Document of
The World Bank

Report No: ICR00003028

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-41980 TF-91638)

ON A

CREDIT
IN THE AMOUNT OF SDR 14.0 MILLION
(US$ 20.0 MILLION EQUIVALENT)

AND A

GLOBAL ENVIRONMENTAL FACILITY GRANT
IN THE AMOUNT OF US$ 6.20 MILLION

TO THE

REPUBLIC OF MOZAMBIQUE

FOR A

MARKET LED SMALLHOLDER DEVELOPMENT IN THE ZAMBEZI VALLEY

March 30, 2014

Agriculture and Rural Development Department
Country Department 2, Mozambique
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective March 15, 2014)

Currency Unit = new Mozambican Metical (MZN)
MZN 1.00 = US$ 0.03
US$ 1.00 = MZN 30.40

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
BDS	Business Development Services
CAEIF	Community Agricultural and Environmental Investment Fund
CAS	Country Assistance Strategy
CBD	Convention on Biological Diversity
CBNRM	Community Based Natural Resource Management
CBO	Community Based Organization
CDD	Community Demand Driven
CFAA	Country Financial Accountability Assessment
CLUSA	Cooperative League of the USA
DA	District Administrator
DANIDA	Danish International Development Agency
DBS	Direct Budget Support
DDA	District Agricultural Directorate
DF	District Facilitator
DPFP	Decentralized Planning and Finance Project
DNA	Department of Water Affairs
DNPDR	National Directorate for the Promotion of Rural Development
DTT	District Technical Team
ERR	Economic Rate of Return
ESMF	Environmental and Social Management Framework
FMA	Field Management Advisor
FMR	Financial Monitoring Report
GDP	Gross Domestic Product
GEF	Global Environment Facility
GIS	Geographical Information System
GOM	Government of Mozambique
GPZ	Zambezi Valley Development Authority
GTZ	German Foundation for Technical Cooperation
I C	Individual Consultants
ICB	International Competitive Bidding
IDA	International Development Association
FAD	International Fund for Agricultural Development
IGF	Inspectorate General of Finance
IPCC	Intergovernmental Panel on Climate Change
LCS	Least-Cost Selection
LIG	Local Investment Grant
M&E	Monitoring and Evaluation

MICOA	Ministry for the Coordination of Environmental Affairs
MINAG	Ministry of Agriculture
MPD	Ministry of Planning and Development
MPWH	Ministry of Public Works and Housing
NAP	Nation Action Program
NAPA	National Adaptation Plan of Action
NBSAP	National Biodiversity Strategy and Action Plan
NCB	National Competitive Bidding
NEPAD	New Partnership for African Development
NEMP	National Environmental Management Program
NGO	Non-Government Organization
OP	Operational Policy
PAMA	Agricultural Markets Support Project
PARPA	Action Plan for the Reduction of Absolute Poverty
PEFA	Public Expenditure and Financial Accountability
PIU	Project Implementation Unit
PFM	Public Financial Management
PPC	Provincial Project Coordinator
PWH	Ministry of Public Works and Housing
PRSP	Poverty Reduction Strategy Paper
QCBS	Quality and Cost Based Selection
RPF	Resettlement Policy Framework
SBD	Standard Bidding Document
SIDA	Swedish International Development Cooperation Agency
SLG	Savings and Loans Group
SLM	Sustainable Land Management
SPA	Strategic Priority of Adaptation
SSS	Single Source Selection
SWAP	Sector Wide Approach
UMC	Community Management Unit within the National Directorate of Forest & Wildlife
UNAC	National Union of Farmers Association
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNFCCC	United Nations Framework Convention on Climate Change
UNCCD	United Nations Convention on Climate and Desertification
VSL	Village Savings and Loans
WVI	World Vision International

Vice President:	Makhtar Diop
Country Director:	Mark Lundell
Sector Manager:	Severin Kodderitzsch
Project Team Leader:	Pedro Arlindo
ICR Main Author:	Hardwick Tchale

