
Sesame/Sunflower	0	230	114	314
Groundnuts	47	170	269	313
Tobacco	0	0	0	500*
Other Products	0	122	20	109
TOTAL	1,713	5,338	4,936	4,057

*RGEs assisted by OLIPA using funds from the European Union produced the tobacco referred to in the table. USAID funds were not used for tobacco production or marketing.

There are several noteworthy patterns in this table:

Cotton -- RGEs and Fora sold a relatively large amount of cotton from 1999 through 2002, but had a substantial drop-off in 2003 – *a 2,000 ton reduction in cotton sales.*

There appear to be several factors responsible for this decline, including a very

low export price for cotton in 2002, which, in turn, led to some cotton companies in Mozambique renegeing on their agreements to pay a price premium to Fora and RGEs. As a result, a large number of farmers reduced their production of cotton

in 2003 and some Fora and RGEs chose not to market cotton because of the low or non-existent sales margins. If the volume of cotton sold through the RGEs had remained constant between 2002 and 2003, there would have been a 20% increase in total sales volume between the two years. This precipitous decrease in cotton sales shows quick, decisive action by farmers, RGEs and Fora in moving away from the production and marketing of a commodity that they considered to have a substantially reduced value.

Maize – In 2002 and 2003, RGEs and Fora reduced their marketing of maize by almost two-thirds. This trend may reflect a combination of low prices for maize in recent years, the low profit margin on producing and marketing this crop, and side-selling.

Beans – The volume of beans produced in 2003 was more than double the volume in 2002.

Cashews – There is a growing demand for cashews in northern Mozambique. However, there are problems in meeting this demand due to aging cashew trees, inadequate planting of new trees, the high cost and limited availability of anti-fungal chemicals and sprayers, and some farmers' perceptions of low returns on the use of chemical inputs. Several agronomists interviewed commented on the health risks of using anti-fungal chemicals. They indicated that a far cheaper and safer, sulfur-based treatment was available, but was not being promoted by Mozambique's Cashew Institute or agricultural extension.

Sesame and sunflowers – The numbers in the table primarily reflect sesame seed sales. Aside from tobacco, this crop showed the biggest increase in sales from 2002 to 2003. CLUSA has introduced white sesame seeds from Nicaragua and has encouraged the production and marketing of sesame as a high margin crop.

Groundnuts – This is a high margin crop that experienced growth in volume over the eight years of the RGEDP program. It is expected to continue to experience growth in the future.

Tobacco – As mentioned in the footnote to the table, OLIPA, not CLUSA, marketed tobacco. No USAID funds were involved in the production or marketing of this crop.

Paprika – This crop is included in the “other” category because paprika was never a high volume crop. It is worth noting, however, that paprika experienced a

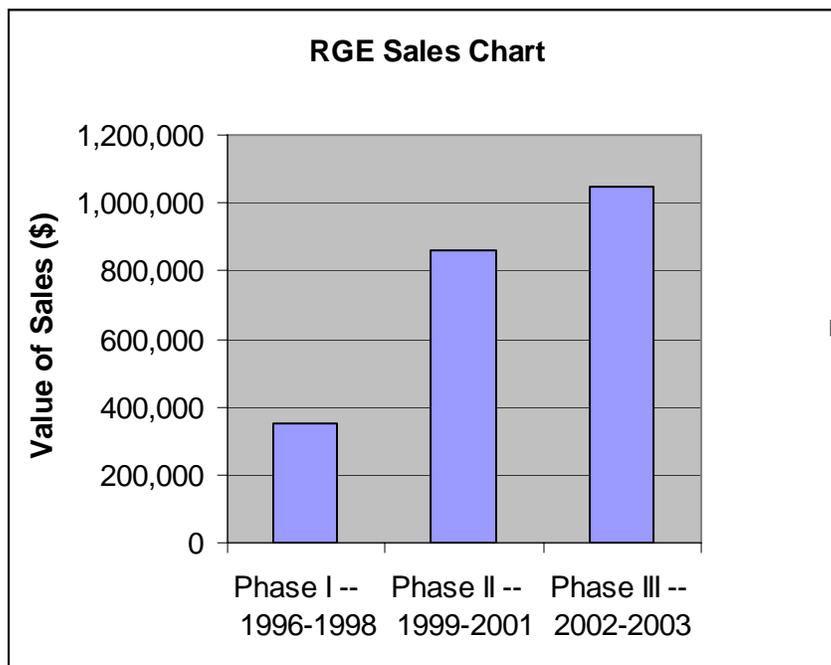
boom and bust in 2001 through 2003 because Cheetah Paprika -- as part of an outgrower project -- provided seeds and other inputs on credit to encourage farmers to grow the crop. However, because of cash flow problems, Cheetah closed down its Mozambique operations in 2003, leaving producers without a market.

The overriding message from this review of agricultural commodity marketing by RGEs and Fora is that – with CLUSA’s encouragement and assistance -- these farmer organizations are becoming more sophisticated in seeking out high-value, high-margin crops.

Another observation regarding the trends cited above may be an increase in side-selling as the market for agricultural crops has become more competitive since CLUSA began helping farmers increase the sales of their crops in 1996. In one sense this side-selling is positive, because it represents increased marketing opportunities for farmers. In another sense, it weakens the farmer-owned marketing network by reducing the earnings farmers’ organizations make on agricultural commodity sales.

Table 4.1.5b below provides information on the value of agricultural commodities marketed through RGEs and Fora. This table complements the data on volumes and kinds of commodities in **Table 4.1.5a**.

Table 4.1.5b. Average Annual Value (in USD) of Agricultural Commodities Marketed by the RGEs and Fora in Phases I, II and III



The most noteworthy observation about the above table is that, despite a slightly lower average volume of production during the first two years of Phase III, the average value of commodities sold is about \$140,000 higher than for Phase II.

The primary explanation for this result is the trend by RGEs and Fora toward the marketing of higher value commodities.

Another factor in this upward trend in value appears to be the availability of commercialization loans by some Fora. Beginning in 2002, Fora that successfully registered as associations with the Mozambican government received loans from GAPI, Sarl to purchase agricultural commodities. These credits allowed the Fora to purchase commodities right at the end of the growing season. Early purchasing benefited them in several ways. They were able to buy crops before they were bought by other buyers. They could buy them at relatively low prices and then resell them when the market went up. In some cases, they could turn over their loan money several times by buying, selling and buying again with the same loan money.

Thus far, the effect of these commercial loans from GAPI looks very positive. However, they are limited to about 40% of the Fora, because GAPI lends only to Fora that are legally registered as associations. Thus, the complicated and protracted registration process has inhibited the growth of these loans.

Following are two stories of Fora that made good use of loans from GAPI. These cases were reported in the CLUSA-Mozambique Annual Report for 2003.

Two Credit Success Stories in 2003

Nacololo Forum in Monapo District, Nampula Province

A second-time borrower from GAPI in 2003, Nacololo received a short-term credit of \$4,200 to purchase agricultural commodities from RGE members and other farmers. The Forum bought commodities for \$20,100 and sold them for \$26,000 (in part, by buying additional commodities with the proceeds from previous sales). These transactions provided the Forum with \$5,600 in gross profit – a 135% return on the loan from GAPI. Nacololo invested and distributed these funds as decided by its general assembly.

Novanana Forum, Alto Molocue District, Zambezia Province

Novanana became a registered association in early 2003, allowing it to request commercialization credit from GAPI. The lender approved a credit of \$2,730. Using the business skills provided by CLUSA, Novanana generated a gross profit of \$1,780 or 65% return on credit.

4.2 Implementation Strategy

CLUSA's implementation strategy has undergone some changes in Phase III resulting from a reduction in USAID funding of over 20% and from increased reliance on other organizations for the provision of commercialization services.

