

**THE CLUSA RURAL GROUP ENTERPRISE
DEVELOPMENT PROGRAMME IN
MOZAMBIQUE**

A CASE STUDY

**WORKSHOP ON INCOME GENERATING OPPORTUNITIES IN
RURAL AREAS**

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ACDI-VOCA	American NGO
AGRICOM	Former state agricultural marketing company
CARE Int.	International NGO
CCCP	Community Credit and Savings Programme
CDL	Comitê de Desenvolvimento Local (Local Development Committee)
CGAP	Consultative Group to Assist the Poorest
CLUSA	Cooperative League of the United States
CONCERN	International NGO
DDADR	District Directorate of Agriculture and Rural Development
EU	European Union
GAPI	Sociedade de Promoção de Pequenos Investimentos
HIVOS	International NGO
ICM	Mozambique Grain Institute
IDPPE	Institute for the Development of Small Scale Fishing
IFAD	International Fund for Agricultural Development
IRAM	French consultancy company - Institut de Recherches et d'Applications des Méthodes de Développement
JICA	Japanese International Cooperation Agency
MADER	Ministry of Agriculture and Rural Development
MFI	Microfinance institution
MSU	Michigan State University
NGO	Non-governmental organisation
NOVIB	An NGO, affiliated with Oxfam, International, based in the Netherlands
OLIPA	Associação para o Desenvolvimento Sustentavel National NGO based in Nampula created through the RGEDP
Oxfam-GB	British NGO
PADP	Producer Association Development Programme (Niassa)
PAMA	Programme for Support Agricultural Markets
PASANA	Programme for Sustainable Agriculture for Associations in Nampula
PVO	Private Volunteer Organisation
RGE	Rural Group Enterprise, also referred to as a farmers' association
RGEDP	Rural Group Enterprise Development Program
SDC	Swiss Agency for Development and Cooperation
UCASN	South Niassa Union of Peasants and Farmers
USAID	United States Agency for International Development
VIDA	Viable Initiatives for the Development of Agriculture (a project of CARE)

BACKGROUND

The experience of the Cooperative League of the USA (CLUSA) in northern Mozambique (mainly Nampula Province) is one that merits close attention. Its strategy of graduated leveraging to maximize the benefits derived from the commodity value chain has provided the smallholder producers in one of the poorest parts of the country¹ with a unique form of economic empowerment. This case study follows the three phases of CLUSA's Rural Group Enterprise Development Program (RGEDP). At the outset of the RGEDP, Mozambique was regarded as the poorest country in the world, emerging from an 18-year civil war, recently adopting a free-market economy after years of decline under central planning. Despite subsequently enjoying one of the highest economic growth rates in Africa as it came out of this difficult period, recent rural income figures² show that little of this growth has filtered into the rural economy which sustains some 80 percent of the population³. Almost all households are clustered around shocking poverty levels with very few enjoying higher standards of living. Of significance to this study, the findings of the income survey show a positive correlation between association membership and household income.

Northern Mozambique (Zambezia, Nampula, Cabo Delgado and Niassa) is regarded as the breadbasket of Mozambique, exporting a major percentage of its traditional crops such as maize, beans and groundnuts (crops such as cassava and sorghum are generally traded in local markets). In addition to the long-established cash crops such as cotton, tobacco and cashew (the former two usually grown by smallholders receiving input loans from agro-processors), a variety of new cash crops have been recently introduced by NGOs such as CARE International, World Vision and World Relief with encouraging results (e.g. sesame, sunflower, pigeon peas, lemon grass and paprika). The agricultural sector consists of a large number of smallholders cultivating over 90% of farmed land, with the remainder being cultivated by commercial farmers (*privados*) or enterprises.

The past decade has witnessed significant shifts and spread in the cultivation of cash crops. Rice is no longer of significance, cashew production has declined sharply since independence as trees age and suffer from diseases, while little effort (until recently) has been made to replace them. In the meantime, declining international cotton prices have led to the closure of several ginneries and growing disillusionment among smallholders about the rewards of growing the crop. Recent developments have, however, radically transformed trading patterns, substantially broadening the impact on the rural population by allowing virtually all smallholder producers to exploit a much wider cash crop market.

In 1994, CLUSA proposed a strategy of developing producer associations but focused on one primary aspect: increasing their negotiating power in the marketing of surplus subsistence and cash crops. The strategy was quite simple, based on the notion that associations of smallholders under good management would provide them with higher prices linked to higher volumes, better quality, convenience, better market information, etc.

The CLUSA experience (1995-present) soon became one of the best-known rural development projects in Mozambique. With success, combined with prodding by funders and senior government officials, the project became more ambitious and substantially more complex. Emphasis shifted away from the promotion of associations to the creation of the forum, an umbrella body, usually encompassing 10 member associations (averaging about 30 households each). The creation of the forum was seen as a more cost-effective way to promote the group-centered philosophy of leveraging better terms of trade for the producers.

¹ Nampula has the lowest mean annual household level of rural income of all 10 provinces. (See Annex 1 for a discussion on poverty and income).

² Walker et al., 2004

³ The dichotomy between formal sector production and smallholder production is further highlighted by the fact that Nampula Province with the highest economic production level of the North (14% of GDP) has the lowest mean rural household income. By contrast, Niassa which only provides 3% of GDP, is fifth poorest of the ten provinces.

In 2003, a further step was taken in the creation of the producer owned trading company. This is regarded as a bold step in CLUSA's strategy and some observers fear that it may be its Achilles heel as a result of over-stretching producer involvement in seeking benefits from trading. In addition to a multi-tiered trading structure, CLUSA has also promoted an innovative credit arrangement that provides trading credits to the fora by using group solidarity in lieu of tangible guarantees.

This case study begins by examining the design and transition of the project in its growing complexity. It then looks at its basic features and the outputs arising from it. Focus is then given to impact. Brief attention is turned to the questions of cost-effectiveness, sustainability and replicability. The conclusion summarises the main findings and the lessons learned.

A description of the methodology used to conduct the study is provided at Annex 2.

I. PROJECT DESIGN

The income/employment initiative

Following peace in 1992, CLUSA submitted a proposal for funding from USAID's second PVO (Private Volunteer Organisation) Support Programme. After initially looking at the possibilities of operating in Inhambane and Nampula provinces, the latter was chosen to conform with the geographic limitations that the USAID programme subsequently adopted. Three pilot zones were chosen reflecting the major geographic and cropping zones (cotton, maize and coastal crops such as cassava).

The Mission Statement of CLUSA-Mozambique was, and continues to be: *to improve the income of farmers through the development of Rural Group Enterprises (RGEs) that are: democratically self-managed; financially viable; and sustainable.*

The primary service provided by CLUSA is the development of farmer-owned and democratically controlled businesses. Working through their own structured network of extension groups, farmer associations and apex organizations (called fora), farmers are able to secure commercial contracts for their produce, selling at higher prices than possible individually. This margin is then recycled to pay for inputs for subsequent crops, the provision of informal but co-ordinated, demand-led extension services, community infrastructure (typically a small crop warehouse, clinic or school) and services (adult education and hands-on rudimentary training in agribusiness and marketing). Access to financial services is fostered through savings groups and association bank accounts. Government agents work with NGOs to provide initial exposure to new technology which is then cascaded through the informal extension network. Communities building clinics or schools are able to apply leverage on government to provide staff. Acquiring skills, confidence and a track record, these communities negotiate loans with traders to purchase inputs and bulk up crops. As production grows, small enterprise, savings and investment activities all expand.

Thus, in addition to focusing on building up the management capacity of the associations, 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.

A critical component that emerged during the third phase (2003) was the introduction of the producer-owned trading company.

There are four aspects of the project design that are worth noting.

- The first is that the project was *constantly evolving*, responding to the unforeseen effects of a rapidly changing market environment as well as a better understanding of the context surrounding these developments in the project area.
- The second is that CLUSA's approach to its associations has been focused on marketing issues with complementary activities associated with increased rural incomes (higher productivity, credit facilities, etc) provided through *partnership arrangements* with NGOs, Government and financial institutions.
- The third is that, in keeping with CLUSA's strategy for most of its projects, the project was designed to *build up local capacities* at the level of management as well as the communities to ensure continuity after CLUSA's exit.
- Finally, though the idea of association development was conceived at the donor/NGO level, CLUSA argues that its project services are essentially "*demand driven*" given the degree of exposure and exchange which CLUSA personnel have with the communities served.

In 1994 when the project was conceived, agricultural trading was only just emerging from a state-dominated marketing structure for the main subsistence crops. During the post-Independence years prior to structural adjustment in 1987, the national currency (metical) was subject to high rates of devaluation and was virtually unobtainable in rural areas. In the 1980s barter was essentially the only way to obtain goods and this was exploited by the state marketing company AGRICOM, obtaining agricultural surpluses by exchanging *capulanas* (cloth wraps), batteries, radios, etc. AGRICOM was later replaced by the *Instituto de Cereais de Moçambique* (ICM) which set minimum prices for the major crops and acted as a buyer of last resort. In 1996, it effectively stopped operating and leased its expansive network of warehouses to large private sector commodity traders. Prior to this, non-subsistence crops such as cashew, pigeon peas, oil crops, etc were purchased by large commodity trading companies owned by traders of Asian origin. It was during the early stages of the opening up of the rural trading system that CLUSA proposed the promotion of farmers' associations which CLUSA as a strategy for improving the producer terms of trade and hence the incomes of smallholders.

The main change in the region has been the evolution of maize from a subsistence crop to the principal cash crop of the region. Serious food shortages in surrounding countries, particularly Malawi, have resulted in northern Mozambique becoming the maize granary for the region. Mozambican smallholders are able to realize relatively high prices for maize because of the transport advantages over imported maize. It has also made smallholders extremely vulnerable to exogenous influences on Malawi's maize supply (mainly due to donor interventions with imported subsidized maize and subsidized maize input 'starter packs').