MOZAMBIQUE
Market Led Smallholder Development in the Zambezi Valley

CONTENTS

A. Basic Information			
Country:	Mozambique	Project Name:	Market led Smallholder Development in the Zambezi Valley
Project ID:	P093165,P098040	L/C/TF Number(s):	IDA-41980,TF-91638
ICR Date:	12/06/2013	ICR Type:	Core ICR
Lending Instrument:	SIL,SIL	Borrower:	REPUBLIC OF MOZAMBIQUE
Original Total Commitment:	XDR 14.00M,USD 6.20M	Disbursed Amount:	XDR 13.72M,USD 6.08M
Environmental Category: B		**Focal Area**: L	
Implementing Agencies: National Directorate for the Promotion of Rural Development			
Cofinanciers and Other External Partners: None			

B. Key Dates

Market led Smallholder Development in the Zambezi Valley - P093165

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	05/26/2005	Effectiveness:	12/28/2006	12/28/2006
Appraisal:	04/07/2006	Restructuring(s):		05/24/2012
Approval:	06/20/2006	Mid-term Review:	12/31/2009	03/31/2010
		Closing:	03/31/2013	09/30/2013

Market-Led Smallholder Development in the Zambezi Valley - P098040

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	12/06/2005	Effectiveness:	12/05/2007	09/27/2007
Appraisal:	04/07/2006	Restructuring(s):		05/24/2012
Approval:	08/28/2007	Mid-term Review:	02/01/2010	03/15/2010
		Closing:	09/30/2013	09/30/2013

C. Ratings Summary

C.1 Performance Rating by ICR

Outcomes	Moderately Satisfactory

GEO Outcomes	Satisfactory
Risk to Development Outcome	Moderate
Risk to GEO Outcome	Moderate
Bank Performance	Moderately Satisfactory
Borrower Performance	Moderately Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	**Ratings**	**Borrower**	**Ratings**
Quality at Entry	Moderately Satisfactory	Government:	Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Moderately Satisfactory
Overall Bank Performance	Moderately Satisfactory	Overall Borrower Performance	Moderately Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Market led Smallholder Development in the Zambezi Valley - P093165			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating:**
Potential Problem Project at any time (Yes/No):	Yes	Quality at Entry (QEA)	None
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA)	None
DO rating before Closing/Inactive status	Moderately Satisfactory		

Market-Led Smallholder Development in the Zambezi Valley - P098040			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating:**
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA)	None
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA)	None
GEO rating before Closing/Inactive Status	Satisfactory		

D. Sector and Theme Codes

Market led Smallholder Development in the Zambezi Valley - P093165		
	Original	**Actual**
Sector Code (as % of total Bank financing)		
Agricultural extension and research	11	11

Agro-industry, marketing, and trade	21	21
Central government administration	7	7
General agriculture, fishing and forestry sector	61	61
Theme Code (as % of total Bank financing)		
Other rural development	14	14
Rural markets	29	29
Rural non-farm income generation	29	29
Rural policies and institutions	14	14
Rural services and infrastructure	14	14

Market-Led Smallholder Development in the Zambezi Valley - P098040		
	Original	**Actual**
Sector Code (as % of total Bank financing)		
Crops	23	23
General agriculture, fishing and forestry sector	31	31
Sub-national government administration	46	46
Theme Code (as % of total Bank financing)		
Biodiversity	29	29
Climate change	14	14
Land administration and management	29	29
Other rural development	14	14
Participation and civic engagement	14	14

E. Bank Staff

Market led Smallholder Development in the Zambezi Valley - P093165

Positions	At ICR	At Approval
Vice President:	Makhtar Diop	Gobind Nankani
Country Director:	Mark Lundell	Michael Baxter
Sector Manager:	Severin Kodderitzsch	Richard Scobey/ Frank Byamugisha
Project Team Leader:	Pedro Arlindo	Jeeva A. Perumalpillai-Essex/ Daniel Liborio da Cruz E Sousa
ICR Team Leader:	Hardwick Tchale	
ICR Primary Author:	Hardwick Tchale	

Market-Led Smallholder Development in the Zambezi Valley - P098040		
Positions	**At ICR**	**At Approval**
Vice President:	Makhtar Diop	Gobind Nankani
Country Director:	Mark Lundell	Michael Baxter
Sector Manager:	Severin Kodderitzsch	Michel Wormser
Project Team Leader:	Pedro Arlindo	Jeeva A. Perumalpillai-Essex/ Daniel Liborio da Cruz E Sousa
ICR Team Leader:	Hardwick Tchale	
ICR Primary Author:	Hardwick Tchale	

F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)

The development objective of the project is to increase the income of smallholder farmers in selected districts of the Zambezi Valley region of central Mozambique. Increased incomes will be achieved not only by direct support to smallholder groups and other supply chain participants, but also through the strengthening of local level capacity to undertake and manage service delivery within the context of the Government of Mozambique's decentralization policy.