CLUSA's Cooperative Agreement with USAID was for \$2.5 million from October 2001 through September 2004 (down from \$3.2 million for the prior three years). The percentage of funds spent through December 2003 appears to be right on track with the amount budgeted. CLUSA agreed to raise a little less than \$1 million in non-federal funds. It had expended \$830,000 in matching funds through December 2003 and has additional non-federal funds committed that are very likely to result in the program's exceeding its match requirement.

Approximately 81% of CLUSA's USAID funds thus far in Phase III have been expended in Mozambique. Twenty-five percent of the funds were expended on salaries, wages and related fringe benefits; 2% on consultants; 4% on travel and transport; 4% on allowances; 7% on other direct costs; 5% on subcontracts; 9% on commodities and equipment; and 29% on in-country training. Fifteen percent of USAID funds were spent on indirect costs.

It is difficult to break out the amount of funds spent in rural Mozambique, however, personnel, transport and other budget categories are mostly oriented to support rural activities where 70% of the project staff reside.

As a result of reduced USAID funding and agreements with other donors, CLUSA:

- Withdrew completely from three out of six districts in Zambezia Province in 2001 and 2002;
- Contracted with OLIPA for RGEDP services in Malema, Ribaue, Lalalua and Mecurri districts of Nampula Province (This contract was supported by funds from the European Union.);
- Entered into an informal agreement with CARE to coordinate association building and marketing services in four districts of Nampula Province; and
- Continued an agreement with Oxfam-GB and UCASN in three districts of Niassa Province that had been initiated in 2000.

These implementation changes produced mixed results.

- Between November 2001 and March 2002, the **CLUSA-CARE partnership** more than doubled the number of RGEs under CLUSA's direct supervision in Nampula Province. It added 124 RGEs that had been CARE agricultural extension groups to the 107 established RGEs already being served by CLUSA. Some CLUSA staff indicated that the farmers in the "CARE RGEs" did not have the same level of training and commitment as those in the "CLUSA RGEs" and

that the influx of CARE RGEs had a negative impact on the overall effectiveness of CLUSA's agricultural marketing program. We were not able to independently

verify these assertions because of the limited scope of our research. In any case, both CARE and CLUSA staff reported strains in the relationship between the two organizations in carrying out the RGEDP.

- The **transition in services with OLIPA** went more smoothly than the implementation of the CLUSA-CARE partnership, because of the long-term, gradual approach CLUSA used to train, and systematically reduce supervision of, OLIPA in the provision of commercial services to Fora and RGEs. Nonetheless, there were some strains between the two organizations as OLIPA took over lead commercialization responsibility for four districts in Nampula Province in 2000 through 2003 as well as taking on additional projects not related to the RGEDP. The relationship between the two organizations now seems to be good. However, there appears to be room for improvement in the coordination of production and marketing plans, and in the sharing of information on production and marketing results.
- The situation in Niassa during Phase III has been complex. The **three-way relationship among CLUSA, Oxfam-GB and UCASN** appeared to get off to a positive start, primarily because of a very good working relationship between the CLUSA Lead Field Officer and the Oxfam coordinator. Commercialization results in 2001 and 2002 were good. Sales dropped dramatically in 2003, however, due to:
 - Changes in Oxfam personnel in northern Mozambique;
 - Fiscal and management problems at UCASN; and
 - The temporary withdrawal of the CLUSA staff person from Niassa resulting from contract differences between CLUSA and Oxfam.

There appears to be a renewed interest in working together among the three organizations in 2004, resulting from a new memorandum of understanding between CLUSA and Oxfam and from a change in project manager at UCASN.

- The **concentration of services in three districts of Zambezia Province** appears to have worked well. There is a team of five CLUSA field officers who coordinate commercialization services with the 12 Fora and 75 RGEs in these districts. CLUSA staff report that the associations in the other three districts continue to operate without NGO support. However, we did not corroborate this independently.

These results indicate several things:

1. In the absence of transitional planning and preparation, reduced funding is very likely to impair the quality and quantity of program services.

2. Service delivery partnerships can be adversely affected by:
 - - Differences in organizational missions (for example, food security vs. business development), development strategies, and personalities;
 - Lack of appropriate incentives, training and accountability; and
 - Competitive tensions among the partners.
3. In the face of reduced funding, it makes sense to concentrate services in a smaller geographical area, as was done in Zambezia, rather than to dilute them across a larger area that cannot be adequately served.

The reduction in funding and the partnership strategy were accompanied by a shift in CLUSA's role from a service provider at the Forum and RGE levels to a service provider that works primarily at the Forum level. The consequences of this shift in emphasis are not clear. Some observers believe that there has been a reduction in the democratic involvement of RGE members in decision-making and that Fora leaders are not as accountable to RGE members as they were in the past. CLUSA's concentration of work at the Forum level may also have reduced the quality of production and market planning at the RGE level.

Our research could not confirm or refute these observations. There was very good involvement by RGE members at our meetings in Nampula and Zambezia provinces, with about 400 RGE members in attendance. Participants at these meetings did not cite lack of accountability of their leadership as a problem. But, these results are not definitive. The best way to determine if there is a problem with CLUSA's current Forum-level implementation strategy is to conduct interviews and meetings in a number of villages that have RGEs in order to get a more "on the ground" sense of what is happening. This kind of research was not possible during the two weeks we were in northern Mozambique.



The team of CLUSA field officers in Zambezia Province

4.3 Demand for Services

The CLUSA RGEDP Program is intended to be demand-driven in three senses:

- By responding to production and marketing plans of participating RGEs and Fora;
- By being responsive to demand as identified by buyers; and
- By keeping informed regarding high value crops with potential production and marketing opportunities in northern Mozambique (e.g., the soy demonstration project currently under way.)

As mentioned above, there may have been some slippage in CLUSA's role in RGE-level production planning in the last couple of years. Production plan data from the RGEs used to be featured in the October-December quarterly reports for the project. These data were not presented in any detail in the last two years.

Even in prior years, going all the way back to 1996, these production plans have consistently over-estimated actual production levels on virtually every crop. With a few exceptions, farmers have said they would plant more than they did, and they had lower yields than they and their advisers predicted. This has become a chronic problem that can have serious negative consequences as the Fora and IKURU increasingly rely on production agreements in order to enter into contracts with buyers. CLUSA and its partners need to develop a more accurate approach to planning and measuring crop-specific production levels in order for the Fora and IKURU to become more reliable suppliers to buyers.

Despite this problem with production estimates, the Fora and RGE representatives with whom we spoke expressed satisfaction with the services they were receiving from CLUSA and its partners. Most have developed an ability to market their crops effectively and to generate revenue at the Forum and RGE levels from crop sales. Most of the Fora representatives with whom we spoke have plans to expand their marketing activities – and in some cases, their processing activities -- in the coming year. The complaints that they had were not about CLUSA and other NGOs, but about the bad quality of roads, the cost of, and difficulty in securing, transport, the difficulty of getting their Fora registered as associations, and the bad treatment they were receiving from the cotton companies.

CLUSA has a basic service delivery approach that it uses in northern Mozambique and in approximately 20 other projects in Africa and other countries. This approach is summarized in the box on the following page. The key element of this approach is that it is demand-driven by beneficiaries. Only farmers interested in forming a Rural Group Enterprise do so. The goals of each RGE are democratically set by the members. CLUSA's role is that of facilitator and adviser. CLUSA's primary goal is to help put in place an organization that can operate sustainably.

The description of the implementation process for forming an RGE presented below is

in Mozambique for 1995-2001.

Steps in Forming a Rural Group Enterprise

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.