During the latter half of the 1990's three developments significantly changed the marketing environment and had a significant influence on the subsequent phases of the project:

- Trading in the main subsistence crop maize was now controlled by two large foreign companies (V&M Grain Co. and Export Marketing).
- The emergence of the informal unlicensed trader had a major impact: not only did these traders manage to penetrate into hitherto neglected areas, they also became collectively the most important trader category with their combined volumes said to dwarf the volumes of the two biggest private sector traders.
- Finally, both informal traders and licensed urban-based traders established what are known as *postos de venda* (purchase points) in remote areas. These *postos* provided convenient selling points to the farmers, offering prices that were increasingly competitive as the market became progressively saturated by all types of traders. By offering market prices and being conveniently located, these ever-expanding purchase points were offering attractive marketing alternatives to those offered by associations.

The beneficiaries

The beneficiaries are small-holder producers in northern Mozambique. CLUSA has provided direct and indirect marketing assistance to 728 farmers' associations involving 25,000 members, of whom 8,000 are women.

The economy served by the CLUSA project depends almost entirely on agriculture and agro-processing. In comparison with the southern provinces, the North offers very few formal employment opportunities. Despite being the province with perhaps the most diverse, developed and competitive agricultural trading network, smallholder households sell small amounts of agricultural production for cash and remain the poorest of all rural households in Mozambique⁴. The fact that the majority of the rural households sell crops, combined with the limited prospects of formal employment, suggests that the most effective way of increasing rural household income for the foreseeable future would be through increased sales of (or better prices for) smallholder production. Increased crop sales is, however, not only dependent on increasing the organizational capacities of the producers. A host of other constraints continue to inhibit reaching higher levels of rural income, namely: low agricultural productivity; high transport costs; poor roads; limited sources of credit; arbitrarily applied trading taxes; lack of enforcement of contractual agreements; and an onerous and expensive process of legalizing associations.

CLUSA designed the project to ensure the integrity of their philosophy requiring that an important element of the project is "demand-driven". CLUSA staff argue that many of the other NGOs impose technicians on communities with insufficient understanding of these communities and without a participative approach to product development. CLUSA's approach is that the first step in the process is for senior CLUSA staff to spend lengthy periods living in the target communities. Following this process, the communities and CLUSA staff select *animadors comunitarias* who are trained in Nampula City by CLUSA and then learn on-the-job in the communities where they are based and on whom they depend for some form of remuneration (usually drawn from trading income). Through this process CLUSA is directly involved with the beneficiaries in the design and improvement of the services/products offered.

Project operation

One of the most notable features of the RGEDP is the high degree of dependence on partnership interventions, given the limited resources available to the programme. CLUSA is one of the few rural development NGOs with a tightly focused agenda. However, for its market oriented approach to succeed, it depends on complementary support in the following areas:

- Agricultural extension services (to increase agricultural productivity and to introduce new crops)
- Credit
- Provision of storage facilities (warehouses, improved household storage)
- Access to agricultural inputs and agro-processing equipment
- Extension relating to health, nutrition, HIV/AIDS
- Infrastructural support especially on road access

CLUSA's trademark approach to projects is that it prepares an exit policy before the project actually starts. CLUSA national staff were immediately earmarked for an apprenticeship that would lead to the creation of a national NGO with the capacity to replicate the work of CLUSA and to be self-sustainable through the provision of economically recoverable services. With greater project focus on the upper tiers, OLIPA has been contracted to take over the role of developing and promoting the farmer associations. In order to maintain the further growth of

⁴ This is based on the latest information though, as Annex 1 indicates, the various surveys have yielded somewhat differing results on poverty levels in Nampula relative to other provinces. In absolute terms, though, there is no doubt that the province is very poor.

the association movement, CLUSA has also ensured that the communities took on the responsibility of selecting and arranging the training of their animators.

Policies

CLUSA has indicated four policy areas that are currently constraining the success of the project.

- **The need for reform of the association law** which not only imposes prohibitively high registration costs⁵ which have so far been borne by CLUSA but very lengthy approval processes which in the case of Zambezia have been abused, resulting in very few associations or fora being registered. A law will be soon be coming before the National Assembly that would greatly simplify the process of forming associations.
- **The lack of contract enforcement** has been the bane of many fora and associations. Contracts promising bonuses to groups were breached by the large cotton companies with the implicit agreement of Government. In 2002 large number of associations produced paprika only to have the purchaser renege on his contractual obligations. Such events have undermined member confidence in their associations and fora.
- **Inconsistent local taxation** was a major complaint by RGE members in some districts where they felt they were paying exorbitant taxes on the sale of agricultural commodities while in other districts no taxes were levied.
- **The poor quality of rural roads** and the lack of transport has severely constrained agricultural sales in many areas of northern Mozambique.

2 PROJECT APPROACH

Activities

CLUSA's approach to promoting increases in farmer incomes involved institutional development at four levels: rural group enterprises (or farmer associations); producer fora (or federations); OLIPA; and the recent launch of a producer-owned trader company. Annex 3 provides more detail on each of these.

The concept of farmer groups is not foreign to rural households of the North. Producer associations have been established for many years by agro-industrial companies (known as *empresas de fomento*) involved principally with cotton and tobacco and more recently with sesame and other oil seeds. Such associations are established for the convenience of the industries as farmer groups facilitate input delivery (on credit) and purchases (sourcing and bulking up - and potentially a degree of quality control). For this convenience associations are usually paid a bonus⁶ providing an incentive for farmers to join such groups. These producer associations were essentially locked into contractual arrangements with the purchaser. CLUSA sought to promote farmer groups that would offer similar advantages as those offered to the agro-industries but having the liberty of choosing the most appropriate crops for the open market.

The fact that maize, an important cash crop for the members, was controlled by two companies, made the creation of umbrella fora a logical step for associations who would gain from an even stronger bargaining position. By focusing training resources, information supply, legalization efforts, etc on an entity which could easily contact its 10 member associations, it was thought that CLUSA could consolidate its efforts with much greater cost-efficiency as it was no longer necessary to have one-on-one contact with the associations. A more centralized approach was heavily pushed by USAID: not only was the trickle down process of

⁵ Of the cases observed in Nampula, it seems that \$200-300 was the norm, but discussions with some associations in Cabo Delgado indicated that costs commonly exceeded \$1,000.

⁶ Until recently cotton companies paid bonuses of 12 percent. This later dropped to 5 percent and in the past few years, due to very low world prices, the cotton companies have reneged on their bonus commitments.

capacity building and information supply cheaper, the fora were expected to play a much more effective bargaining role through more competent management, backed by juridical legitimacy. Thus, the first major adjustment (after the unplanned addition of adult education in the early stages) was adding the additional tier of the forum to the group approach to marketing.

Fora were introduced as part of CLUSA's strategic toolkit, recognizing that associations were too small (basically village groups) which needed another level to take advantage of scale and a more cost-effective way to service the small associations. This process of centralisation has been encouraged by CLUSA – under pressure from donors and partners like CARE Int. to expand – working through fora is a way of achieving numerical targets while keeping support costs manageable.

The second major design shift occurred in the past two years when the idea of creating a producer owned trading company was hatched, based on other CLUSA experiences. This is designed to eventually be a cooperative company, comprising exclusively of forum members, with the objective of maximizing the trading benefits for its members (better prices, more effective price information, cropping advisories, integrated market strategizing). Because of the vertical integration between producer and seller, CLUSA hopes it will develop comparative advantage in niche crops such as soya (and staying well away from maize and other crops handled by the more experienced traders). Future focus on ensuring the sustainability of the trading company will further centralize the focus of the project, placing greater sustainability concerns (when not supported by partner interventions) on the associations and fora. CLUSA's strategy is to convert the company into a fully producer owned cooperative that would enable it to obtain an international Fair Trade label ensuring considerably higher margins than prevailing on the free market in small volume/high value crops.

Also worth noting, was not a design shift but an unforeseen major byproduct of the three-tiered structure created by the project. This was an innovative trade credit arrangement whereby the financial institute GAPI has provided \$130,000 in trading credit to 22 for a (2002). Though a substantial monthly interest of 3 per cent is borne, such loans are often preferred to interest-free trader advances which lock them into sometimes unfavourable forward agreements. Such credit provides the fora the opportunity to find more favourable market prices. The methodology rather uniquely provides credit against the security of "solidarity group guarantees" which oblige non-defaulting members to make up for unpaid debts from delinquent members.

The Phase III evaluation suggests that recent lower levels of donor funding have resulted in particular shifts. Thus, CLUSA

- Withdrew completely from three of six districts in Zambezia Province in 2001 and 2002;
- Contracted with OLIPA for RGEDP services in Malema, Ribaua, Lalua and Mecurri districts of Nampula Province (with funds from the European Union.);
- Entered into an informal agreement with CARE Int. to coordinate association building and marketing services in four districts of Nampula Province;
- Continued an agreement with Oxfam-GB and UCASN in three districts of Niassa Province that had been initiated in 2000; and
- shifted more of its commercial development work from the RGEs to the fora

Overall inputs

The CLUSA project was originally funded by USAID with \$1.4 million for a two-year period (1995-1997). A one-year extension of about \$900,000 was signed by USAID in 1997 for an expansion of programme activities to five additional districts in Nampula. A second extension of \$ 3.2m continued CLUSA activities in Nampula Province and added Zambezia Province. A series of agreements were also signed with other donor organizations (EU and Switzerland) and partners (mainly CARE Int.), providing complementary funding to the RGEDP totaling about \$2.1 during the same time period. Phase III will end in September 2004 and was funded at about \$2.5 million by USAID, with CLUSA pledging to raise just under \$1 million in cost-sharing funds during the third phase.