Revised Project Development Objectives (as approved by original approving authority)

Project Development Objective was not revised.

Global Environment Objectives (from Project Appraisal Document)

The Global Environment Objective is to limit land degradation, provide predictive capacity for assessing vulnerabilities to climate change, and to improve the ecosystem's resilience towards climate change in the Central Zambezi Valley.

Revised Global Environment Objectives (as approved by original approving authority)

The Global Environmental Objective was not revised.

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
30% average increase in agricultural income of participating project beneficiaries smallholder households (compared with non-participating households (HHs)	6,089	30%	NA	47%

(b) GEO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Increase in area under improved sustainable land management (SLM) or natural resource management practices in Project area by at least 20,000 hectare by Project end	**0**	20,000	NA	21,313
Cumulative number of project beneficiaries smallholder farmers' groups active in at least one natural resources management sub-project supported by CAEIF under Part C© of the Project described in Schedule 1 of the Grant Agreement	**0**	250	NA	414
Predictive and Basin Specific scenarios for land use land cover impacts on hydrology (flooding and drought) under changing rainfall and evapotranspiration regimes	**0**	4	NA	4
Variable Infiltration Capacity (VIC) Distributed Hydrological Model installed and operating (introduced after MTR)	No	Yes	NA	Yes

(c) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Number of CBOs engaging in Project supported organizational development activities	0	660	NA	733
Cumulative number of project beneficiaries smallholder farmers' groups active in at least one Subproject supported by CAEIF	0	600	NA	473
Number of members of savings and loans (SLGs) groups	0	12,000	6,000	7,291

G. Ratings of Project Performance in ISRs

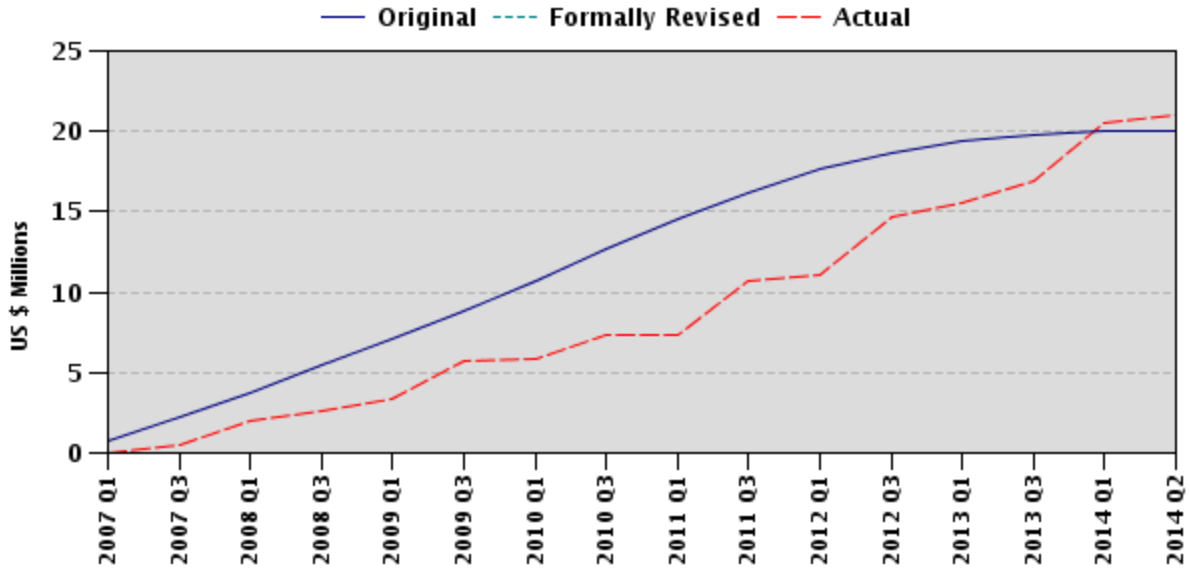
-						
No.	Date ISR Archived	DO	GEO	IP	Actual Disbursements (USD millions)	
					Project 1	Project 2
1	08/18/2006	S		S	0.00	0.00
2	10/04/2006	S		S	0.00	0.00
3	05/15/2007	MS	S	MU	2.02	0.00
4	12/07/2007	MS	MS	MU	2.02	0.00
5	05/31/2008	MS	MS	MU	2.58	0.00
6	06/30/2008	MS	MS	MS	3.30	0.00
7	12/23/2008	MS	MS	MS	4.51	0.50
8	06/26/2009	MS	MS	MS	5.71	0.83
9	11/17/2009	MS	MS	MS	5.81	0.89
10	06/11/2010	MS	S	MS	7.33	1.26
11	03/30/2011	MU	S	MU	10.75	1.57
12	09/20/2011	MU	S	MS	11.05	2.12
13	06/11/2012	MS	S	MS	14.74	2.55
14	02/21/2013	MS	S	MS	16.94	4.84
15	09/15/2013	MS	S	S	20.53	5.71
16	10/19/2013	S	S	S	20.99	6.08

