

Republic of Mozambique

Country Strategy and Programme Evaluation

Executive summary

A. Background and context

1. At the request of the Executive Board at its 116th session in December 2015, the Independent Office of Evaluation of IFAD (IOE) undertook a country strategy and programme evaluation (CSPE) in Mozambique in 2016. This was the second evaluation conducted by IOE in Mozambique; the first country programme evaluation was conducted in 2009 (and published in 2010).
2. **Scope.** The CSPE evaluated the partnership between IFAD and the Government during 2010-2016 under the 2011 country strategic opportunities programme (COSOP). The CSPE covered: (i) the performance and impact of the portfolio of six IFAD-funded projects, four of which are currently ongoing; (ii) the performance and results of non-lending activities (including policy dialogue, knowledge management and partnership-building); and (iii) the performance of the country strategy.
3. **Objectives.** This CSPE's main objectives were to: (i) assess the results and performance of the IFAD-financed strategy and programme; and (ii) generate findings and recommendations for the future partnership between IFAD and Mozambique for enhanced development effectiveness and rural poverty eradication. The CSPE was conducted in accordance with the second edition of the IOE Evaluation Manual (2015). The CSPE findings, learnings and recommendations will be used in preparing the new COSOP.
4. **IFAD in Mozambique.** Since the start of its operations in the country in 1983, IFAD has approved: 12 loans for 12 projects, all granted on highly concessional lending terms; and associated grants from the Adaptation for Smallholder Agriculture Programme (ASAP) and the European Union, for a total of US\$239 million, representing 61 per cent of the total US\$394.6 million portfolio. Over the same period, additional financial contributions were committed by: (i) the Government of Mozambique, with US\$39.3million or 10 per cent of the portfolio; (ii) external cofinancing partners including the Organization of the Petroleum Exporting Countries Fund for International Development, the European Union, the African Development Bank, the Spanish Food Security Cofinancing Facility Trust Fund and the Belgian Fund for Food Security, for a total of US\$108 million or 27 per cent of the portfolio; and (iii) beneficiaries' contributions, estimated at US\$7.55 million or 2 per cent of the portfolio.
5. IFAD established a country office in Mozambique in 2003, initially staffed with a country programme officer supported by a series of headquarters-based country programme managers (CPMs). During the period under evaluation, the IFAD Country Office (ICO) has been growing. By the time of the CSPE, it included a country director, a country programme officer, a project officer, a programme assistant and four consultants.
6. IFAD's strategy in the country, which addressed poverty alleviation and vulnerable groups in the northern provinces from 2000-2005, shifted its focus to value chain development and work with the economically active poor. Coverage also expanded to include the southern provinces, the entire coastal areas and in one case, all provinces. The portfolio has grown considerably over time in terms of number and size of loans; current projects range from US\$23 million to US\$54 million and have an average duration of 7.5 years. The loan portfolio has also been complemented by significant financial contributions leveraged from other partners in the form of linked or stand-alone grants.

B. Performance of the lending portfolio

7. **Relevance.** The IFAD-supported portfolio was found to be well-aligned with the policies and strategies of the Government and consistent with national rural development priorities. All IFAD-supported projects broadly aim to contribute to the first general objective of the Poverty Reduction Action Plan 2011-2014: “Boost production and productivity in agriculture and fisheries” by enhancing rural producers’ access to improved technology. In addition, the portfolio was harmonized with the Government objective of strengthening markets through IFAD’s focus on value chain development.
8. The portfolio was also consistent with the 2011 COSOP strategic objectives, with most projects aimed at raising incomes among the rural poor by promoting more and better-quality production, and marketing their surpluses more profitably. In 2013, with additional resources for three loans and one grant provided by the European Union, IFAD’s overarching goal of improving food security and nutrition among poor rural people became more visible within the portfolio.
9. Project participants appeared to comprise the economically active poor. As members of farmers’ and fishers’ associations and groups, they produced a surplus, but needed better access to technology, financial products and markets to achieve higher productivity, production and returns. The Pro-Poor Value Chain Development Project in the Maputo and Limpopo Corridors (PROSUL) and the PRONEA Support Project (PSP)¹ also engaged with small and medium emergent commercial farmers who operate outside associations and have stable or growing linkages with markets. However, this approach was not fully in line with IFAD’s core mandate of working with poorer segments of the rural population and arguably was not the most appropriate targeting strategy in a country with absolute poverty incidence of 50 per cent in rural areas. No projects, except for the Coastal HIV/AIDS Prevention and Nutrition Improvement Project (CHAPANI), made any effort to integrate people living with HIV among their beneficiaries.
10. **Effectiveness.** At the time of the CSPE, results were slowly emerging from most projects. Work was progressing well, but the portfolio’s effectiveness was mixed.
11. The portfolio adequately addressed the commitment in the 2011 COSOP to develop value chains for small-scale producers in agriculture – and to a lesser extent fisheries because of delays in the Artisanal Fisheries Promotion Project (ProPesca) rural finance component. In addition, the first-point-of-sale markets for the catch from artisanal fisheries did not appear to meet the needs and requirements of this specific production and marketing environment.
12. The portfolio made a solid contribution to the COSOP goal of improving small producers’ knowledge and – to some extent – access to new technologies. This largely happened through support to the operations of both the National Agricultural Extension System and the extension network of the Ministry of Sea, Inland Waters and Fisheries.
13. With the exception of accumulative savings and credit associations (ASCAs), which successfully reached a large number of poor rural women and men, results with respect to rural finance fell short of expectations and needs. At completion, the Rural Finance Support Programme (RFSP/PAFIR) had not achieved its objectives. From 2013 onward, the three value chain-focused projects had to establish their own mechanisms for rural finance – a complex endeavour that led to serious delays in implementation and limited results in this domain by the time of the CSPE.