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

It may be that CLUSA has eased off a bit on this village-level, participatory approach in the last couple of years due to budget constraints, reliance on partners not as familiar with this approach, and a focus on marketing at the Forum and region-wide levels. If so, CLUSA should reemphasize the importance of its services at the RGE level in the future.

One example of demand for CLUSA services was illustrated at a meeting with the five field officers in Zambezia Province. The officers reported that there had been significant growth in the number of members per RGE in each of the three districts served by CLUSA. They also reported that farmers in villages that did not have RGEs wanted to form them.

They estimated that, if they had the resources, there was enough demand to double the number of RGEs in the three districts.

4.4 Approach to Service Delivery

Many of the issues related to service delivery are addressed in Section **4.3 Demand for Services**. This section describes CLUSA's major services, reviews the potential for transferring these services to other organizations, and addresses issues of sustainable delivery of services.

The primary service provided by CLUSA is the development of farmer-owned and democratically controlled businesses. CLUSA assists these businesses by providing the following additional services:

- Literacy and numeracy training;
- Identifying commercial crops with good potential demand;
- Facilitating access to inputs, including credit and seeds; and
- Assisting them to find market outlets, analyze market opportunities and secure marketing contracts.

Note that one critical service that is **not** part of this list is agricultural production assistance. From the beginning of Phase I in 1996, agricultural extension was never defined as part of RGEDP's mission. In retrospect, this exclusion was probably a mistake. CLUSA has always had to rely on other entities – NGOs and government extension agents – to work with farmers on learning how to improve productivity and how to grow new crops. In the farm-to-market chain of activities, having no direct involvement at the production level has weakened CLUSA's marketing effectiveness. In other countries, such as Zambia, where CLUSA's farm-to-market assistance role has been more comprehensive, farmers' yields have gone up much more dramatically than in Mozambique. This issue will be addressed further in **11.0 Future of the Program**.

CLUSA's service delivery system is an integral part of its implementation strategy as described above. This approach has been adopted in Mozambique by other NGOs, especially OLIPA, and, to some extent, by CARE, Oxfam-GB, and UCASN. There is no question that these services – including CLUSA's participatory approach to providing them – can be adopted by additional NGOs and government extension agents.

There are numerous examples of this kind of transfer in CLUSA programs elsewhere in Africa. But, with the exception of OLIPA, the transfer of this service delivery approach does not appear to have gone smoothly in Mozambique to date. From our brief visit in the Nampula area, we don't have a definitive answer on why this is the case. As we suggested in **4.2 Implementation Strategy**, there appear to be a combination of factors

responsible for this, including different program missions, personality differences, competitiveness among organizations, considering adoption of the approach as a low priority by other organizations, and, in one case, financial mismanagement.

We believe that there should be a renewed effort to make the transfer of this delivery system work in northern Mozambique beyond the successful spin-off of OLIPA. The keys to a successful approach are:

- A clear agreement and timetable for services to be provided,
- Realistic incentives rewarding adoption;
- A good communications system that facilitates adoption;
- Clear performance measures; and
- An ongoing monitoring and accountability system that addresses problems before they have gotten out of control.

These issues are discussed further in **4.11 Future of the Project.**

One of the questions in the scope of work refers to “sustainable service delivery.” This phrase is somewhat of an oxymoron, because it implies an ongoing dependence on externally provided services. The real issue is reducing the need for farmers and farmer organization for outside production and marketing services. From our visits to farmer organizations, many Fora and RGEs have come a long way in this regard.

One example of this is the network of Fora in Murrupula district. These Fora went for six months without CLUSA or OLIPA assistance because of a gap in donor funding (not related to USAID). When OLIPA returned to the area, they found the Fora and RGEs hard at work planning and coordinating the marketing of their members’ crops.

If CLUSA were to pull up stakes tomorrow, it would leave a sustainable legacy in terms thousands of farmers who know the value of their agricultural products and how to find markets for them; thousands of farmers who have basic literacy skills; hundreds of village-level farmer-owned businesses that would continue to carry out marketing and other activities on behalf of their members; and dozens of Fora and multi-Fora organizations that would continue to provide increased profits to their members by buying agricultural inputs and selling outputs in quantity and with quality controls.

But such an abrupt departure would leave many activities unfinished and would not pave the way for an increased level of sustainability for these farmers and their organizations.

In particular,

- The promising commercial credit program begun in partnership with GAPI would be jeopardized.
- Very early experimentation with production loans to farmers through their RGEs would probably be abandoned.
- The promising work on Conservation Farming being done by CLUSA and CARE would be set back.
- IKURU (which has separate funding) would find it much more difficult to realize its potential as a farmer-owned trading company in northern Mozambique without

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the linkages CLUSA provides to buyers and to Fora, RGEs and farmers in the region.

- Several buyers that have built up relationships with farmer organizations because of CLUSA's facilitation may back away from these relationships, for example Export Marketing, Twin Trading and the Norwegian co-op interested in buying soy through IKURU.
- There would not be the opportunity for a systematic transition in which domestic NGOs and government agencies would continue agricultural marketing and literacy training assistance after CLUSA's departure.

In summary, much would be sustained if CLUSA were to cease operations in northern Mozambique, but the potential for a greater degree of sustainability would be lost.



Evaluation team meeting at Nacavala Forum

4.5 Role of Women

The participation rate of women in the RGEDP is currently 20% above the Cooperative Agreement target. The number of women's groups is 35% above the target, due in large part to CARE's work in assisting women's nutrition and agricultural extension groups. Despite this successful performance, the fact remains that only 22% of RGE members are women.

The participation rate of women in CLUSA's Functional Literacy Program is much higher. In 2001 through 2003, 4,700 women passed the Level 1, II and III literacy exams. This represents 45% of all graduates.

Thus, although CLUSA has met its Cooperative Agreement targets for women and is doing an excellent job in women's literacy training, there is plenty of room for improvement in the participation of women in Rural Group Enterprises. This issue is discussed further in **Section 4.11**.



Women members of a rural group enterprise greet the evaluation team with a song.

4.6 Rural Group Enterprises

The questions posed in the scope of work regarding “the social and economic characteristics, organization and functions of project-supported group businesses” would require several dissertations to address adequately. (See the Scope of Work in **Annex A.**)

Given our two week visit in northern Mozambique, we can provide only impressionistic answers to these questions. Perhaps a graduate student in Agricultural Economics from Michigan State University or elsewhere could be encouraged to explore these questions in more depth.

Although hard data are not available, RGEs and Fora are probably comprised primarily of a middle tier of subsistence-plus and small commercial farmers. There is wide variation in the business capacity of RGEs and Fora, ranging from organizations that are operating well with little or no assistance from CLUSA or other NGOs to businesses that are still in early stages of development. CLUSA’s literacy training program has made a major impact on farmers’ ability to be informed participants in their RGEs and Fora as well as in other activities affecting their communities.

In general, there does not appear to have been major improvements in farm productivity in the past decade in northern Mozambique. Farm productivity and sustainable farming practices were never part of CLUSA’s mission in the region. Its focus has been on facilitating the marketing of farm products. We recommend that CLUSA’s mission be broadened to include the promotion of productive, ecologically beneficial farming practices, if the RGEDP program is continued. (See Recommendation 3 in **4.11 Future of the Project.**)

In the CLUSA approach, RGE members are self-selected. Villagers choose whether or not to become members. As described in the box on page 21, each RGE elects a chair, a financial manager and selects a lead farmer (who receives training in improved growing techniques and passes this information on to other RGE members). The RGE also has one or more animators who are local residents trained by CLUSA staff and who provide support services to the RGE. These animators are paid by the RGEs, not by CLUSA.