According to the Phase III evaluation, approximately 81% of CLUSA's USAID funds used to date in Phase III have been expended in Mozambique. 25 percent of the funds were expended on salaries, wages and related fringe benefits; 2 percent on consultants; 4 percent on travel and transport; 4 percent on allowances; 7 percent on other direct costs; 5 percent on subcontracts; 9 percent on commodities and equipment; and 29 percent 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 percent of the project staff reside. During the past 3 years USAID provided between 65-75 percent of CLUSA's funding (the rest coming from the EU, IFAD/PAMA, NORAD and JICA).

Staff inputs

The project operates out of a small office in Nampula City, the provincial capital, with an American as director, two African expatriates (one working with UCASN in Niassa) with considerable CLUSA experience, a VSO volunteer and 5 national professional staff. Salaried field staff referred to as *assistantes* started initially with 15 rising to 27 and currently 15. These *assistantes* are currently working exclusively with 2-4 fora each.

The CLUSA methodology is relatively simple. During the earlier stages of the programme, focus was placed on the promotion and development of associations or rural group enterprises which principally entailed identification of target communities (involving a two way process of identification and request), election of association leaders, training of the leaders (accompanied by a more generalized functional literacy programme). CLUSA played a catalytic role between the associations and potential trading partners. At a later stage, CLUSA focused on the development of the second tier (forum), which aimed to consolidate the scarce resources of the associations, centralize service provision while making CLUSA's activities more cost efficient. Forum-based *animadors* (extension officers) provided services to members associations (usually numbering about 10) while CLUSA-contracted *assistantes* (higher level extension officers) train the forum committee members, *gestors* (managers) and *animadors*. In 2003, CLUSA established its third tier link in the value chain through the partly producer-owned trading company (20 fora being shareholders).

Finance and capital

The Phase III evaluation found that:

- Most of the incorporated fora are making effective use of commercial loans from GAPI to increase their profits on the purchase and sale of agricultural commodities.
- Total financial resources mobilized amounted to \$1.22 million (made up of: loans from financial institutions - \$436,000; commercial credit i.e. trader advances – \$635,000 and equity – \$132,000)
- 40% (28 fora) received credit vs. target of 70% (42 fora)
- 90% repayment rate at the end of 2003 vs. target of 97%

In terms of the goal of *increasing RGE and forum access to financial services* CLUSA was felt to deserve high marks. 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 financial institution specializing in rural credit.

The arrangement with GAPI was the result of several years of preparatory negotiation, resulting in an innovative financial product whose methodology borrows heavily from the solidarity group approach used in microfinance. Legally registered fora are selected according to their management capacity. Instead of offering solid guarantees which few had, they collectively agreed on a solidarity agreement by which a defaulting forum would have outstanding loans paid by the other fora in equal amounts. Failure to do so would cause GAPI to abandon the arrangement. Loans have two seasons: the main one applied between June-

August would be used for purchasing maize and other crops grown over the summer months while the second would be exploited by fora trading in cashew (October-December), mainly in the coastal regions.

In 2002 approximately \$100,000 was provided to 22 fora for the main trading period. During the cashew trading period, about \$300,000 was made available to 13 fora and 6 fora-owned shops. In 2003, due to very low maize prices caused by donor-driven events in Malawi, many fora did not trade in maize, therefore reducing the amount of credit provided to the fora.

Our field visits, confirmed by CLUSA personnel, suggest that some fora do not feel that interest bearing loans are suitable financial products for them and have subsequently reverted to the traditional trader advances. Only fora with higher turnovers of trading volumes have demonstrated a profitable use of such loans. Fora in more remote areas faced with transport constraints have tended not to gain from GAPI credits. For the next year or so we can expect the experiment to go through a process of consolidation and methodological evolution before we see any noteworthy increase in forum participation and impact on trading volumes and incomes.

Interviews among associations found that quite a few were benefiting from the community based savings and credit groups introduced by CARE's Ophavela programme. These groups (minimum of 15 members) require members to deposit a fixed amount on a weekly basis into a box. The savings can then be borrowed by members for a monthly interest of 10 percent. Savings and interest are then distributed to members after a certain period (e.g. 6 months) and the process starts over again. The scheme has proven to be highly popular. In one forum there were 17 active savings groups.

Subsidies

The CLUSA approach involves no direct subsidies and on first contact with the communities, CLUSA's focus on facilitation is explained.

The indirect subsidy is via training and facilitation inputs (see staff inputs above).

3. PROJECT OUTCOMES AND OUTPUTS

This section draws heavily on data presented in the 2004 Phase III evaluation as well its rating of CLUSA in attaining its programme goals. However, we have attempted, where possible, to probe into project performance indicators in more depth, and despite certain time constraints, field visits combined with earlier work related to the GAPI loans⁷ allowed us to make some additional insights on project performance.

Outputs

Development of RGEs and Fora

The Phase III evaluation found that:

- CLUSA has provided direct and indirect marketing assistance to 728 Rural Group Enterprises (vs. 700 target) and 102 women's groups (vs. 75 target), involving 25,000 members (of which almost 8,000 are women vs. the target of 5,300)⁸.

⁷ F. de Vletter, 2003, *A Review of Three Successful Cases of Rural Finance in Northern Mozambique*, commissioned World Bank / Consultative Group to Assist the Poor (CGAP), Washington

⁸ It should be noted that female participation in association "membership" should be treated with caution. Membership is technically by household but many households have both husband and wife participating in association activities and it appears that they will be counted as two "members" giving a distorted impression regarding "membership" and "beneficiaries" the latter being the households served which is erroneously assumed to be the total of male and female "members".

- 70 fora (secondary farmers' marketing organizations) have been formed of which 28 have become incorporated as associations (CLUSA hopes that 70 will be legally registered by September).
- There are 7 district level inter-fora groups (vs. target of 10)

The first programme goal was to: *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.*

The evaluation cited the good progress made in terms of legalizing and incorporating fora (despite the onerous and time-consuming registration requirements). Site visits and meetings by the evaluators with fora and RGE members indicated that there "appear to be a serious, business planning orientation among these farmers and a commitment to growing and marketing high value crops". The evaluation also noted that on the positive side the creation of the producer-owned trading company as a marketing agent for fora and RGEs in northern Mozambique was "an important step toward 'consolidating and strengthening' their network".

Despite the constant decline in association membership over the past 3 years⁹, the evaluation does not address this trend. Although our interviews suggested that the membership of the respondent associations had increased, Whiteside and Gouveia (2004)¹⁰ found that declining membership¹¹ was evident among the associations they interviewed¹². One reason explaining the decrease has been the transformation of the trading environment whereby easier access to buyers and more competitive prices have reduced the incentives to join or to remain with associations¹³. As discussed in the next section, we feel that significant changes in the trading environment in terms of penetration, trader types and the degree of saturation have had a major impact on association development and underscore the importance of passing down as much of the trading benefits as possible to the associations.

The Phase III evaluation tackles the issue of group creation at the association and forum levels from the perspective of trading and production, as well as functional literacy. However, as Whiteside and Gouveia point out, the act of creating an association opens bridges to all sorts of other benefits by facilitating entrance to target communities for NGO and Government projects and services.

Capacity Building

The Phase III evaluation found that:

- 7,100 RGE members and other rural residents, who participated in CLUSA training programmes, 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. CLUSA has also incorporated information and discussions on governance, nutrition, HIV/AIDS, and other health issues in its literacy programmes.
- 27 RGE advisors were trained vs. 18 targeted.
- 4,300 facilitators were trained vs. 1,200 targeted.
- 4,800 board members were trained vs. 3,500 targeted.
- 5,900 managers were trained vs. the target of 2,300

⁹ The project target was to have 22,100 *households* receiving income from assisted RGEs. 2002 showed 29,200, 2003 showed 25,228 and the projection for 2004 was 23,800.

¹⁰ M. Whiteside and F. Gouveia, 2003. *The Role of Groups and Associations in Agricultural Livelihood Development in Northern Mozambique – Experience from CARE Programmes*,

¹¹ It should be noted that "membership" data could be misleading as there are likely to be many households who remain registered but who effectively are not members. The fact that membership figures are *decreasing* as much as are somewhat surprising as the act of leaving could be seen as a proactive decision.

¹² Whiteside and Gouveia found the main reasons for leaving associations as follows: lack of trust between members of the association; not realising the benefits from membership originally hoped for; lack of time to balance association meetings, literacy, farming activities etc; influential people joining the group to obtain benefits without doing the work.

¹³ Jorge Tinga, personal communication.

The outputs presented above led to the Phase III evaluation to give CLUSA accolades for achieving the goal to: *increase literacy levels among RGE members, and participation by women.*

Management/Leadership Accountability

As mentioned earlier, the primary service provided by CLUSA is the *development of farmer-owned and democratically controlled businesses*. Democratic elections of the committee members is, in fact, a highly sensitive and often avoided issue as it seeks to impose western values on hierarchically entrenched traditional structures. Prima facie, associations and fora would appear to apply democratic methods by “electing” their leaders and management, but little investigation has been made about how satisfied members are and how often elections are held following the first ones (such information is unlikely to emerge without spending a few days amongst association members). In only a few cases of obvious incompetence has leadership been deposed and often at the behest of CLUSA. CLUSA acknowledges the weakness of the system and is seeking ways of subtly “empowering” association and forum members through procedural mechanisms such as performance scoring against predetermined benchmarks. Recognizing that there is an inherent fear by association members to challenge incumbents, CLUSA feels that such a system will have to be undertaken by their staff and then gradually transferred to association members as a tool to judge management performance. By institutionalizing a checks and balances approach e.g. through monitoring and auditing (CLUSA is thinking of introducing a system of “yellow and red cards” (football analogy) as adopted in Zambia), leadership becomes more accountable and more easily replaceable if certain benchmarks are not reached.