¹ Formerly known as the National Agricultural Extension Programme (PRONEA).

14. All projects significantly contributed to institutional development within the Government and among farmers' organizations. Good progress was made by several projects in enabling farmers to obtain land-use titles – an important factor contributing to enhanced production and food security.
15. In line with COSOP objectives, loan-funded projects contributed to improving the network of feeder roads and markets, as well as other aspects of social infrastructures. The population benefiting from the rehabilitated roads went well beyond the projects' immediate participants; however, results from new market infrastructures were still not visible and are likely to emerge more slowly.
16. **Efficiency.** The low level of efficiency was the greatest weakness in the implementation of IFAD-supported projects during the evaluation period. Contributing factors included: lengthy project inception phases due to delays in establishing project management units (PMUs); low financial disbursement rates, partly due to the effort to harmonize projects with the Government's electronic financial disbursement platform and diverging donor procedures for disbursement; and complicated project designs and implementation set-ups caused by the inefficient division of tasks and responsibilities between PMUs and service providers.
17. **Impact on rural poverty.** The strongest impacts were related to: (i) food security through diversified agricultural production; (ii) capacity development of farmers with simple but appropriate technologies to improve management skills such as planning, basic accounting and financial management, marketing, technical knowledge on conservation agriculture, horticulture, nutrition, food-processing, fishing techniques and sustainable natural resource management (NRM); and (iii) institutional development, which enabled well-trained and adequately equipped staff to provide higher-quality extension services to a larger number of smallholder farmers. PSP also supported development of the National Extension Monitoring and Evaluation System. With respect to food security however, the lack of robust data does not allow any firm conclusions to be drawn on the longer-term impacts of improved production and access to markets.
18. The main obstacle to achieving more positive impacts on incomes and assets was a lack of accessible financial services for beneficiaries to profitably engage in the proposed value chains. During the time remaining in ongoing projects, filling this gap should be the absolute priority, supported by outcome- and impact-focused monitoring and evaluation (M&E) systems.
19. **Sustainability.** The main drivers of sustainability were the strong integration of some PMUs and line ministries, and the efforts and resources dedicated to capacity development at all levels. Most projects did invest considerable time and resources in developing the technical and management capacities of farmers, breeders, fishers and traders. Nevertheless, the potential for sustained benefits for farmers and fishers from the value chains is uncertain. Unless appropriate financial products beyond ASCAs are universally accessible to beneficiaries before the end of these projects, their benefits may not be realized. This concern should be a core consideration in the preparation of robust exit strategies for projects approaching completion in the next 18-24 months.
20. **Innovation and scaling up.** Several projects introduced innovations in: farming and fishing technologies (fishing gear, boat construction, solar-powered ice makers, etc.); approaches to value chain development that integrate most elements required for linking poor producers to markets; and building resilience to climate change by applying standards for the rehabilitation of rural roads. Scaling up proved successful with technologies that did not need additional inputs for broader adoptions, such as credit.