(One of these animators is often a literacy trainer. It is our understanding that in the last several years, the government has begun paying these local literacy trainers as part of a World Bank credit program. Villagers are no longer paying for their own literacy training. We are concerned that this may not be a sustainable literacy training strategy.)

Each RGE goes through (or is supposed to go through) an annual planning process in which overall goals and individual member production targets are set. After crops are planted, members of the RGE meet to compare the production plan with what was actually planted. After harvest, actual production is calculated and compared to

projections. The RGEs then deliver crops to the Fora to be marketed. The allocation of any revenue generated by the RGE is decided by RGE members democratically.

This is how the approach is supposed to work. As mentioned elsewhere in this report, some observers have raised concerns that these village-level activities are not taking place as systematically as they should be. We found no evidence of this, but we did not do a thorough village-level investigation. We recommend that, if the CLUSA Program is renewed in northern Mozambique, there should be a review of the RGE-level training and participation and, if necessary, CLUSA should put a renewed effort into reinvigorating these village-level activities. A successful, sustainable farmer-based development strategy requires active, democratic farmer participation.

One of the questions raised in this section of the scope of work refers to “skill levels to undertake additional welfare enhancing activities.” Our answer to this question is that RGE members who are active in their associations have developed a range of literacy, organizational, farming and marketing skills that have “multiplier effects” on other aspects of village life. Other villagers who have undergone CLUSA’s functional literacy training program are also able “to undertake additional welfare-enhancing activities.” However, RGEs should not be confused with community development organizations. RGEs are farmer-owned businesses. Community development organizations have broader social goals and are not necessarily “bottom line-oriented.” Farmers and their communities can benefit from both kinds of organizations, but it is a serious mistake to view RGEs as – or attempt to convert them to -- community development organizations. RGEs are not intended to be all things to all rural people. If their business focus is diluted, their ability to improve farmers’ incomes will be jeopardized.



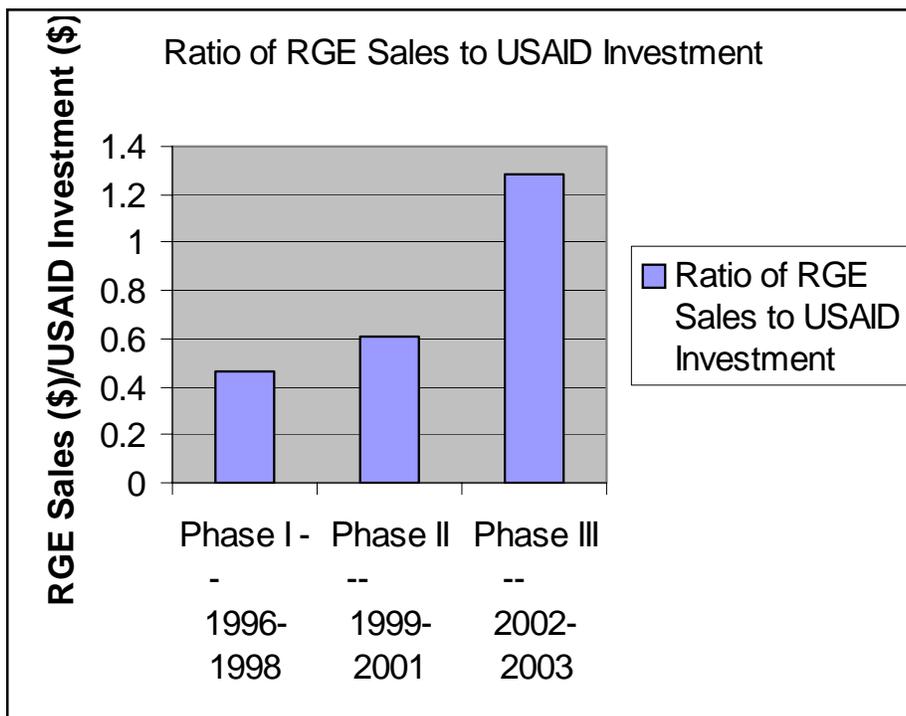
Members of Murrupula Forum show us cashews they are preparing to process.

4.7 Cost Effectiveness

There are a number of ways to measure the cost-effectiveness of the CLUSA Program.

The measure that is most directly related to the primary objective of RGEDP is household income (measured by RGE sales) divided by USAID’s investment in the program.

Table 4.7 RGE Sales Generated per Dollar of USAID Investment



For Phase III, the RGEDP project generated \$1.28 in household income for every \$1 of USAID funding. Comparable ratios for Phases I and II are \$.46 and \$.61. By this measure, Phase III is more than twice as “efficient” as Phase II and almost three times as “efficient” as Phase I. However, life is not that simple. The REDGP has been gradually developed over eight years. One should expect a higher cost per unit of results in Phase I than in Phase III. Thus, this chart shows a nice progression in efficiency over the three phases.

It would also be a mistake to treat this ratio as a literal measure of the benefits of the project. There are numerous other benefits that are not captured by this ratio, including:

- The huge impact of the program on literacy;

- The hundreds of hours of training provided to NGOs, government staff, farmers and others in marketing, business development, governance, etc;
- The organizational and other kinds of infrastructure development that have been put in place and will continue to provide economic and social benefits long after the project is completed;
- The multiplier effects resulting from the purchases and investments by RGE participants; and
- The problem-solving skills and knowledge gained by participants.

There are many other benefits of participating in the RGEDP that are not easy to calculate, for example, the benefits discussed above in **4.7 Rural Group Enterprises**. A proxy measure that can be used for these less tangible benefits is the number of participants in the program divided by the cost of the program. The average number of RGE participants per year in 2002-2004 is estimated at 26,000. Thus for Phase III, the average cost in USAID funds over the three-year period is about \$100 per RGE member or \$33 if calculated on an annual basis.

Another approach to calculating benefit involves counting the number of graduates of CLUSA's literacy training program, many of whom are not RGE members. In 2001 through 2003, these beneficiaries include 7,100 Level 1 graduates and 3,300 Level 2 and Level 3 graduates. The cost of this training to USAID is already figured into the \$100 per RGE member presented above

The scope of work also posed the question: "Does the program offer opportunity for the establishment of sustainable group businesses development service delivery agencies beyond USAID assistance?"

The successful spin-off of OLIPA already indicates that this can be done. From what we could observe, OLIPA is performing well and has established a satisfactory, complementary relationship with CLUSA. It would be useful to do a more detailed case study on the development of OLIPA in order to get a better understanding of the strengths and weaknesses of this spin-off approach.

The other key issue related to this question is the ability of the farmer-owned businesses to generate the internal capacity to provide themselves with business development services. This is already happening in many RGEs and Fora. The critical question is: Can it be expanded to a region-wide network of farmer-owned organizations, including IKURU and district-level cooperatives that can operate largely without outside assistance after the CLUSA Program is completed? We make several recommendations related to this objective in **4.11 Future of the Project**.

4.8 Partnerships

Many issues related to CLUSA's partnerships have been addressed in previous sections of the report. In particular, see **4.2 Implementation Strategy** for an analysis of CLUSA's relationships with its major NGO partners.

CLUSA's partners include:

- 18 businesses that are projected to purchase over 15,000 tons of RGE agricultural products during Phase II;
- One financial institution;
- Government agencies at all levels; and
- Over 20 NGOs

CLUSA has assisted the RGEs, Fora and IKURU to continue or to establish marketing and processing relationships with 18 different **businesses** in the past two and one-half years. Some of these relationships are working well. Others have been problematic – for example the withdrawal of Cheetah Paprika and contract violations by some of the cotton companies. Several examples of business partnerships that are currently going well are presented in the box below.