Martin and Gouveia note that some of the commercially strong associations and fora are controlled by a strong and seemingly permanent leader or leadership group and ask why one should change such arrangements? Being the devil’s advocate, they ask if it would not be better, given the limited skills in these communities, to let leaders continue as long as the membership is satisfied with their performance. Though there is merit in this argument they argue that: “experience tends to suggest that, unless the leadership does change, and new blood is trained to take-over – eventually power is consolidated in a way that the members cannot remove the leadership, even if they are not satisfied with their performance”.

Partnership Arrangements

CLUSA has partnership arrangements with 18 trading companies; one financial institution; Government agencies at all levels; and over 20 NGOs and 3 donors.

Although it was acknowledged that “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”, the Phase III evaluators came down quite hard on the partnership arrangements in relation to improvements in agricultural productivity. They state that “efforts by CLUSA’s partners to improve productivity among most of these farmers have not been successful to date, thereby limiting the programme’s impact on increasing farmers’ incomes”. Of concern was the observation that interviews with both CLUSA staff and with other NGOs indicated that between the partners there has not been a high level of trust, collaboration and commitment but that there was evidence of “an improving collaborative orientation among these organizations”.

CLUSA and OLIPA have agreed on the territorial boundaries of their activities. On the whole the complementary approach has worked well, nevertheless, the Phase III evaluation notes: “..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”.

Production

The goal to: *increase crop productivity and diversification in coordination with partners* is a critical component of the trade strategy and is highly dependent on partner performance.

In this regard the Phase III evaluation gave CLUSA and its partners mixed grades. CLUSA was felt to have done a good job in identifying markets for high value crops, (such as sesame, groundnuts, cashews and soy) and helping to increase the volume of production of these crops. Furthermore, in response to depressed cotton prices, CLUSA has helped farmers diversify their market orientation away from cotton and reduce their dependency on this crop.

In the wake of the success of the Zambian experience, CLUSA has promoted (through partners) what is known as “Conservation Farming” (essentially a form of organic farming aimed at increasing soil fertility) which it expects to bring about significant productivity gains over the next few years, though it remains unclear why such an approach is likely to have such a positive impact.

The Phase III evaluation notes the failure of partnership initiatives in boosting production to accompany the capacity of new trading structures. CLUSA itself recognizes that the partnership arrangements were less productive than anticipated. They feel that production/productivity did not sufficiently accompany the marketing initiative. During phase IV CLUSA expects to be much more pro-active in terms of stimulating partner interventions in terms of crop development (demonstration plots to be disseminated through fora; outgrower schemes; technology transfer, improved seeds, etc).

There are three important issues that we feel have not received sufficient attention in terms of partnership arrangements. The first relates to the absence of production credit. Input credits have been critical for the success of cash crops such as cotton and tobacco, but very little attention has so far been paid to potential impact of credit for the production of other cash crops. The experience of the CCCP credit programme in southern Cabo Delgado¹⁴ has demonstrated to the skeptics that microfinance has an important potential role in agricultural production, achieving performance indicators equal to the most successful MFIs in the urban areas. These credits (mainly ranging from \$50-100) were mainly used for hiring more labour for weeding and had significant impact on crop yields. The second relates to the relevance of extension information. Observations made in some districts in Cabo Delgado¹⁵ in 2003 showed that Government extension advice promoted the use of inputs that were simply not available in the market. Thirdly, there is evidence that there is often a mismatch between identifying suitable alternative cash crops for associations and the availability of extension advice necessary to promote such crops.

Marketing

The Phase III evaluation found that:

- 9,400 tons of agricultural commodities were traded by end of 2003 vs. 22,000 tons targeted.
- Sales from the RGEs amounted to \$ 2.1million at the end of 2003 and were projected at \$3.2 million by the end of phase III (vs. target of \$3.6 million)
- Value of inputs received \$460,00 vs. a target of \$300,000
- Estimated profits of the RGEs was put at \$102,000 vs. a target of \$108,000.
- CLUSA has assisted fora, RGEs and the producer-owned trading company establish marketing relationships with 18 companies involved in agricultural product marketing and processing.

¹⁴ The CCCP programme established associations of solidarity groups (5 members). These associations borrow money from the CCCP (effectively a credit wholesaler) and then on-lend to their member solidarity groups. Loan beneficiaries were initially dominated by informal traders but recently they have been surpassed by producers borrowing small amounts for agricultural inputs, mainly in the form of labour for weeding. For more details see case study in F. de Vletter, 2003.

¹⁵ F. de Vletter and J- F. Le Grand (IRAM), 2003, *Rural Finance Options for Promoting Effective Agricultural Commercialization in the PAMA Focal Areas of Northern Mozambique*, commissioned by the Programme to Promote Agricultural Markets (PAMA), Maputo

Overall though these trade volumes and derived profits are still small. Substantially higher volumes will be needed to make the structure viable and interesting for all stakeholders.

In relation to the goal seeking to: *facilitate new business opportunities for the network of RGEs and fora*, the Phase III evaluation gave high marks to CLUSA for “its attempts to help fora and RGEs to identify trustworthy buyers and to increase the number of buyers for farmers’ products”. It further noted that “the formation of the producer-owned trading company, and relationships established with Export Marketing, Twin Trading (a British Fair Trade organization), and Felleskjopet (a Norwegian co-operative) appear particularly promising”.

However, we are concerned about how the benefits obtained through upward penetration of the value chain are trickling down to the producers and fear that the lack of standardized fiscal procedures could threaten the system with the gradual abandonment of its base membership (the associations). As already discussed above, there are indications that the drive for forum development may have been pursued too rapidly at the cost of good and transparent management. Effective forum management is not only seen from the perspective of their member associations but also in terms of trading partners. Discussions with Export Marketing indicate that there have been breaches of contracts by fora, involving sales to other traders of grain in bags supplied by Export Marketing, and this has led to Export Marketing to discontinue any further trading relations with fora. Disturbingly, Export Marketing claims that it will only negotiate contracts through CLUSA personnel. These problems suggest that some fora are taking a very short term perspective on trading opportunities without regard to their future implications and that they have not been adequately trained in basic business ethics.

Association members interviewed were generally aware of the better prices being gained through the CLUSA trading structure. One association recalled that what they had previously sold for about \$1 per kilo to the local shopkeeper was now being sold through the association for three times that. There was also an appreciation that individuals could sell very small amounts to the association.

Promotion of outputs.

The CLUSA model in Mozambique has been multiplied via a variety of deliberate institutional mechanisms:

- adoption of a similar model by partners such as CARE
- through the work of OLIPA, and
- in the best examples, the fora contribute substantially to development of associations.

Arguably the associations and fora have introduced increased competitive pressure on the trading system – thus helping bid up crop prices for all producers. CLUSA has also played a major role in highlighting the problems of legal registration of associations and thereby contributed to anticipated imminent changes in the law.

4 IMPACT ASSESSMENT

Baseline data

Baseline data on the incomes of association members were not available, but even if they were, measuring the impact of a project like the RGEDP would be problematic. CLUSA chose a strategy of promoting and developing farmer associations in order to increase the marketing leverage of smallholder producers. The direct impact of such an intervention would be manifested in increased household incomes. However, the increase related to the RGE interventions must be separated from increased incomes due to the other significant socio-economic influences that have affected the region in recent years

Since the inception of the RGEDP Mozambique’s economy has benefited from the effects of structural adjustment and the revival of the free market, combined with the stability of lasting

peace. Although most of this growth was registered in the urban areas, significant changes swept through some rural areas, particularly in northern Mozambique where the demand response to agricultural trading manifested itself in the rapid growth of small informal traders and large commodity traders alike. The supply response has been less rapid as changes in productivity have been less pervasive. It is in the context of this highly dynamic trading environment that we are trying to measure impact of which the direct influence of the RGEDP is difficult to filter out.

Such analyses are further complicated by regional and sub-regional shocks to the system which have short to medium-term effects on income such as the significant decrease in cotton prices, unexpected donor interventions which dramatically slashed Malawian demand to Mozambican maize and the worrying number of breaches of contract by traders and concession-holding agro-processing companies (tobacco and cotton). Furthermore, overall impact is much greater because the efforts taken to create associations and provide them with effective management have all sorts of development repercussions. Though CLUSA treats their associations as enterprises, they have the important advantage of facilitating community-targeted interventions. Hence, NGOs and Government alike prefer to deliver extension services, social infrastructure, inputs and credit programmes to communities that are able to demonstrate solidarity and competent structures that can assume some form of management responsibility.

Problems and opportunities

The project approach evolved in a coherent response to changing circumstances (see section on activities in Section 2 above), and the achievements were considerable (see below).

There are two dilemmas that this development model poses, that are highlighted by this study, though their resolution remains elusive. The essential elements are the following:

- (1) it could be argued that the success of the associations and fora creates the conditions for their own demise; their activities may put pressure on the traders to behave more competitively and thus offer farmers (all farmers) higher prices for their crops; yet once this happens, farmers may choose to sell their crop to the highest bidder (which is no longer necessarily the association);
- (2) moreover, if the CLUSA-created trading structures are to survive in this consequently more competitive market they will be under pressure to behave in a manner analogous to other traders (i.e., trying to maintain or increase modest margins by offering farmers lower prices); this tendency may be exacerbated where influential actors in the CLUSA system derive more of the benefits than the ordinary members, but the issues are nonetheless separate; moreover, if the fora are to be sustainable they will need to build up some working capital reserves – and this will also create pressure to retain rather than distribute profits.