21. **Gender equality and women's empowerment.** All loans and related grants (with the exception of RFSP/PAFIR) explicitly foresaw the inclusion of women as project beneficiaries and many defined quantitative targets for women beneficiaries. Targets ranged from 25 per cent to 50 per cent, and significant results were achieved with respect to women's participation in project activities.
22. Nevertheless, positive impacts on women's empowerment and gender equality remained elusive at the community and household levels despite efforts made to improve the awareness and competence among staff in PMUs and government organizations on issues related to gender equality. More effort is necessary to improve gender analysis during planning, implementation and M&E, including: systematically collecting sex-disaggregated data; and raising awareness among women and men beneficiaries about the ways in which perceptions of women's position in society and roles can be changed.
23. **Environmental and natural resource management.** Although IFAD has long recognized that sustainable environmental and NRM are paramount to alleviating rural poverty and improving the livelihoods of rural producers, too little attention was given to these issues in the design of the projects in the current portfolio.
24. One positive note was the inclusion in PROSUL of a grant component funded by the multi-donor IFAD-based ASAP, which enabled climate change adaptation measures to be integrated across the project's three value chains. Some of these proved beneficial for different groups of the rural poor. Adjustments in activities during implementation of most other projects also bode well for future results.
25. **Adaptation to climate change.** IFAD developed its Climate Change Strategy in 2010, which means that more projects in Mozambique could have integrated this perspective into their designs. PROSUL was the only project that integrated a relevant component, representing the first grant financed by IFAD's ASAP. The aim of this component was to increase the climate resilience of the three PROSUL value chains and reduce the impact of climate change on the productivity and profitability of smallholder farming systems. All projects investing in rural roads began promoting the rehabilitation of climate change-resilient roads. In addition, the Rural Markets Promotion Programme (PROMER) planned to allocate funds to introduce adaptation measures across its various activities. Finally, an ASAP junior expert was posted to the ICO to support climate change adaptation in PROSUL and other IFAD-supported projects.

C. Non-lending activities

26. **Knowledge management.** Efforts by the ICO and IFAD's sub-programme coordination unit to improve results from knowledge management have contributed to the visibility of IFAD projects in Mozambique, disseminating experiences and achievements. However, in the view of the CSPE, most of the outputs can be considered communication products rather than knowledge management since they were not underpinned by a rigorous analysis of key factors leading to the successful outcomes. At the same time, projects and country teams did not have access to adequate financial and human resources for developing a knowledge management strategy and knowledge products.
27. **Partnerships.** IFAD developed solid and successful partnerships with the Government and benefited from deep-rooted respect and trust. IFAD also has solid credibility with several development partners, as proven by the size of the financial resources leveraged for cofinancing. The ICO and project teams developed a solid rapport with the Food and Agriculture Organization of the United Nations and the World Food Programme in the context of the European Union-funded implementation of efforts towards Millennium Development Goal 1.C. This wealth of experience with partnerships can generate lessons learned regarding the costs and benefits of some partnerships. The outposting of the country

director in Maputo was also a key factor in developing constructive new partnerships.

28. **Policy dialogue.** During the evaluation period, contributions to policy dialogue included: advocacy and support for mainstreaming nutrition in the National Agricultural Extension System; and efforts to integrate lessons from field activities into the e-SISTAFE electronic platform. However, this area of work was mostly hampered by: (i) the high turnover of CPMs during the evaluation period and the small size of the ICO until 2015; (ii) the slow progress of project implementation, delaying the achievement of results that could feed into discussions about policies; (iii) weaknesses in the M&E and knowledge management systems; and (iv) the limited time available to the country director for policy dialogue, amplified by the lack of earmarked resources for this work in the administrative budget.
29. **Grants.** The grant portfolio was characterized by a high level of interconnectedness and synergy. All grants attached to loans enhanced the latter's relevance and filled their design gaps, especially regarding nutrition, HIV and AIDS, and NRM. The stand-alone Project for Promotion of Small-Scale Aquaculture (PROAQUA) grant met a specific government requirement and may pave the way for more significant engagement by IFAD in the aquaculture subsector. The regional grants were successfully integrated into the National Agricultural Extension System, with good prospects for institutional sustainability.