Successful Business Partnerships

A few examples of business partnerships facilitated by CLUSA that are off to a good start and have good potential for future expansion include:

- The sale of 140 tons of cashews, processed by Miranda Caju, to Twin Trading, a Fair Trade Organization based in Great Britain;
- A pilot soy production and marketing project supported by the Norwegian Embassy and the Norwegian Agricultural Purchasing and Marketing Cooperative.
- Introduction of white organic sesame in northern Mozambique by CLUSA in coordination with CARE.
- In 2003, Sales of sesame, cashews and other products to Export Marketing, the largest buyer of RGE agricultural products in the northern Mozambique.
- Current GDA alliance involving IKURU, Twin Trading (UK), CBI and Ciranda (US), and international NGOs.

The relationship between **GAPI** and the farmer-owned organizations has been discussed above in **4.1.5 Trends in Agricultural Commodities and Their Relative Values**. As stated there, the availability of commercial loans to registered Fora from GAPI appears to have made a significant impact on their profitability. CLUSA and GAPI have initiated a small-scale producer loan program through several RGEs this year that may set the stage for a much bigger program. The limiting factor regarding additional loans is the onerous requirements for registering Fora and RGEs as associations. Until the association law is changed at the national level, the access of these farmer organizations to credit will be severely limited. GAPI has been a good partner, but CLUSA would like to be working with several lenders in order to avoid overdependency on one.

CLUSA collaborates in a variety of ways with about 20 **NGOs** to promote associations, develop agricultural production and marketing projects, share best practices, and conduct trainings on association-building and business planning. OLIPA occupies a special relationship with CLUSA. It is comprised largely of former CLUSA employees and is now an effective domestic NGO with diversified funding. There have been, and continue to be, some rough edges in CLUSA's relationships with some of these NGOs, most notably CARE, Oxfam-GB and UCASN. These have been discussed earlier in the report and will be addressed again in **4.11 Future of the Program**.

CLUSA has established and retained good relationships with **government** officials at the district, provincial and national levels. We did not encounter any examples of friction in this area during our field research. In fact, several officials gave CLUSA very positive evaluations in our presence. For example, the Director of Provincial Agriculture of Nampula of Ministry of Agriculture praised CLUSA for its work in the province.

Several specific areas of coordination include: production and distribution of a weekly newsletter jointly with MADER, coordination with extension services, and coordination of the literacy program with other government education services.

4.9 Policy Constraints

There were four policy constraints mentioned repeatedly at our meetings with farmers, CLUSA staff and others:

- **The need for reform of the association law.** More than any other issue this was cited as the single most important barrier to the economic development of farmer-owned organizations in Mozambique. A law will be coming before the National Assembly as early as March 2004 that, if passed, would greatly simplify the process of forming associations. Even if the law passes, a major initiative may be required to get it implemented in a timely manner. Beginning in 1999, CLUSA has been working with other allies to try to get this law changed.
- **The need for stronger contract enforcement.** This is a hot issue right now among a number of RGEs and Fora that were promised price premiums from some cotton companies last year and didn't get them. More generally, lack of contract enforcement creates uncertainty in the marketplace for farmers, farmer organizations and buyers.
- **Inconsistent local taxation.** This was a major complaint by RGE members in some districts where they felt they were paying exorbitant taxes on the sale of agricultural commodities. In other districts, there was no such local tax burden. National legislation could limit arbitrary over-taxation of farmer groups and other businesses.
- **Quality of rural roads.** This issue was raised in virtually every farmer meeting we attended. We also had plenty of direct experience in evaluating the rural road system with our backsides. USAID has also included rural transportation as a major issue of concern in its **2004-2010 Strategic Plan for Mozambique.**

We would add a fifth policy issue to this list: **Cooperative Law Reform.** At the time CLUSA began work in Mozambique in 1996, cooperatives were a bad word, associated with government control and private corruption. Assisting rural group enterprises to form as informal organizations and later as associations was a tactical move to avoid having to address the perception of cooperatives and the problems with the cooperative law.

The time may be right to revise Mozambique's cooperative law so that it supports the formation of "true" cooperatives – businesses that are owned and democratically-controlled by the people who use their services, and that subscribe to the seven cooperative principles agreed to by members of the International Cooperative Alliance.

4.10 Lessons Learned

This section of the report identifies major lessons learned at three different levels: The project; other USAID-supported projects in Mozambique; and policy changes in Mozambique

4.10.1 The Project

1. Lack of effective collaboration among NGOs, agricultural extension, and marketing businesses has limited farmers' income growth and the number of farmers involved in commercial farming.
2. Rural group enterprise programs are more effective if they are clearly separated from broad community development initiatives.
3. In order to achieve sustainable rural group enterprises, USAID and its sub-contracting NGOs should develop clear, measurable objectives related to sustainability.
4. Literacy increases farmers' productivity and business skills as well as RGE performance.

4.10.2 Other USAID-Supported Projects

5. Effective collaboration on food security and rural income generation projects requires that each project have clear, separate, and measurable objectives.
6. The decentralized, participatory CLUSA approach has already been adopted by other organizations and can be further adopted as an approach to rural group enterprise development in Mozambique.
7. Functional literacy training can be a low-cost and effective means to educate and empower rural men and women on a wide array of issues – such as agricultural production and marketing, other business activities, health and nutrition (including HIV/AIDS), gender, and good governance.

4.10.3 Policy Changes in Mozambique

8. A favorable legal climate is of critical importance to rural group enterprise development. Problems with the Association Law, the Cooperative Law, contract enforcement, and inadequate national regulation of local taxes have hampered the development of these enterprises in Mozambique.
9. Neglect of rural roads significantly increases the cost of providing services to farmers, and the cost of transporting agricultural inputs and outputs.

10. It is important to recognize the complementary roles of rural business assistance, food security, literacy, health, good governance, nutrition, etc. An overemphasis on “cross-cutting” programs can create friction among service providers and reduce their cost-effectiveness.



Inter-cropping of soy and maize

4.11 Future of the Project

The CLUSA Program is successfully addressing the large majority of its target objectives. Discontinuing the project at the end of September 2004 would not be cost-effective for USAID. Such a discontinuation would end the project before it had completed a transition in which RGEs, Fora and the newly formed IKURU could sustain the marketing activities facilitated by CLUSA at an adequate level. Even if USAID were to transfer the project to another NGO, valuable time, technical expertise, and familiarity with the farmer-owned businesses and trading partners with which CLUSA works would be lost.

We, therefore, recommend that USAID and CLUSA enter into a Phase IV Cooperative Agreement for 2004-2009.

Along with this recommendation, we propose a number of changes in the RGEDP.

1. Establish a **Transition to Sustainability Plan** with clear, measurable performance indicators in which CLUSA will work itself out of a job by September 2009.

Through Phase III, CLUSA has initiated a number of activities that are preparing the way for the program to become sustainable, including the training of thousands of farmers in production planning, marketing and literacy; facilitating numerous marketing relationships between farmer-owned businesses and buyers; facilitating access to credit with GAPI and buyers; spinning off OLIPA; and initiating the formation of IKURU. However, there is a critical need in Phase IV to put in place a process with measurable benchmarks so that the transition to a network of sustainable farmer-owned marketing organizations in northern Mozambique can be completed.

2. During Phase IV, focus CLUSA's facilitation activities on **high-value, high-margin crop production, processing and marketing.**

CLUSA's primary job is to assist in the formation of profitable farmer-owned businesses as a means to increase farm family incomes. At this time, soy, sesame, cashews and groundnuts are products that appear to meet the high-value, high-margin objective. Additional crop opportunities will emerge in the future. The important thing is that, for each priority crop, CLUSA work closely with farmers and other partners to make sure that production agreements are entered into and adhered to; that farmers have reliable advice on growing each kind of crop; that production credits, seeds and other inputs are delivered when needed; that commercial credits are available to farmer organizations to buy products on time;

that quality control standards are met; that reasonably priced transport is available to get products to market; and so on.