With respect to (1), it could be argued that so long as the capacity to associate (and hence the threat of competition) remains, the benefits generated to all farmers will be sustained.

With respect to (2) there are no clear answers. CLUSA is trying to pursue a producer-owned trading company strategy – as a way to access higher revenues and hence higher prices for its members. Although this might succeed, by focusing on higher value products (certification etc) this is likely to concentrate benefits on more advantaged farmers. On the other hand, Whiteside and Gouveia argue that more attention should be focused on training in and use of appropriate transparent management systems (this seems worth stressing in any situation) as well as developing capacities at association level, to act more autonomously and selectively access fora services via less rigid arrangements. (This is further discussed in lesson 5, Section 5).

Livelihoods of beneficiaries

Without baseline data quantified comparisons are difficult. There are however some studies that suggest that higher levels of income are associated with association membership. Whiteside and Gouviea (2004) referring to findings of CARE's VIDA II (Viable Initiatives for the Development of Agriculture) 2003 baseline study of 600 households, found that "group and association members tend to have more assets, are more likely to have a micro-enterprise, produce and sell more, have higher income, grow more diverse crops, use improved agricultural practices and have a shorter 'hungry period'". They however point out that causality is at issue because it is not known whether higher income households have a higher predilection to join associations than lower income ones. The MADER-MSU rural income study similarly found that there was a positive correlation between rural incomes and whether a household is a member of an association. A forthcoming study on association membership and household income by Jorge Tinga is expected to demonstrate significant dynamic results over a four year period. Tinga who worked with CLUSA for 5 years collected household data from households from a broad sample¹⁶ over the period 1998-2002 that show both a positive correlation and a causal relationship between association membership and household income. His findings show that although the average household income of members was higher than non-members in 1998, the relative difference grew substantially by 2002 suggesting that, all other things being equal, association membership results in higher incomes.

The RGEDP Phase III evaluation makes an attempt to calculate the effect on household income by using calculations undertaken by CLUSA since project inception in 1996. These data show what it refers to as "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. The value of sales per household unadjusted for "inflation" (presumably depreciation) 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, annual household income increased by about \$28 from Phase I to Phase II, and \$4 from Phase II to Phase III¹⁷. The evaluation claims that "the 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". Without comparisons to control groups, suggestions that such calculations indicate improved household income attributable to association membership is only speculative.

Interviews with association members demonstrated a clear perception that they were better off than non-members, mentioning at least some of the following indicators: more bicycles, better clothing, better food, no food shortages, ability to save money, more children studying, more radio ownership and a wider ability to read and write.

Distribution of Benefits

Even though the CLUSA trading structure can be shown to generate income (albeit rather limited so far), there is strong evidence showing that little of this income is percolating down to the average association member. Whiteside and Gouviea found that

"there is a degree of dissatisfaction among ordinary members about the benefits from their membership, and this is mirrored by the lack of new members joining existing associations. This may be partly due to the difficult trading conditions associations are operating under, cutting profits for ordinary members, but it also seems to be due to a more centralised trading approach and a lack of democracy within groups. More centralised trading means that ordinary members are less involved in decision making, and involves costs by the

¹⁶ The sample included 40% of fora in Nampula, 50% of the unions of UCASN in southern Niassa and 30% of the associations in southern Cabo Delgado (Personal communication, Jorge Tinga).

¹⁷ How these figures were derived remain unclear. The evaluation seemed to mistakenly refer to "inflation" when is likely to have meant the depreciation of the national currency (metical) against the US dollar.

leadership at various association and fora levels and this, along with interest payments, has tended to result in low returns to ordinary members”.

All officers working for the bottom two tiers of the CLUSA trading structure (principally association and for a committee members, *animadors* and management), are working for indeterminate amounts or remuneration. The system either draws out impressive examples of voluntarism with leaders demonstrating a willingness to sacrifice efforts for a common good or invites opportunists seeking to exploit the benefits of the marketing openings available to them. It is not clear in which direction the system leans at this stage as insufficient amounts of income have been made for significant transfers down to the common members (though we came across some examples where efforts were made to distribute in-kind evidence of a benefit¹⁸). CLUSA admits that with increased centralization, so benefits are also centralized and that this is a problem aggravated by a lack of transparency and procedures that would limit the gains accruable to those controlling the system. It feels that better budgeting procedures that would indicate the foreseen costs of a forum’s trading activities, would ensure greater transparency and increase the probability of association members getting more links of the value chain. In order not to lose the entrepreneurial features of the structure, sufficient incentives such as performance related bonuses should be embedded into the remuneration system.

Not only is balance necessary between the allocation of benefits between the common producers and their leaders, a balance has to also be struck between the income-maximizing objectives of the top structures vs. the associations. The producer-owned trading company, as a profit-making venture will tend to aim at selling at the highest prices and buying at the lowest. The associations, selling to it will aim at producing at the lowest prices (through more efficient production) and sell at the highest. As an integrated structure, ultimately modeled to maximize the benefit of the smallholder, CLUSA should ensure that associations and fora are given sufficient influencing powers over the business strategy of the producer-owned trading company.

Whiteside and Gouveia observed:

Margins have become the most important issue – in order to cover the transaction costs. The priority is no longer to offer the highest possible price – actually there are many examples of associations and fora travelling to find produce at the lowest possible price – to achieve their margin. They are operating like normal traders. Unfortunately because of the various transaction costs the amount of profit that gets distributed among ordinary members tends to be quite small - and the wider community doesn’t necessarily benefit from higher prices.

Interviews with association members in many cases indicated that they felt that when they operated as associations alone, the gains from trading were more tangible (e.g. in one case, during the first year, the proceeds were put partly into a bank, partly into infrastructure and partly into salt distribution). Since joining fora, many were contributing to their operations but had not yet enjoyed any material benefits. One problem in assessing the distribution of benefits is that by creating a forum, the centralization of services and infrastructure leads to a more efficient use of resources for a broader target group. It is often difficult for association members to recognize the non-tangible benefits arising from centralization, especially if resources are taken away from their association in order to be more effectively used on a wider scale.

Increased Education and Organizational Skills of Association Members

¹⁸ We came across some examples where very small distributions of basic needs such as salt and oil were distributed. Although some associations were able to invest or save their proceeds (such as the example cited with cows), many associations felt that the amounts earned were not worth saving, given depreciation and the lack of savings facilities.

The most direct and tangible impact of the RGEDP has been through its capacity building which comes in two forms: first through its functional literacy programme which was appended to its first phase when it was realized that better management skills were not possible without basic reading and numerical skills; second, as originally foreseen, the project provided training to both potential managers, committee members and animators. The Phase III evaluation commented that functional literacy courses were: "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".

We found some associations applying their new management skills in various interesting ways. One association had managed to save 8 cows through its trading proceeds and was collectively caring for them. A community savings and credit group belonging to this association had purchased a cow through its group savings and accumulated interest and put this cow under the care of the association. One forum was found to have started a small cashew processing plant.

Access to Better Services

CLUSA's objective in creating associations was clearly to develop their commercial capacities and was membership driven largely by prospects of financial gain through better trading opportunities. However, through partnership arrangements, the RGEDP also envisaged other benefits accruing to association members in particular improved production techniques and introduction to new crops as well as less directly economic benefits such as extension services relating to nutrition which, according to both male and female respondents, was a highly popular service provided by CARE Int. extension workers.

There is little doubt that the creation of RGEs spins off a series of benefits that initially accrue to members. However, the success of the RGEDP programme has created the ironic situation of fomenting the demise of the associations as the services that initially target association members become more generic and available to the whole community. The most obvious example is the take-over of the functional literacy programme by the Government through World Bank support. The creation of the CLUSA trading structure initially ensured that association members benefit from higher prices and more secure trading contracts. Once these mechanisms have been established, non-member community residents can take advantage of the prices and contracts as well (though not eligible for trickle-down benefits which, as demonstrated above, have been so far negligible). The development of associations has often been accompanied by the establishment of shops. These shops have not only supplied consumer goods but also agricultural inputs. Though, initially the consequence of the association, its economic survival will depend on it serving a clientele beyond that of the membership alone. The overall impact of establishing associations have been obviously positive but as the services and activities originally channeled through them become more generically applied within the communities, the rationale for having the associations eventually diminishes.

As association related benefits become less exclusive, there will be less incentives to join associations (due to low membership fees of about \$0.50, actual membership is unlikely to drop significantly but the number of *non-participating* members will certainly increase). However, CLUSA is contemplating the introduction of producer credit to be provided through associations. This concept has already been proposed to CARE Int. many years ago by the Dutch Delegation in Nampula in order to stimulate agricultural production but was never adopted. The success of the CCCP programme in Cabo Delgado, has demonstrated that with careful implementation and the application of microfinance best practices, the introduction of such credit is feasible and could stimulate association membership, until such time that credit delivery no longer has to be provided through the association.

Though increased access to other services will generally be seen in favourable light, there have been cases whereby the commercial interests of the RGEs entered into conflict with community interest groups. Examples include NGOs taking advantage of RGE arrangements with traders (e.g. transport) to facilitate the deliver of other services into the communities

Production, Marketing and Access to Information

Whiteside and Gouveia found some interesting relationships between non-member households and households which had been members for short and long periods. As the associations studied were linked closely with CARE Int. and had more exposure to crop extension, comparisons with CLUSA-linked associations should be done with caution.

The table below shows a clear distinction between the groups, with greater tendency to grow cash crops and use more productive methods, the longer households are association members. Whiteside and Gouveia observed that “once again cause and effect are not guaranteed. However since some of these crops and practices have been closely associated with the CARE Int. agricultural programme, largely delivered through groups, it seems reasonable to suppose that the differences are largely due to the extension advice received as members of these groups”. The extent of active knowledge transfer from association members to non-members is not known, however Whiteside and Gouveia feel that the VIDA II baseline survey suggests that at least some transfer of agricultural knowledge and new crop varieties is taking place¹⁹.