D. Performance of partners

30. **IFAD.** The Fund made strong efforts to be a reliable and supportive partner of the Government. However, this came at the cost of implementation efficiency and effectiveness, with complicated project set-up and lengthy procurement procedures. The portfolio's focus on value chain development and integration of producers into the market also undermined IFAD's traditional thrusts on poverty and vulnerability. These are lessons to be learned, which should guide the development of the next COSOP and related projects.
31. **Government.** The commitment and availability of many government organizations to collaborate with IFAD was satisfactory and sustained over time, despite major national institutional reforms. The Government also made efforts to ensure that PMUs were established in a relatively short time. In the few cases where there were significant delays in the recruitment of the project coordinator, the scarcity of competent professionals at the national level may have played a role. Once established, PMUs were remarkably stable.
32. A good indicator of the Government's openness to learn from IFAD-supported projects was the strong element of internal knowledge management in ProPesca and PROMER. In these projects, professionals who had worked in previous IFAD-supported projects were recruited for the PMUs. The same attitude was noted whenever proposals were made regarding norms and standards, technological innovations and inclusion of new components in projects, as in the: adoption of climate change-resilient road rehabilitation approaches; integration of nutrition education in the farmer field school curriculum and the plant clinics approach within the National Agricultural Extension System.
33. However, a few important weaknesses in the fiduciary aspects of the portfolio negatively affected its efficiency, including the: limited availability of counterpart funds for IFAD-supported projects; complexity of the Government's electronic financial administration system e-SISTAFE; and complex procedures for approving contracts and procurement-related actions, and the delays this created.

E. Performance of country strategy and programme

34. **Strategic relevance.** In Mozambique, IFAD supported a portfolio of projects rather than a country strategy and programme. There were several reasons for this, including: a disconnect between the COSOP and project design, approval and

implementation; and a high turnover of CPMs. Implementation and progress towards objectives suffered greatly due to: complex and over-ambitious project designs; harmonization with national procedures and platforms for financial execution; and an operational and institutional gap in rural finance – a major pillar of the portfolio. The targeting strategy did not appear fully relevant to the country context and there were missed opportunities at the conceptual level that prevented the portfolio from achieving more in terms of poverty reduction.

35. **COSOP effectiveness.** IFAD's portfolio contributed to extensive capacity development of government staff, partners and producers. Thanks to its trustworthiness among international development partners, it leveraged additional resources that enhanced the relevance and scope of the portfolio. With these additional resources, nutrition education components were integrated into both value-chain initiatives and the curriculum of the National Agricultural Extension System. At the time of the CSPE: positive impacts on household incomes were becoming evident for PROMER beneficiaries; rehabilitated roads were benefiting large numbers of people; women were being empowered through functional literacy initiatives; the ASCAs supported by the projects were significantly improving members' livelihoods; and positive steps were being taken to make financial products available for fisheries value chains.

F. Conclusions

36. Overall, the programme was relevant to the needs of the country and had a reasonable level of internal coherence. The projects were well-aligned with national policies and strategies. Strong government ownership of projects was achieved through the full integration of three PMUs into the governmental organizations responsible for project execution and building upon the experience gained in previous IFAD-supported projects.
37. However, the COSOP and projects did not explicitly include objectives or approaches to improve food security and nutrition, and reduce poverty. They identified the target population as the economically active poor, who already had potential to commercialize their activities and receive support to enhance access to inputs, markets, credit and engagement with the private sector. This led projects to focus on producers who already had access to improved production and were often already members of associations and groups in districts that had potential for surplus production and marketing. In addition, projects focused on value chains that ended up transferring most added value outside rural communities. Furthermore, despite the dire national statistics on HIV and AIDS, few efforts were made to integrate people living with HIV into value chains, ASCAs or capacity development initiatives on nutrition, functional literacy or any other area supported by loans.
38. The NRM and environmental dimensions of the portfolio were found to be weak. This undermined the potential positive impacts and sustainability of the projects with respect to food security and production, especially considering producers' dependency on natural resources – including the economically active poor.
39. Enabling access to rural financial products was one pillar of the proposed approach to value chain development. But with the exception of the successful and sustainable ASCAs, little tangible progress was made in improving access to credit for small-scale rural producers in agriculture and fisheries. This gap undermined the effectiveness of many efforts made through projects in capacity development, technology transfer and improving access to markets (since projects spent precious time and resources on finding their own way forward in the highly complex microfinance sector). The need for one robust and sustainable rural financial institution in the country cannot be over-emphasized.
40. Delays in project financial execution and slow implementation were recognized by all stakeholders as a main weakness; efficiency was low across the whole

portfolio, except for PROMER. This appears to be a major issue requiring urgent attention by both IFAD and the Government. Although Mozambique benefits from highly concessional loans from IFAD, such a low level of efficiency risks jeopardizing the benefits of this otherwise important partnership.

41. All projects except for ProPesca largely relied on the recruitment of service providers, as envisaged in the 2011 COSOP. Although this was beneficial for a number of activities, the reliance on service providers should not include the delegation of tasks that are better performed by PMUs. IFAD's experience across the country portfolio in dealing with service providers allows a careful re-think of this implementation model, with a view to ensuring that future projects benefit from the added value that competent and experienced service providers can bring – without requiring costly and inefficient implementation mechanisms.
42. An important part of the partnership between IFAD and the Government of Mozambique was related to the non-lending activities carried out by the ICO. Nevertheless, many provisions made did not materialize. Although some progress was made on knowledge management, no significant progress in either this area or policy dialogue was made during the evaluation period.