The above list adds up to a tough job, especially in northern Mozambique where there has not been a history of smooth farm-to-market coordination. But, if sustainability is to be achieved, CLUSA and its partners need to help farmer organizations to create and implement effective business plans for each priority crop. The mentality needs to be that of a team striving for the same objective – increasing income for farm families.

3. Establish **Conservation Farming** services in Mozambique modeled on the successful USAID and CLUSA-assisted program in Zambia to address the low productivity levels and to improve soil conditions in Mozambique.

Conservation Farming (CF) has proven its effectiveness in Zambia and has been introduced in northern Mozambique on a pilot scale in 2002 and 2003 by CLUSA and CARE. The results have been impressive with increases in yields of 50% or more. Equally important, CF is a means to maintain or even improve soil conditions. All of the crops mentioned above, except cashews, are well-suited to CF.

Conservation Farming does not require major changes from traditional farming techniques and, therefore, can be quickly adopted, as it has been by an estimated 25% of Zambian farmers. The introduction of CF is also a good time to introduce new, more carefully adhered to production agreements between RGEs and farmers for priority crops. Increased agricultural productivity is the single most important factor that can lead to rapid increases in rural incomes in northern Mozambique. Thus, CF and a renewed approach to production agreements are key components of the Transition to Sustainability strategy.

4. Working with a pilot group of Foras and RGEs, CLUSA should **identify lower cost transportation options** for crop inputs and outputs -- including truck leasing and purchasing, and animal traction; and should help initiate one or more pilot projects in 2004-2005.

High transportation costs and the unavailability of transport when needed were two of the most frequent complaints by farmers and farm organization representatives during our meetings in Nampula and Zambezia provinces. Some

Foras and groups of Foras appear to have reached a level of business management and a volume of agricultural inputs and outputs, at which they should be ready to take an increased role in meeting their own transportation needs.

In one discussion with Fora representatives, we talked about the possibility of a forum owning a team of oxen and having a farmer specially trained in caring for and managing the team. The team and trained handler could be leased out to RGE members to assist in cultivation during the growing season. During the harvest season, the oxen could be used to transport crops from the RGEs to the Forum. This approach could be combined with seasonal rental by the Forum of a two-to-four ton truck to take commodities to locations farther up the marketing chain as a means to make additional savings on transport costs.

This and other approaches to improving transport should be tested out on a pilot basis first. By the end of the five-year project, however, the goal should be to have several successful pilot transport projects tested and ready for wider adoption.

5. Work with government institutions and farmer-controlled organizations to adopt and implement **favorable legislation** for associations and cooperatives and other issues affecting rural business development.

As part of its good governance strategy, CLUSA should encourage and facilitate RGEs and Foras to make use of their political clout at the district, provincial, and national levels. There are a number of informal “inter-Fora” groups at the district level. These could be used as a vehicle to identify priority issues that farmers want addressed at all three levels of government. The Fora in Nampula and Zambezia provinces could each hold annual assemblies to identify legislative priorities for the year and make plans for achieving them. On some issues such as association and cooperative law reform, these provincial assemblies could coordinate their actions with farmer organizations in other provinces.

6. Strengthen the role of IKURU, district-level cooperatives and Fora in taking on the **marketing support functions** currently provided by CLUSA.

In many respects, CLUSA is still the “deal maker” in identifying and establishing relationships with major buyers of agricultural commodities from RGE members. This role has to be gradually transferred over the next five years to IKURU, to district-level organizations of Fora, and to Fora in order for the transition to sustainable farmer-owned marketing organizations to be achieved.

7. Continue the **RGE-level good governance training** to ensure that farmers retain control of their primary, second and third tier marketing entities.

As the marketing by Fora and IKURU increases in scale and complexity, it

becomes especially important that farmers at the local level are actively involved in decisions that affect them and that they receive their share of the returns from this network of organizations that they ultimately own. Through continuing communication with, and training of, RGE-level animators, CLUSA can help keep farmers in control of their multi-layered organizations.

8. Establish a **Women's Business Development Team** coordinated by CLUSA to assist in the formation of **Women's Business Groups**.

Even though CLUSA reports meeting its USAID performance targets for women members and women's groups, there is still a long way to go to achieve gender equity. CLUSA should have an increased emphasis on women's business initiatives during Phase IV.

A theme that women brought up repeatedly at the farmer meetings we participated in was their interest in business activities (maize milling, cash crop production, selling in local markets, etc.). Because most of the members of RGEs are men and decision-making tends to be dominated by men, separate women's groups within the RGEs appear to be a good way to address the aspirations expressed by these women. One way to increase the odds of making progress in this area is to have a separate Women's Business Development Team, led by CLUSA and, possibly, comprised of staff from several NGOs, take responsibility for working with Women's Business Groups at the RGE and Forum levels.

There has been some good work done by CARE and other organizations in providing assistance to women's groups on nutrition, agricultural production, establishing seed banks, etc. This work can be built upon by the proposed Women's Business Development Team.

9. Initiate a **credit union pilot project**, possibly, in coordination with GAPI and other lenders.

At many of our meetings, farmers expressed the desire to establish farmer-owned financial institutions where they could save and borrow money. CLUSA has helped to bring about a change in rural, northern Mozambique since it began operations there in 1996. Tens of thousands of people now are far more actively involved in the cash economy. They have money to save or spend. They need

money to borrow for their farms, for other business activities, and for consumer purchases.

In other words, they are ready to begin the formation of credit unions or similar member-owned financial institutions. If managed properly, credit unions can be a valuable source of agricultural production loans for RGE members. They can serve as an intermediary for outside lenders such as GAPI and Deloitte Touche. For example, there are community development credit unions in the United States that play the role of funneling outside investment funds into poor communities. A similar concept could be applied in Mozambique.

A good way to explore the potential for a credit union pilot project in northern Mozambique would be to invite the World Council of Credit Unions or another NGO knowledgeable about member-owned financial institutions to do a feasibility study. If feasible, a credit union project could be integrated with RGEDP over the next five years to bring about greater financial sustainability among farmers and their marketing organizations.

10. Over a five-year transition period, **spin off one or more domestic, literacy NGOs.**

CLUSA's literacy training has been a shining star in northern Mozambique, not only training almost 30,000 people in Levels I, II and III literacy and numeracy programs since 1996 at a very low cost per graduate, but also serving as a model for other functional literacy programs.

It is important to remember, however that CLUSA initiated its literacy training program, because illiteracy was an obstacle to the development of Rural Group Enterprises, not because literacy training itself was a priority goal for CLUSA. Now that literacy skills have increased dramatically and other organizations and the government are increasingly providing literacy services, it is time for CLUSA to ease out of the picture.

Just as CLUSA began to spin off OLIPA several years ago, during Phase IV it should devolve its literacy services to one or more other organizations. During this transition, it is important to help develop a sustainable strategy for continued literacy services and to retain the CLUSA literacy model that is based on empowering rural people and providing information of value in their daily lives related to farming, nutrition, health HIV/AIDS and other relevant issues.

A related issue is the need for access by Level III graduates to continuing education. As part of its transition out of literacy training, CLUSA should work

with the government and other NGOs to develop a distance learning program to

help rural residents to continue their studies without having to relocate from their villages.

11. Participate with other NGOs in conducting **pilot animal traction and mechanized cultivation projects** with Fora and RGEs.