Adoption of selected crops and farming practices²⁰

Crop or practice	Not member of project group	Member of 'new' project group	Member of 'old' project group	All households
% growing orange fleshed sweet potato	1%	4%	6%*	2%
% growing Paprika	3%	8%	14%*	4%
% growing Sunflower	2%	4%	23%*	4%
% growing sesame	15%	32%*	27%*	17%
Line planting	26%	68%	55%	31%
Plant in recommended intervals	10%	32%	27%	12%
Turn crop residue into field	12%	36%	16%	14%
Use fertiliser	3%	20%	11%	5%
Received training in chemical use	13%	24%	16%	13%

Source: VIDA II 2003 baseline survey of 600 households cited in Whiteside and Gouveia (2004)

* subgroup proportion significantly different from the non-member subgroup at 10% level

In respect to marketing, Whiteside and Gouveia encountered some interesting findings but again, because their focus was on CARE/OLIPA linked associations, the focus on marketing may have been significantly less than with the CLUSA linked associations.

They found that for non-members and new associations, the importance of the association for selling their crops was not high and that even for the older groups, though the associations were of greater importance, reliance was not particularly high. They also found that, contrary to what might be expected with increasing between buyers, they were surprised to find a surprisingly high numbers of all types of households selling to the 'only buyer' and there was little difference between those selling to those who 'offered the best price' – at around 7%. They thus observed that: “this doesn't suggest that group members are being provided with either more choice or have more opportunity to sell to the highest bidder. It may suggest that some group members feel that they have no alternative but to sell to the association, if the association is buying that particular crop”.

¹⁹ Interviewees reported seed being sold between neighbours – thus passing-on new crop varieties may be an income generating opportunity for association members.

²⁰ The crops and practices which show the most difference that have also been worked on by CARE projects have been selected.

In terms of access to information, the data collected by Whiteside and Gouveia suggest that: "In the same community, members of the association have a greater variety of sources of information than the non-members. This is likely to be explained by it being easier for technicians to work with an organised group rather than dispersed individuals." They also found that among association members, the men have more access to information than the women.

Recent visits to communities without association members showed that, despite the increasing penetration of traders, these communities were suffering from an inability to sell their beans. Two issues were observed here. The communities, though aware of the advantages of belonging to an association, had shown few signs of motivation in approaching the relevant bodies. Secondly, the beans produced was not a highly sought after trading crop.

Gender

CLUSA admits that apart from its functional literacy programme where almost half (45 per cent) of the beneficiaries were women, its impact on women has been disappointing. Although we came across one forum with a female president and various associations with enthusiastic accolades about the accomplishments of their female groups, it seems that the norm is that the women's groups have generally under-performed. Reflecting cultural and religious influences of the region, women have generally tended to play a marginal role in leadership and management. Women's groups were promoted to counterbalance their peripheral mainstream involvement but CLUSA now admits that a more proactive promotion of women in the core structures is necessary. How realistic this is in the mid-term, given the influence of culture and religion remains to be seen.

Whiteside and Gouveia observed that : "Because women are less represented in the leadership, except in specific women's groups – rarely do they get the same access to training as their male colleagues" This, according to them was explained by i) distance of training which often required too long an absence from home; ii) cultural reasons inhibiting women to attend such sessions and iii) the lack of time due to women's heavy domestic and agricultural workloads.

Cost-Effectiveness

The Phase III evaluation looked at two ways of measuring the cost-effectiveness of the CLUSA programme. The measure most directly related to the primary mission of the RGEDP was household income (measured by RGE sales) divided by USAID's investment in the programme. For Phase III, the report found that the RGEDP generated \$1.28 in household income for every \$1 of USAID funding. Phases I and II, by comparison, generated \$.46 and \$.61 for every dollar of funding. The report commented that: "By this measure, Phase III is more than twice as 'efficient' as Phase II and almost three times as 'efficient' as Phase I".

The report points out, however, that there are many other benefits that are not captured by this ratio (e.g. the impact of the project on literacy, increased management capacity and other training to NGOs, government staff, farmers and others in marketing, business development, governance, etc) A proxy measure that was used for these less tangible benefits was the number of participants in the me divided by the cost of the programme. The average number of RGE participants per year in 2002-2004 was estimated at 26,000. 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.

Further impacts

CLUSA's focused RGE approach has had further significant spin-off. In order to pursue its business-driven strategy, it was necessary to create community-based groups with enhanced organizational and administrative skills. The promotion and development of associations has paved the way for a variety of interventions from partnership arrangements with the private sector, government, NGOs and donors.

Sub-sector development

The institutional development detailed in Annex 3 and analysis of changes in markets above indicates that the project has contributed significantly to sub-sector development relating to marketing of agricultural produce, as well as supply and access to inputs and finance.

Social change

One significant area of potential social change concerns democratic processes that CLUSA has tried to encourage within the fora and associations – some of which runs counter to traditional customs that would ensure that the structures would be largely led and managed by an entrenched elite. CLUSA's success with this has been mixed as is discussed below.

5. CONCLUSIONS

Lessons learned

1. CLUSA's RGEDP experience in Mozambique has generated impressive quantitative performance indicators especially in terms of associations and fora created, numbers of trainees exposed to various forms of capacity building and partnership arrangements with the private sector, NGOs and Government. The RGEDP is essentially a business oriented approach to agricultural marketing and over 9 years of implementation the project has created 3 levels of market intervention in the form of associations, fora and a producer owned trading company.
2. This trading structure was to have been complemented by partnership initiatives that were to inter alia improve productivity and increase production. The latter has been disappointing and it is claimed that no significant changes in farmer productivity have been observed in northern Mozambique over the past decade.
3. Nevertheless, there is strong evidence that association member households are likely to be substantially more productive than non-member households. The Phase III evaluation concludes that the project has had a positive impact on crop-related cash incomes of RGE members. Though this may be true, the difference between income trends of association members and non-assisted community households is not known and needs further in-depth study.
4. There is strong evidence that the recent increased centralization of the CLUSA-created trading structure has been associated with marginalization of the ordinary members of the RGEs (both from a decision-making and benefit-deriving perspective), resulting in falling membership and a tendency for disillusioned members not to participate. Benefits seem to be small in many associations.
5. CLUSA's strategy on the inter-linkages between associations, fora and the producer-owned trading company merits some reflection. Associations are a necessary prerequisite for the creation of a forum. However, once a forum is established and services provided via the associations become accessible to community members at large, the rationale for having associations diminishes except for one vital issue – the question of ownership and distribution of producer benefits derived from the three-tier structure. But, as long as those benefits remain minimal, there will be a tendency for associations to atrophy, unless new association-specific services can be introduced such as credit (following the CCCP experience or through credit unions). Whiteside and Gouveia noted that: "Members identified the benefit of the forum as a channel for credit and to identify buyers for the products. The disadvantage identified is that the forum creates a heavy structure that necessitates funding from the associations". They further add: "The concern...is that there is currently too great a tendency to centralise and develop the upstream capacity, and not enough encouragement for individual associations to operate autonomously." Another serious problem is "that successful associations end up paying for the failures of others, the joint sharing of risk can be a demotivating factor for some associations".

6. To counteract these effects of centralizing the trading structures, Whiteside and Gouveia propose that an “alternative would be to concentrate more on strengthening the base, made up of decentralised, membership serving, community based enterprises – acting autonomously where it is profitable, but linking up through looser fora where economies of scale are needed.” Whiteside and Gouveia note that within the CLUSA structures “there is ...the leadership, who have a much higher level of involvement, and greater share in the profits. The existence of a more active group...becomes a problem if ordinary members are being excluded from what is going on. One way of overcoming the problem of exclusion is to encourage greater democracy within the association, so that all the members feel that they are part of the organisation through exchange, rotation of posts or periodic elections.”
7. The associations have played a catalytic role for both forum and community development. Once a forum is established, it effectively becomes a centre for services for the community as a whole. A well-developed forum could be expected to have a warehouse, a shop (selling inter alia agricultural inputs), offices for its management committee and extension workers (management and agriculture), a meeting hall, tractor-hire services, etc. As the fora evolve as convenient nuclei for community development, they are attracting increasing donor attention (notably from the European Union and JICA) as a springboard for development interventions.

Yet CLUSA's success in first establishing associations or rural group enterprises and then the fora may, by virtue of this donor attention, undermine its attempted business orientation. Both Whiteside and Gouveia and the Phase III evaluation have warned of the dangers of mixing social interests with commercial ones but this is extremely difficult in an environment where donor money comes easy and the existence of group structures with management capacity provide convenient channels for service provision or infrastructural location. CLUSA has also accepted Japanese assistance in providing warehouses for its fora, thus reducing incentives for fora to build such structures with their marketing revenues. CLUSA originally attempted to make its literacy courses a service to be paid for by its beneficiaries, but its success has led to it being a public Government-provided service.