H. Restructuring (if any)

Level 2 restructuring approved on May 24, 2012.

I. Disbursement Profile

P093165



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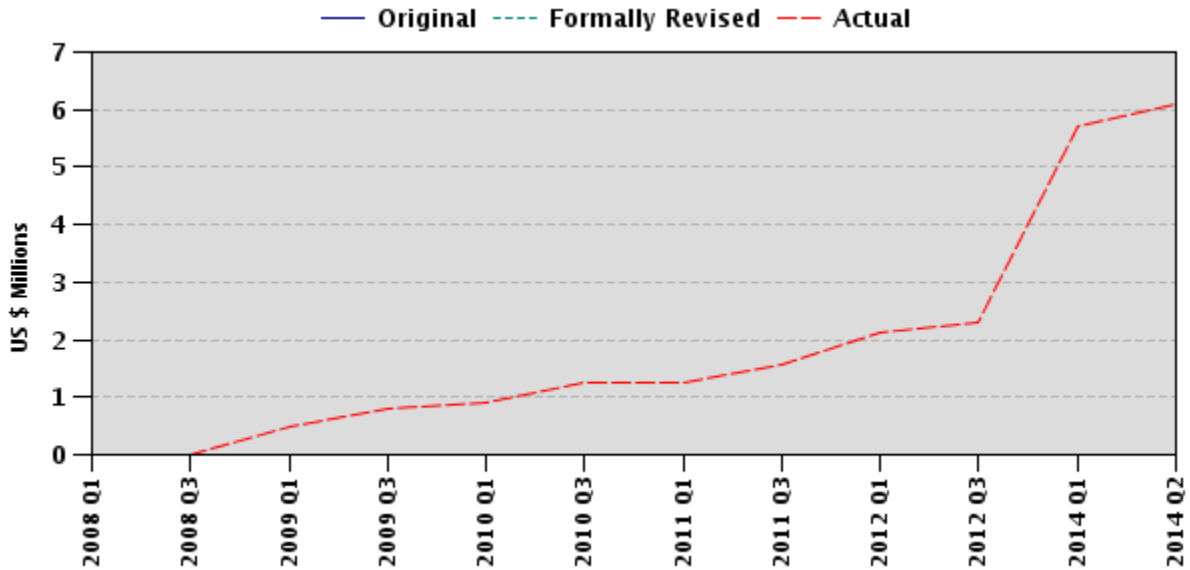


1. Project Context, Development and Global Environment Objectives Design

1. Agriculture is the largest sector in the Mozambique's economy, contributing 25 percent of gross domestic product (GDP) and employing about 80 percent of the workforce albeit with low productivity. While Mozambique has recently started witnessing major investments in the gas and mining sectors, agriculture remains the sector with the real potential to increase incomes among the vast majority of rural inhabitants and to reduce income inequalities between rural and urban areas. Mozambique's agriculture is dominated by smallholder farmers, most of whom do not have access to inputs. The 2009–10 agricultural census indicates that the cultivated area increased by 24 percent from 1999 to 2009 and the share of women-headed agricultural households increased from 23 percent to more than 27 percent. Roughly one-third of farms are smaller than 1 hectare, and only 5 percent of producers use irrigation and less than 3 percent use fertilizers (INE, 2011).