The issue of animal traction was discussed above under Recommendation 4, related to transportation. Several Fora have already sent members to southern Mozambique for training in animal traction. There is interest, but little experience, in using oxen for cultivation among RGE members. As mentioned above, one way to pilot one or more animal traction projects would be to have Fora own the oxen and equipment, making use of trained staff members or farmers to manage the team and equipment on a rental basis for RGE members, and to use the oxen for transportation during the harvest season. Many Fora have savings that could be put toward the purchase of animals and equipment and/or they could apply to GAPI or other lenders for loans for this purpose.

5.0 Conclusion

There is no need for a long concluding section to this report. The previous two sections, **4.9 Lessons Learned** and **4.10 Future of the Project**, provide a review of the major conclusions and recommendations of the report.

The primary conclusion of the report is that CLUSA's Rural Group Enterprise Development Program continued to provide effective marketing services to farmers in northern Mozambique from September 2001 through January 2004.

The primary recommendation is that the CLUSA program be continued through 2009 -- taking into account the changes proposed in **4.10 Future of the Project**. The continuation of the program is a very promising means to further improve incomes of participating farmers, and to make a successful transition to a sustainable, farmer-owned marketing system in northern Mozambique.

ANNEX A

SCOPE OF WORK

Article 1. Introduction

USAID/Mozambique would like to find out whether investments in profit oriented farmer group businesses assisted by CLUSA have had or are having a beneficial impact on rural households in target areas. If so, USAID/Mozambique would like to identify the elements of successful investments that can be replicated to improve ongoing or future investments. If investments were not achieving the intended results, USAID/Mozambique would like to know how to reorient that investment so that it does achieve the intended results. Finally, USAID/Mozambique wants to know how investments in this type of programs can be maximized for future projects.

In support of Mozambique economic liberalisation, USAID/Mozambique has initiated and supported activities that stimulate rural economic growth since 1995. Under USAID/Mozambique's Country Strategic Plan ending in September 2004, Strategic Objective 1 (SO 1) is "increased rural incomes of selected groups".

SO 1 investments aim at increasing the incomes of rural families working together as farmer group businesses, village management committees or village action groups. Hopefully, rural families working as groups will result in more cost effective (and less risky) technology dissemination, training, rural finance, and output marketing. Lower service delivery costs will contribute to more sustainable, customer responsive and profitable service delivery agencies. Finally, more sustainable and profitable service delivery will result in increased rural family opportunities to improve their productivity and incomes.

USAID/Mozambique recognizes the importance of Mozambique's macroeconomic and sectoral policy environment. Investments that focus on reducing service delivery costs and raising rural family productivity are likely to identify and lead to the resolution of "second generation" policy constraints.

Actual SO1 activities spring from rural family problem and opportunity identification. They are intended to encourage rural family contributions to solving their social or economic problems, enhance women's contribution to rural economic growth and encourage government food security and rural finance policies that promote private initiative.

During the February 2004 CLUSA activities will be evaluated as part of the mid-term project evaluation.

As the result of an unsolicited proposal from CLUSA, the Rural Group Enterprise Development Program began in 1995. In 2001 a second phase of the CLUSA project was initiated. This 3 year,

\$2,513,410 activity promotes the emergence of democratically self-managed, financially viable

group businesses that improve rural family incomes. Since its inception CLUSA has modified its group business development approach. It now focuses more on secondary level farmers organizations that select different degrees of high value crop production usually under some kind of informal or formal contract with agro-processors. CLUSA role in credit provision is almost entirely as a facilitator with local financial institutions and commercial enterprises playing the role of service providers.

Article 2. Overall Orientation of the Consultancy

The consultancy will comprehensively assess the CLUSA project. However, by evaluating the CLUSA activities, USAID seeks lessons learned that may be applicable to production, markets and income generation objectives in order to positively influence ongoing or future activities or investments. Therefore, the report should encapsulate lessons learned and describe their implications across activity objectives.

To the greatest extent possible USAID would like the evaluation to provide quantitative evidence of investment impact on rural incomes (CLUSA). Quantitative evidence should be presented over time to illustrate any growth or reduction in investment impact during project implementation. Where quantitative evidence is not available or relevant, qualitative descriptions of impacts and processes will be required.

With regard to CLUSA, the consultancy should assess project impact and identify ways to improve implementation, if necessary. The consultancy should recommend whether USAID/Mozambique should consider extending, expanding or cutting short the project. Finally, the consultancy should package relevant findings so that systemic or national level impact from evaluation lessons learned might be achieved with specific reference to the Mozambican context.

Methodology: Ability to: a) identify results desired under the project and generate quantitative indicators of project impact where possible and qualitative indicators where quantitative indicators are not possible; b) identify beneficiary perceptions of project delivered services and beneficiary participation in the project; c) generate information on partner or stakeholder perceptions of the projects; d) generate lessons learned across projects in line with scope of work questions; e) present findings in a use friendly and compelling manner. f) make recommendations on ways forward.

Personnel: Appropriate professional training at the Masters of Science level or above, experience in evaluating projects in agribusiness, community mobilization, experience writing technical documents based on the compilation of field visit findings, experience in presenting evaluation findings in a user friendly and compelling manner, experience in Africa and experience in Mozambique.

Article 3. Scope of Work

Background

The three-year, \$2.5 million, Cooperative League of the USA (CLUSA) Rural Group Enterprise Development Program (RGEDP) began in 1995. The project, currently working in 15 districts of Mozambique (directly with federal funding or indirectly in partnership and with non-federal funding), is aimed at:

- (a) Consolidating and strengthening farmers organization and marketing capacity at FORA level;
- (b) Improving farm productivity and crop diversification; and
- (c) Enhancing farmers capacity to influence the agricultural policy environment. CLUSA brought to Mozambique its rural group development experience gained worldwide including West Africa.

The Cooperative Agreement with USAID indicated that in three years the main targets will be:

1. Number of RGEs	700
2. All women groups	75
3. RGE's members	22,125
4. Women members	5,325
5. Number of second level RGEs	60
6. Number of district inter-FOR A	10
7. Number of beneficiaries	110,625
8. Sales from RGEs	3.6. Million USD
9. Profit	\$108,000
10. Number of districts	15
11. RGE advisors trained	18
12. Animators trained	1,200
13. Board members trained	3,500
14. Managers trained	2,300
15. Volumes of ag commodities	22,000
16. Input received	300,000 USD
17. Buyer	15
18. Outgrowers	5
19. FOR A w credit	70% (42 of them)
20. Value of credit	1 Million USD
21. Repayment rate	97%
22. Low cost registration	Yes

More specific monitoring and evaluation indicators and respective targets, part of USAID's

overall results framework, include:

Table # 1: Monitoring & Evaluation Indicators	2002	2003	2004	Project Target ¹
4. Number of HH Income from Assisted Rural Enterprises	29,170	25,631	23,800	22,135
5. Revenue of Assisted Rural Enterprises (RGEs) USD	1,103,198	762,000	1,500,000	3,600,000
6. Number of Assisted Rural Enterprises	863	863	700	700
a. Equity in USD	32,000	39,950	60,000	
b. Loans in USD	118,500	166,529	150,000	
c. Commercial Credit in USD	317,000	161,339	175,000	
7. Value of Financial Resources Mobilized in USD (a+b+c)	467,500	367,768	385,000	1,200,000

Sixty secondary level rural groups with a total membership of 22,125 farmers of which 24% are women, were expected to participate in the program during the LOP. During the five years of project implementation, cumulative credit of \$2.5 million is expected to be disbursed to the groups. Also, at the end of three years, it is expected that 70% of the group businesses will have good managerial skills, access to finance, and regular and dependable access to inputs and markets.

Evaluation Objective

The primary evaluation objective is to determine whether USAID investments are achieving their desired impact, why or why not. A second objective is to generate ideas on how the impact of USAID investments in CLUSA activities can be improved. A final objective is to generate ideas on how CLUSA experiences can influence ongoing or future USAID and other institution investments in increasing rural incomes.