8. The corporate orientation of CLUSA has been hampered by both donor pressures and the socio-cultural environment in which the RGEDP is being developed. On the one hand USAID seeks to impose good governance through the democratic appointment of leadership while on the other, traditional customs ensure that the structures would be largely led and managed by an entrenched elite who has generally not been held to task by the common producer members. Though CLUSA has been effective in building up the management capacities of committee members and managers, it admits to having failed to establish an adequate system of checks and balances that would empower the producer members with more corporate clout in holding leadership and management structures more accountable for trading performance and expenditures.
9. The issue of credit is a critical one. CLUSA and GAPI should be commended for their initiatives to provide credit to selected fora. The experiment is still continuing and is in a process of consolidation as fora choose the appropriate credit arrangement (essentially between fixed contract trader advances and interest-bearing loans that allow free market sales). Although legalizing fora will, in one sense, increase their eligibility for these loans, it is unlikely that new fora will be brought into this credit arrangement for the time being as management capacity and not legal status is the ultimate criteria for obtaining such loans.
10. As mentioned above, one of the biggest disappointments of the RGEDP is the failure of partner initiatives to increase levels of household crop production. The CCCP microfinance experience of producer credit demonstrated that small loans of \$50-\$100 have made a big impact in maize yields by allowing producers to hire more labour for weeding. The CCCP works through associations of solidarity groups, a

methodology that could be easily adopted with the CLUSA trading structure. Given the very large amounts of funding and loan capital being provided by USAID and IFAD for rural finance²¹, CLUSA should exploit the opportunities being made available to encourage innovative rural finance methodologies for its constituents. By providing credit to association members, CLUSA could reinvigorate incentives for joining associations. A further possibility with much potential within the CLUSA trader structure is the introduction of inventory credit which could be introduced through certain fora with adequate management capacity and warehousing facilities.

11. Regarding gender, Whiteside and Gouveia observed that: "Relations of gender are not primarily a question of numbers – relations of power, participation in decision making and sharing in opportunities are critical. At the moment women play a secondary role within the association. To increase the number of women participating in the associations it will be necessary for them to realise more benefits from being members".

Women have benefited greatly from two products: functional literacy provided directly by the RGEDP and nutritional extension provided through a partnership arrangement with CARE Int.. These programmes have demonstrated that when women are interested and the product is relevant, they will actively participate. However, in order to stimulate more active involvement by women in association affairs, Whiteside and Gouveia remarked that: "Many women were in favour of occasional separate meetings of men and women in order to overcome the domination by men. Such meetings can plan the activities of the association in such a way as not to conflict with their other daily activities. This separation doesn't imply a need to create separate men and women's associations, but rather enables the discussion of topics specific to each gender, which can afterwards be brought together in a way that the contributions of the two groups can maximise the benefit to the whole association."

In summary, the CLUSA RGEDP experience has been an important one in improving the welfare of smallholder households in northern Mozambique. The strategy of first starting with the promotion and development of associations or rural group enterprises proved popular. In addition to better management and better trading arrangements, associations brought many other indirect benefits (literacy, crop extension, nutrition, input supplies) to their members and subsequently the communities at large. The logical progression from building up the association base was to develop the forum in order to take advantage of scale both for trading and service provision. The concept has been embraced by donors but there are indications that there are still serious teething problems in terms of leadership/management accountability and the ability of the associations to control forum activities and to change those in charge of those activities. CLUSA needs to address the relations between the two structures and to consider new incentives for belonging to associations to prevent the alienation of ordinary producer who is intended to be the ultimate beneficiary of the structure being created.

One of the most important outcomes of developing the fora has been the trader credit arrangement initiated by CLUSA and the financial intermediary GAPI. Though still limited and experimental, there are signs that this innovative approach will succeed with excellent potential for a much wider application. With large amounts of rural finance capital being made available, CLUSA should start to seriously consider introducing microfinance type of credits to association members in order to overcome the major constraint that continues to hinder the full potential of increased trading volumes – i.e. higher productivity.

CLUSA has proactively been involved in the provision of information as well as the introduction of more suitable cash crops. CLUSA has also played a critical role introducing its groups to traders as well as negotiating some international purchasing agreements. One area that still needs close attention is the issue of business ethics. One of the main reasons for association drop-out arose from the lack of protection against breaches of contracts or

²¹ USAID has recently launched its Rural Finance Promotion Centre which will initially start with funds of about \$10 million, while IFAD is about to start its \$30 million Rural Finance Support Programmes

gentlemen's agreements (recently affecting cotton, tobacco, paprika and sesame) leaving some associations either with rotting produce or without bonuses. On the other hand some traders have complained that some fora are not respecting forward contracts.

There are some issues that require attention in order to ensure that the ordinary smallholders are benefiting sufficiently from the trading mechanisms that were meant to serve them. In particular, the good and transparent management of the fora deserves priority attention.

Sustainability

One of the main features of the RGEDP is that it planned for the eventual vacuum that CLUSA's departure would create by establishing a parallel Mozambican NGO composed of former workers of CLUSA. OLIPA has proven to be capable of replicating the CLUSA initiative, mainly on behalf of CARE Int.. It has also proven to be effective in providing other development related consultancy services. At one stage it was thought that OLIPA's services would be requisitioned by the associations and fora themselves but this is not realistic, at least for associations, as those who require most help would be those requiring advice on start-up and requiring management capacity training. OLIPA's role in the promotion of RGE structures would have to be underwritten by donors or through Government funding.

The other side to the sustainability question relates to the independence or continued dependence of the CLUSA trading structure. Clearly producer owned trading company is still very much in its nascent stages and would require continued technical assistance and possibly further investment capital for some time to come. However, it is very likely that there are several fora and many associations that could continue independently without relying on either technical or financial support (although still a small minority, there are some associations and fora that have succeeded in generating large trading revenues, though still vulnerable to erratic prices and unethical business practices by some traders and concessionaires). Access to two types of credit, either through trade advances or through the GAPI arrangement, will allow many fora and associations to operate on their own, even though the sales revenues from their activities are still limited. In this regard, the Phase III evaluation stated:

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.

Replicability

There are many areas in Mozambique where adoption of the CLUSA model would be appropriate. The Phase III evaluation team, following its trip to Zambezia Province, noted that there was a very high unmet demand for RGEs. This is likely to be the case for much of northern Mozambique as well the provinces of Manica and Tete. Although OLIPA would have the capacity to serve the needs of much of Nampula, it would not be able to reach far beyond that at this stage. Further expansion would have to be undertaken by an organization such as CLUSA or ACDI-VOCA (currently working with associations in Manica Province). The European Union has recently expressed an interest in developing fora as a type of "service centre" for stimulating community development.

The CLUSA model developed in Nampula also has a high degree of international replicability as it effectively comes off a template of CLUSA-developed structures that have been refined with experience. Several important lessons were learned during the Mozambican experience and likely to be heeded in CLUSA's next application of the model. One of the main issues to be taken into consideration is the transition of shifting focus from association development to the promotion of fora. As already discussed above and summarized below, forum development may have been done too hastily as issues of good management, accountability, democracy, and more egalitarian distribution of the benefits derived from trading, need to be addressed urgently if *active* association membership is to be maintained.

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ANNEX 1

Poverty and Income Profile of Nampula Relative to the Rest of the Country

The 2001/2002 study on rural incomes (Walker et al., 2004) somewhat unexpectedly showed Nampula with the lowest average household income of all the 10 provinces (Table A1).

In relation to regional levels of welfare, a national poverty study based on *consumption* alone²² found that households of northern Mozambique fare the best in the country. This is largely due to the relatively large agricultural surpluses usually realized in the North in comparison to South with its poor soil and erratic climate. However, when assessed in terms of assets, income and other forms of household welfare (as done in a recent study of 4,000 households over a 3 year period²³), there is a tremendous disparity between South and North but in the reverse direction. Table A2 shows that almost half the households in the North appeared in the *lowest* quartile of what were defined as “wealth points” vs. more than half the households of the South appearing in the *upper* quartile. According to the UNDP’s National Human Development Report for 2001, the northern region has the lowest human development index (0.212) compared to the central and southern regions (0.249 and 0.431 respectively).

There are very sharp intra-regional disparities within the North: Nampula and Zambezia have the highest population densities of about 41 people per square km (about twice the national average of 22) while, Niassa, the largest province, is the least densely populated with only 7 per square km. The disparity is further heightened by economic production: Nampula was the most productive province contributing 14% of the GDP (2000) (Maputo city contributed 36.9%), in contrast to Niassa’s paltry 3%²⁴. The distribution of crop production varies considerably between the provinces. Niassa produces a significant percentage of regional maize (42% during 1999/2000 and 2000/2001 seasons). Nampula is by far the main producer of groundnuts and cassava (70% and 71% respectively) and also has a significant share of regional rice production (58%). Bean production is quite evenly shared between provinces.

Table A1. Mean Annual Household Income by Province (2001 US\$)

Province	Mean	95% Confidence Interval
Nampula	213	180-246
Cabo Delgado	215	191-239
Zambezia	231	138-325
Manica	252	235-268
Sofala	309	234-383
Niassa	337	259-414
Gaza	382	276-488
Tete	392	275-510
Inhambane	380	417-742
Maputo	593	447-738

Source: MADER, 2002.

²²Ministry of Planning and Finance (GoM), Eduardo Mondlane University, International Food Policy Research Institute, 1998. *Understanding Poverty and Well-Being in Mozambique: The First National Assessment (1996-97)*, Maputo.

²³ Austral Consultoria e Projectos, 2002. *Final report of the Socio-Economic Impact Study of a Sample of Rehabilitated Roads falling under The Road and Coastal Shipping Program (ROCS I & II)*. ANE, Government of Mozambique, Maputo

²⁴ UNDP, 2002. Mozambique: National Human Development Report 2001, Maputo

Table A2: Distribution of Wealth Points²⁵ by Region (Quartile)

Quartiles		Region			Total
		South	Center	North*	
1 st quartile (lowest)	N	130	500	490	1120
	%	11.6	24.4	48.0	26.7
2nd quartile	N	144	572	295	1011
	%	12.8	27.9	28.9	24.1
3rd quartile	N	267	587	178	1032
	%	23.7	28.6	17.4	24.6
4th quartile (highest)	N	584	392	58	1034
	%	51.9	19.1	5.7	24.6
Total	N	1125	2051	1021	4197
	%	100	100	100	100

Source: Austral Consultoria e Projectos, 2002. *Final report of the Socio-Economic Impact Study of a Sample of Rehabilitated Roads falling under The Road and Coastal Shipping Program (ROCS I & II)*. ANE, Government of Mozambique, Maputo

* The North here is defined as Nampula, Cabo Delgado and Niassa

²⁵ Wealth points were formulated by giving specific weights to the following variables: size of *machambas*; value of crops sold; use of improved seed, fertilizer and/or pesticides; livestock held; monthly wages; monthly non-agricultural/non-wage income; livestock sold over the past year; annual investments; type of housing; and other assets.