2. The long-term sustainable use of natural resources and, more specifically land, water, forestry, and wildlife continues to be an important component of the Government's vision. Agriculture is the first pillar under the country's 2010-2014 Poverty Reduction Strategy Paper. In 2011, the Government of Mozambique approved the country's 2011 – 2020 Agricultural Development Strategy, and signed its Comprehensive Africa Agriculture Development Program (CAADP) Compact. Agricultural GDP growth has averaged about 7 percent per year since 2003 and has been an important contributor to overall economic growth. Growth in the agricultural sector has been driven mainly by the increased use of labor and expansion in the cultivated area, and a key policy challenge for Mozambique is to increase productivity and turn agriculture into an engine of poverty reduction.

1.1 Context at Appraisal

3. The Market-led Smallholder Development in the Zambezi Valley was designed in a context where agricultural growth rates were primarily driven by increases in the cultivated area and population growth rates rather than by increased productivity. Investing on sustainable agricultural intensification has thus been an important concern, and the Project was conceived to promote a more sustainable growth of the sector in the long-term.

4. The Project aimed to use the Bank's global experience in community-driven and market-led approaches to assist Mozambique's efforts to implement this approach. The Project was aimed to build on and support Mozambique's decentralization policy and program, where districts become the focus of development and budget entities. The Project was designed to address aspects that were not likely to be resolved by other actors in the short to medium term including the promotion of local markets and integration of rural households in the Project area in domestic markets. While the Project area offered high potential for agriculture and trade, it was among the most devastated areas during the 16-year civil war that ended in 1992.

5. The blending of the Project with a Global Environment Facility (GEF) grant offered an opportunity to harness the potential synergies of national and global benefits such as reduced deforestation and the resulting above- and below ground biodiversity loss. At Project design, the loss of ecosystem services (local hydrology, habitats for native biodiversity) from deforestation and land degradation was a major concern.

1.2 Original Project Development Objectives (PDO) and Key Indicators (as approved)

6. The development objective of the project is to increase the income of smallholder farmers in selected districts of the Zambezi Valley region of central Mozambique. Increased incomes will be achieved not only by direct support to smallholder groups and other supply chain participants, but also through the strengthening of local level capacity to undertake and manage service delivery within the context of the Government of Mozambique's decentralization policy. The PDO indicator is to achieve 30% average increase in agricultural income of participating project beneficiaries smallholder farmer households - including self-consumption - compared with non-participating households, by the end of the Project.

1.3 Original Global Environment Objectives (GEO) and Key Indicators (as approved)

7. The Global Environment Objective is to limit land degradation, provide predictive capacity for assessing vulnerabilities to climate change, and to improve the ecosystem's resilience towards climate change in the Zambezi Valley.

8. The key performance indicators for the GEO are: (i) increase in area under improved sustainable land management (SLM) or natural resource management practices in Project area by at least 20,000 hectare by Project end; (ii) cumulative number of project beneficiaries smallholder farmers' groups active in at least one natural resources management sub-project supported by CAEIF under Part C(c) of the Project described in Schedule 1 of the Grant Agreement; measurable increase in biodiversity or carbon sequestration in targeted Project sites vs. control sites through one or more of the following: reappearance of native species, increased carbon stocks, reduced soil erosion, reduced incidences of wild fires; (iii) at least 3 predictive and basin specific hydrology-land cover-climate change scenarios for land use-land cover change impacts on hydrology under changing rainfall and evapotranspiration regimes (this was changed at MTR as highlighted in section 1.5 to Variable Infiltration Capacity Distributed Hydrological model installed and operating); (iv) increased use by local land users of drought tolerant crops, fodder species and varieties, crop rotations to increase soil organic matter, reduce weeds, and conserve soil moisture.

1.4 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification

9. The PDO and key indicators were not revised. After the Mid-Term Review, a Level 2 restructuring (no change in PDO, in GEO, or in environment category) was undertaken (approved on May 24, 2012), which introduced a change on the target for the

intermediate outcome indicator - *Number of members of savings and loans groups (SLG). The target was reduced from the* planned 12,000 members to a new target of 6, 000 members at project completion.