G. Recommendations

43. **Recommendation 1. Focus on rural poor and on more vulnerable groups, including women, youth and people living with HIV.** A bottom-up approach to reducing food insecurity, malnutrition, poverty and vulnerability is compatible with value chain development and integration into markets, and likely to be more effective and efficient in the medium-term compared to trickle-down strategies. However, this needs to be supported by project strategies that must first and foremost tackle the needs of the poorer and more vulnerable producers, and the obstacles they face in: (i) improving their production (quality and quantity); (ii) processing and transforming their products at the local level and thus adding value to their produce at the market; (iii) enhancing their participation in farmers' organizations; and (iv) strengthening their capacity to negotiate more profitable access to markets. This vision should fully inform all steps in project design and implementation, from selection of participants to choices of value chains and market opportunities, to identification of capacity development needs, including functional and financial literacy, nutrition and HIV prevention.
44. **Recommendation 2. IFAD-supported projects in Mozambique should include full attention to sustainable natural resources management and to strengthening climate-change resilience.** All projects should explicitly include sustainable NRM and climate change adaptation and mitigation, as appropriate and relevant to their goals, and in line with IFAD's most recent policies and the Government's relevant strategies. Moreover, NRM and climate change adaptation and mitigation should be mainstreamed in all project activities, including capacity development and technology transfer.
45. **Recommendation 3. IFAD's support to the rural finance sector should be conceptualized within a long-term commitment horizon and based on lessons learned to date.** Based on the extensive lessons learned and experience gained by IFAD in the country and elsewhere, a long-term engagement, possibly over a 15-year period, would be required and appropriate to enable robust and transparent institutions at all levels and across all productive subsectors to gain strength and credibility and provide sustainable financial services to the rural poor in Mozambique.
46. **Recommendation 4. Enhance efficiency of financial execution.** Integration of IFAD-funded projects into the governmental procedures and systems (e.g. e-SISTAFE) should be pursued and sustained in the spirit of governmental ownership and for reasons of transparency. Some specific measures will be fundamental to raise implementation efficiency up to standard. These include:

(i) enabling e-SISTAFE to meet the requirements of IFAD-supported projects in terms of flexibility in workplans, formal requirements for beneficiaries and timing of disbursements; (ii) until e-SISTAFE is able to safely meet the specific requirements of IFAD-supported projects, allocating 25 per cent of project budgets to be executed outside e-SISTAFE to enable adjustments over plans and continued execution throughout the year; (iii) developing a fast-track mechanism for approving contracts and service procurement acts for IFAD-supported projects that fully complies with the requirements of the State in terms of controls and transparency; (iv) privileging the application of financial agreements and accounting tools that allow counterpart funds from the Government to be provided in kind rather than cash, and avoiding any requirement for parallel financial execution; (v) negotiating with other partners to mainstream their contributions within IFAD's standard disbursement and financial execution procedures; and (vi) strengthening the capacity of PMUs in financial planning.

47. **Recommendation 5. Develop principles for the reliance on service providers in project implementation.** The principles should include the following lessons learned: (i) service providers should be recruited only for components and activities that governmental organizations and PMUs do not have the capacity to implement; (ii) service providers should be selected based on their proven experience and competence, and long-term engagement in the areas for which they are recruited; (iii) service providers have in general proven to be more effective than governmental services in supporting empowering processes at the level of communities, associations, households and individuals; (iv) and service providers who do not have previous experience in handling contracts in the framework of an IFAD-funded project should be entitled to an induction training on administrative and financial procedures, and relevant and clear manuals should be prepared at the very beginning of a project's life.
48. **Recommendation 6. Dedicate attention and resources to knowledge management and policy dialogue.** IFAD headquarters and the ICO should ensure that sufficient resources are allocated in project and ICO budgets for non-lending activities, starting with sound M&E systems, and that the country programme rests on the following pillars:
- (a) The development of robust outcome-level monitoring indicators for COSOPs and projects;
 - (b) A country programme-level knowledge management strategy closely anchored to key COSOP elements and to those project components that can usefully be scaled up through national policies and strategies; and
 - (c) The early identification of evidence-based issues and results that can be usefully fed into policy dialogue processes at a high strategic level, through appropriate knowledge management processes.