Annex 2: METHODOLOGY

This study was requested by the Aga Khan Foundation as one of a series of case studies to be presented at a workshop on Expanding Income Generating Opportunities in Rural Areas. The research team was composed of Fion de Vletter (principal researcher) and Sylvi Hill (research assistant). In Maputo, interviews were held with USAID and CLUSA staff. CLUSA staff included the current CLUSA country director, the first country director and originator of the RGEDP and a former CLUSA deputy director. Project documents and other relevant literature were reviewed.

Sylvi Hill spent two weeks in Nampula Province. In Nampula City she interviewed senior staff of CLUSA and OLIPA, the NGOs CARE Int., CONCERN and Oxfam-GB, the Provincial Directorate of Agriculture and Rural Development (*), the Swiss Development Cooperation (SDC) the trading company Export Marketing²⁶ and small local traders. In the field she visited the 3 main agricultural zones (maize, cotton and coastal) where she interviewed members belonging 3 CLUSA supported fora 4 CLUSA supported associations and 2 OLIPA supported fora and 1 OLIPA supported association. She also interviewed 2 non-assisted communities, community leaders, small traders and one association-linked women's group. Because the interviews were conducted in June when maize trading becomes active, it was not always easy to find willing respondents.

We are very grateful to those who sacrificed their time to share their opinions with us.

This case study focuses entirely on the experience of CLUSA in its USAID-funded RGEDP programme, although CLUSA has been involved in other projects involving European Union (EU) funds e.g the Producer Association Development Programme (PADP) in southern Niassa.²⁷

²⁶ Only one large trader was interviewed as efforts to interview others proved fruitless, largely explained by their heavy trading engagements at that time of year.

²⁷ The PADP (funded by the EU) was designed to tackle both the marketing and productivity issues, while creating a sustainable system of farmer organisations, that would be able to continue to innovate and respond to changing external conditions after the end of the project period. PADP is a consortium of three development organisations: Oxfam GB, UCASN, and CLUSA. This project is funded by the EC with a budget of EUR 2,124,586 for a 3 year duration starting 1 Nov 2002. The project purpose is to have 4,000 small producers as members of associations producing more, selling more and getting better prices; establish 200 producer associations; increasing agricultural productivity and rural incomes of participating producers by 10% per year; access to and knowledge of markets by rural producers improved through marketing in bulk by their associations resulting in more regular sales and premium prices.

Annex 3: Institutional development elements of CLUSA's approach

Rural Group Enterprises (RGEs)

CLUSA's initial strategy during the first phase (1995-98) was to promote farmer's groups that were officially termed *rural group enterprises* (RGEs) but generally referred to as associations. Initially 3 districts were chosen but outreach eventually encompassed 16 districts in Nampula, 4 districts in Zambezia and 3 districts in Niassa. Groups were established where a proactive willingness was demonstrated by the communities. As *enterprises*, the associations were expected to earn income from the trading margins. The proceeds were expected to cover related costs (travel, transport, communications, etc) as well as provide a form of honorarium for committee members. Profits (if any) would then be distributed to members or invested into a common asset such as a meeting room, well or shop.

After signing a working agreement based on discussions elaborating the type of cooperation envisaged, the group is engaged in trading simulations. This is followed by the selection of *animadors* living in the area and trained in Nampula City (provincial capital). The animators are rewarded for their efforts by the association. With the help of CLUSA *assistantes* the association then identifies and prioritizes its economic activities. These plans are subsequently implemented and later evaluated by CLUSA as part of its monitoring process.

The strategy worked well and associations commonly operated with *adiantamentos* (forward contracts) whereby the bigger traders advanced associations money with the understanding that a certain commodity would be ready for collection or delivered to a warehouse by a specified date for an agreed price.

Associations did not only directly benefit from improved market bargaining positions, indirect benefits included the delivery of the much-appreciated and functional literacy courses delivered by CLUSA (but lately, due to its success, taken over by the Government) because of the very low levels of education encountered in their target communities. Many associations were also able register large tracts of common land. Through partnership with other NGOs and the Government, the RGEs also benefited from agricultural extension, nutrition advice, special support to women's groups, provision of warehouses, etc.

Producer Fora

During Phase II the concept of a second tier group - the forum - was introduced as part of CLUSA's standard group enterprise strategy. During phase III, financial constraints by the donor obliged CLUSA to focus entirely on developing fora. The new strategy made sense as a capacity was being developed, mainly through OLIPA to carry on the promotion and development of the associations. Fora were designed to act as focal points for serving member associations. The forum has three major functions. First, it acts as an agent for CLUSA, assuming much of the decentralized groundwork necessary for supporting the associations e.g. training of trainers, disseminating market information, coordinating partner interventions such as extension work, demonstration plots, input supplies, etc. Second, it provides a centralized outlet for association production and acts as the marketing agent for its members which, with much larger volumes than produced from individual associations, allows the fora to obtain higher prices and usually to negotiate for transport (which is particularly important because access to transport is a critical bottleneck). Third, when legally registered, a forum is able to obtain a loan through the credit arrangement existing with GAPI (see below) which it then can pass on to its members. Furthermore, as a legal entity, it has more leverage in ensuring contractual compliance with trading partners. One important advantage of the fora concept is that it promotes the more efficient use of resources in an environment where management capacity is extremely scarce and where marketing facilities such as warehouses, scales, offices (eventually vehicles) are better shared through a central body/location.

In some districts the existence of several fora has led to the establishment of an umbrella district forum. Based on the experience of UCASN in southern Niassa²⁸, CLUSA is considering the creation of regional fora.

Fora provide their member associations with the following services: training of managers; training in how to prepare business plans; undertaking market studies and disseminating market price information; facilitating linkages with traders; accessing credit; calculation and distribution of profits; developing risk mitigation strategies. Financing for such services (mainly in the form of remunerating *animadors*, committee members and management, plus associated costs such as transport and lodging) comes either from trading revenues or from direct payments levied from member associations. Though still in their early stages, fora have already centralized training and extension services. In the near future it is envisaged that fora will contribute more significantly to adding value through the acquisition of grain cleaning machines as significantly higher prices can be realized through cleaner produce.

OLIPA

The idea to establish a local NGO capable of continuing the work of CLUSA was hatched in 1997. OLIPA was created in 1999, composed of Mozambicans who had previously worked with CLUSA and familiar with its methodology. Much of the initiative came from one of the RGEDP expatriate staff applying the experience gained from Mali and his native São Tomé where similar ventures proved successful. It was originally envisaged that OLIPA would take over the RGEDP in 2001 after the end of Phase II but USAID extended CLUSA's mandate and OLIPA pursued a strategy of diversification to ensure its sustainability as it received little funding through CLUSA.

The RGEDP concept had been shown to be in large part replicable and sustainable from the perspective of service provision. OLIPA demonstrated its capacity to take over the responsibility of forum promotion under the EU funded PASANA (Programme for Sustainable Agriculture for Associations in Nampula), supervised by CARE Int.. CARE originally contracted CLUSA for the task but later (in accordance with the project plan) this responsibility was given to OLIPA.

Like CLUSA, OLIPA puts greater focus on forum development, and only visits the associations to give them moral support but no training. Training is conducted at the forum level. OLIPA is now thinking of providing training to fora so they can do 3 monthly monitoring and evaluation visits of the associations.

Much of OLIPA's initial success can be attributed to the appeal that it is a cost-effective indigenous NGO run entirely by Mozambicans well trained in development issues and with the prospect of longevity. As a result, OLIPA, operating essentially as a consultancy firm, has contracts with provincial government departments (DPADR and IDPPE), NGOs such as CARE Int. and HIVOS, and donors including as the SDC, EU and the World Bank. Among other things, OLIPA has been working on the promotion of Community Development Councils (CDLs). This is a representative structure of the community and helps interest groups in articulating their concerns.

The early years were marked by a period of learning. Inexperience can now no longer be an excuse and OLIPA is increasingly aware of the need to be more businesslike in its approach.

(Semi) Producer Owned Trader Company

In June 2003, CLUSA embarked on its most ambitious and riskiest component of the RGEDP by establishing the producer-owned trading company. This is a hybrid between a limited liability company and a cooperative combining the patronage approach with a buy-out scheme of current main two shareholders (through dividends accruing to the fora being converted to equity i.e. shareholdings). Currently its main shareholders are GAPI (financial

²⁸ UCASN experience

intermediary) and the Dutch NGO NOVIB. NOVIB sees its involvement for about 5-6 years and expects to be bought out. In addition there are 20 registered fora, each having paid \$500 for their shareholdings. Global Development Assistance (GDA) is giving special assistance to support the company while also working with CLUSA's Zambian trading company – Producer Owned Trading Company Ltd. The Mozambican company will benefit from the four year old Zambian experience and seeking an International Fair Trade label. CLUSA recognizes that Fair Trade volumes are small but give good margins (20-40 percent higher than prevailing world prices). CLUSA's experience with this type of company has been excellent in Asia and Central America. In Africa, its experience has been limited to Zambia.