1.5 Revised GEO (as approved by original approving authority) and Key Indicators, and reasons/justification

10. The GEO and key indicators were not revised. After the Mid-Term Review, a Level 2 restructuring (no change in PDO, in GEO, or in environment category) was undertaken (approved on May 24, 2012), which introduced a c**hange in GEF Performance Indicator** - *Number of Predictive Scenarios*. This was replaced with the need to have the Variable Infiltration Capacity (VIC) Distributed Hydrological Model installed and functioning at ARA-Zambezi because the ability to run scenarios would be conditional on having a functioning VIC model.

1.6 Main Beneficiaries,

11. Primary beneficiaries: The primary beneficiaries (although not explicitly spelt out in the PAD) were farmers and community-based organizations (CBOs) from the five districts of Chemba, Maringue, Mopeia, Morrumbala and Mutarara of the Zambezi Valley region of central Mozambique. These farmers and CBOs directly benefited from agricultural production support and funding for various related sub-projects under the Community Agricultural and Environmental Investment Fund (CAEIF).

12. Other beneficiaries included the savings and loans groups; various agricultural value-chain players, including input traders and commodity buyers; government officials from the National Directorate for the Promotion of Rural Development (DNPDR) of the Ministry of State Administration (MAE) and other related ministries such as Agriculture and other government departments, including the district administrators.

1.7 Original Components (as approved)

13. The approved project comprised the following components:

Component 1: **Community Group Organization and Local Institutional Strengthening** (Total: US$8.6 million; **IDA:** US$7.6 million; GEF: US$0. 9 million; Government: US$0.1 million) comprising: (a) community based organization capacity development; (b) rural financial services, and; (c) district capacity development. Expenditures under this component included consultancy services, training, goods and equipment and a modest amount of civil works. Activities under this component were meant to lay the basic foundation for the sustainability of Project interventions. The primary objective was to empower and build the social capital of farmer groups, women's groups and other supply chain participants in areas such as marketing, agribusiness development and district agricultural staff. The empowerment of groups would ensure that district planning process has the participation of key stakeholders in the rural community. The vision for the farmer and savings and loans groups was that from small groups of 15-25 individuals, they would grow into apex organizations of community based organizations such as rural producer organizations and village savings groups.

Component 2: Agricultural Production and Marketing Development (Total: US$6.4 million; IDA: US$3.9 million; GEF: US$2.5 million) comprising: (a) agribusiness and market development; (b) strengthening of extension services; (c) applied research, training and demonstrations; and (d) improved agricultural and agroforestry systems. Expenditures under this component included limited civil works, equipment, consultancy services and incremental operating costs. This component was meant to provide technical support for market driven, broad-based sustainable agricultural development. Through a strengthened extension service, technical assistance would be provided to stakeholders involved in production, marketing and processing of agricultural products. Contracted studies, applied research, specialized training and awareness campaigns were to be

undertaken in such areas as market opportunities identification and development, crop diversification, sustainable land and water management, market information etc.

Component 3: Community Agricultural and Environmental Investment Fund (Total: US$8.5 million; IDA: US$5.9 million; GEF: US$1.7 million; Beneficiaries: US$0.9 million) comprising the following windows: (a) agriculturally related infrastructure; (b) small-scale agricultural investment; and (c) sustainable land management. Expenditures under this component included civil works, consultancy services, equipment, and materials for infrastructure, agriculture and agribusiness investments. The Fund was designed to operate under a demand driven approach linked with the participatory district planning process. It was meant to provide resources for identified priorities in agriculturally related infrastructure, small scale investment and improved land management.

Component 4: Project Management, Coordination and Monitoring and Evaluation (Total: US$2.6 million; IDA: US2.0 million; GEF: US$0.4 million; Government: US$0.2 million). This was meant to coordinate project implementation within the decentralized set-up at the district level. Expenditures included consultancy and training and goods and equipment. This component was meant to provide technical supervision and coordination, work plan and financial reporting functions at district, provincial and national levels. The component was designed to be congruent with the government's decentralization initiatives and would utilize existing public sector arrangements as far as possible. Additionally, the existing inter-ministerial national and provincial steering committees and district consultative councils established under GOM's Decentralization Law were to be utilized for the Project. In addition, two key technical staff were recruited; a District Facilitator for each district and a Field Management Advisor who would work across all five districts. The component also provided funds for intensive monitoring of the Project implementation.