Evaluation Questions

1. What are the results identified in the cooperative agreement? Who are the beneficiaries? Have CLUSA activities to date made progress in achieving these results? Why or why not? Present your findings with regard to annual results and impact quantitatively and using graphs where appropriate. Has the program made significant contributions to

¹ Cumulative data over three years - FY 2001-03

USAID's "increased rural incomes of selected groups" Strategic Objective in line with the SO's results framework?

2. How is the project implemented? What are the most important components of project implementation? How was the project's location identified? How much project financing is expended in Mozambique (actual and percentage figures)? What percentage is expended in rural areas where CLUSA works?
3. Is the project demand driven? Do beneficiaries find it relevant to their circumstances? How does the project identify what the beneficiaries want? Is this approach effective in identifying what the beneficiaries want?
4. What are the most important services the project delivers to rural families? How were these services identified? How are they delivered? Are they delivered cost effectively? Is their delivery effective in Mozambique's rural context? Could other institutions deliver these services if CLUSA did not? Could other institutions deliver CLUSA like services if they so desired? In terms of incentives, finance, personnel resources and other variables what would other institutions need to deliver similar services? Has CLUSA worked with local institutions to foster continuation and sustainability of programs and services when the project ends?
5. Is there significant participation by women in the rural group business program? Is the program beneficial to women participants? Why? How can more women participate in and benefit from the program?
7. What are the social and economic characteristics, organization and functions of project supported group businesses? What are their relative strengths and weaknesses with regard to business capacity, income and investment management, relations with agribusiness, knowledge and utilization of agricultural technologies, and skill levels to undertake additional welfare enhancing activities? What strategies and additional skills may be required to make rural group businesses more salient, effective and self-reliant beyond USAID assistance?
8. Is the program well organized to allow for cost effective implementation? Does it require any significant structural changes? Does the program offer opportunity for the establishment of sustainable group businesses development service delivery agencies beyond USAID assistance? Should it?
9. What partnerships with other public or private sector agencies has CLUSA made that enhance project service delivery and impact? What are the strengths and weaknesses of these partnerships (eg. GAPI) and how can they be improved? What other partnerships might CLUSA make that would improve service delivery and impact?
10. Are there any significant policy constraints to program implementation? Is the program supportive of the stated Mozambican government policy of agricultural liberalization and

establishment of a private sector led economy? Has government policy influenced the program? How? Has the program influenced government policy? Why or why not?

11. What lessons learned during project implementation could lead to improved CLUSA impact? What lessons learned should inform decision makers on project time and finance extension or expansion?
12. What lessons learned during project implementation might influence ongoing or future USAID investments in food security or rural incomes?
13. What are the advantages and disadvantages, particularly to beneficiaries and USAID, of extending, expanding or cutting short the CLUSA Cooperative Agreement?
14. Given the responses to the above questions, how can USAID/Mozambique best utilize lessons learned from the implementation of this activity to inform government policy dialogue and future government, donor or private sector investments?

Performance Reports and Previous Project Assessments

As required in the Cooperative Agreement, CLUSA prepares quarterly progress and annual performance reports that are submitted to USAID/Mozambique. Prior to the start of every new activity year, the project staff submits an annual work plan.

An internal evaluation of the first phase of the CLUSA project was carried out on November 1997.

During 1999, USAID/Mozambique conducted a study on Best Practices in Farmer Association Development in Mozambique in which the CLUSA activity was studied in detail.

Article 5 General Logistics:

Duty Post: The contractor shall perform the work under this activity in four parts: 1) Initial contacts in Maputo; 2) Field work in Nampula; 3) Final report and presentation to CLUSA and USAID prior to departure.

Logistical Support: CLUSA will provide in-country transportation and secretarial support to the team while in Nampula and Maputo. USAID/Mozambique or local partners may be consulted on logistics of sourcing field transport.

Work Week: A 6-day workweek is authorized.

Article 6. Reporting Requirements /Deliverables

Commencement: During the first two days of the team's presence in Mozambique, the consultant will meet with the SO1 team leader and his staff to discuss USAID's program, obtain relevant contacts and documents. They will also make contacts with the MARD and other relevant organizations to CLUSA's activity. Field work in Nampula will follow the Maputo

Report: After the field work and prior to departure from Mozambique, the consultant will submit a report to CLUSA and make a presentation to USAID, the government of Mozambique, CLUSA and other selected partners. The presentations will briefly describe the methodology and summarize the preliminary findings, conclusions and recommendations of the evaluation. The consultant will take note of the oral questions and comments from meeting participants. As appropriate these comments will be integrated in the evaluation report. One electronic copy of the evaluation report must be submitted to CLUSA.

The final project evaluation reports shall be concisely written and include an Attractive Cover Page, Table of Contents, Executive Summary, List of Acronyms, the Main Report in compliance with the Scope of Work, a Statement of Conclusions and a Statement of Recommendations. The body of the report must describe the relevant country context in which the project was developed and carried out, and provide the information on which conclusions and recommendations are based. The reports must present quantitative evidence of project impact whenever possible using graphs and tables. Sidebars of success stories are also requested, where appropriate. The reports must include attractive photographs of project activities either taken by evaluation team staff or obtained from CLUSA or USAID/Mozambique. The final report must be as user friendly as possible. Depending on the findings, the reports may provide the basis for substantial future dialogue with private and public sector investors.

The final evaluation reports will also have annexes that include current status project inputs and outputs if these are not readily indicated in the body of the report. Other required annexes to the reports are: technical and management issues raised during assessment requiring elaboration, the project evaluation scope of work, a description of the methodology used in assessment, bibliography of documents reviewed and a list of agencies contacted, individuals interviewed and other relevant information.

Article 7. Relationships and Responsibilities

The consultant will play the lead role in a team of two people and shall perform the tasks described above under the general guidance of CLUSA.

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SANAM

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Christine de Voest Rural Incomes Team Leader
Todd Thompson Agriculture Development Officer
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Other USAID Staff

VSO-Mozambique, Maputo – Tel: 258-1-311572

Fidel O'Donovan Program Officer

FIELD VISITS WITH PRIMARY AND SECONDARY RURAL GROUP ENTERPRISES (RGEs):

Nampula Province, Districts of

- Erati
- Meconta
- Monapo
- Muecate
- Namitil
- Mogovolas
- Murrupula

Zambezia Province, Districts of:

- Alto Molocue

MEETINGS AT CLUSA OFFICE, NAMPULA:

Credit Working Group – approximately 20 fora represented

Fora Managers, Presidents, Fiscal Committee members and other leaders – approximately 25 fora represented

Moises Raposo, Commodity Manager, soybean project

KEY DOCUMENTS:

Best Practices in Farmer Association Development in Mozambique, Jeff Dorsey, Ph.D. and Sergio P Muchanga, M.A., ARD-RAISE Consortium, undated.

Cooperative League of the USA Rural Group Business Program Evaluation, David Neubert and Dhruv Sarda, ARD-Raise Consortium, May 2000.

Mozambique Country Strategic Plan, FY 2004-2010, USAID/Mozambique, undated.

Proposal for the Development of Producer-Owned Trading Companies in Zambia and Mozambique, CLUSA and The Partners of the POTC Business Development Alliance, May 2003.

Request for a Follow-up Phase: October 2001—September 2004, CLUSA, September 2001.

Rural Group Enterprise Development Program, Quarterly and Annual Reports, 1996-2003, CLUSA-Mozambique.

The Role of Groups and Associations in Agricultural Livelihood Development in Northern Mozambique – Experience from CARE Programmes, by Martin Whiteside and Filipa Gouveia, November 2003.