1.8 Revised Components

14. The components were not revised.

1.9 Other significant changes

15. A few changes were introduced during the level 2 restructuring which was undertaken after the MTR (approved on May 24, 2012). These included:

(i) Project implementation arrangements: **Setting up a Project Coordination Team (PCT) in the field**. To achieve results on the ground and closer proximity with District Administrations who are key for local project implementation, the consultants hired with the Smallholders project team in Maputo would relocate to the field (to be based at SDAE Morrumbala). The Project Manager (hired after MTR) and the Financial Management specialist would continue to be based with DNPDR in Maputo; coordination on the ground would continue to be ensured by the Project Field Coordinator under overall management by the Project Manager and strategic guidance by the DNPDR Project Director.

(ii) Strengthening of the Project Coordination Team: **DNPDR hired additional consultants** located in the field to meet identified needs: (i) an M&E Service Provider for project monitoring and impact evaluation (Comp. IV); (ii) a Market/Agribusiness specialist (Comp. II), and (iii) an Extension/Technology dissemination specialist (Comp. II);

(iii) Modification in Project Scope or Design: **Streamlining of activities within components** to achieve better integration/synergies of IDA and GEF activities/financing, to enable better monitoring of project implementation, and to address the duplication of subcomponents introduced with the slightly delayed launch of GEF grant (6 months after IDA credit was launched);

(iv) Changes to one intermediate outcome target and replacement of one GEO performance indicator, as highlighted in sections 1.4 and 1.5 of this ICR;

(v) **Reallocation of proceeds**: to make the necessary adjustments across budget categories;

(vi) Extension of the closing date for the IDA Financing Agreement to September 30, 2013 in order to reflect the full integration of the IDA and GEF activity implementation on the ground.

(vii) **Revision of the Financing Agreement and the GEF Grant Agreement** to reflect the remapping of the DNPDR from MPD to MAE and to take into account all the changes introduced.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

16. The project design and preparation were sound and relied upon earlier background analyses which demonstrated that continued economic growth for Mozambique, as the country emerged from the post-conflict period, would have to be based on supporting on a broader-scale environmentally sustainable agricultural intensification among the smallholder farmers, who comprise the majority of the population. The project was meant to directly complement the implementation of the country's agricultural strategy, PROAGRI II, by directly mobilizing demand for agricultural and environmental services from the community-level. The selection of the project area was based on its potential for agriculture and trade through its proximity to the regional markets for agricultural products. Given the neglect the area suffered as a result of the war, relative to other areas, this was seen as a viable option to integrate the central provinces in the country's overall development.

17. The project implementation was built on the support to the Government of Mozambique's (GOM) Decentralization Policy and Program where districts were to be

the focus of development. At the time of design, the Bank was supporting the Decentralized Planning and Financing Project (DPFP) (Grant No.80670), which was operational within the selected project area. DPFP had a strong emphasis on capacity building and participatory planning at the district level. It was therefore assumed that the project would benefit from and consolidate the capacity built at the district level. Furthermore, it was assumed that the synergies created through the two projects would result in valuable experience that could help GOM in its efforts to move to a more horizontal (i.e. multi-sectoral), territory-based (i.e. district) approach to agriculture and rural development.

18. The project heavily relied on the use of the decentralized framework, as this would help consolidate the capacity at the local level, thereby promoting broad-based sustainable development. The project design also benefited from the complementarity with several World Bank financed infrastructure projects such as the second Roads and Bridges Project, which constructed the Caia Bridge over the Zambezi River and the Beira Railway Project. These projects contributed to opening the Zambezi Valley to the rest of the country and thus improved the market access conditions for agribusiness entities into the project areas.

19. While the design of the project was well informed by the prevailing background analysis, Government's development programs, and the lessons learnt from the existing projects, it is very clear that the project design overstated the existing capacity at the district level. At the time of project design, the implementation of the decentralization program was still in its early years. The capacity development at the district level was still in its formative years. Many of the capacities relevant for project implementation, such as procurement, financial management, monitoring and evaluation were not adequately available at the district level. This significantly affected both the quality at entry and therefore the subsequent implementation progress particularly during the initial few years of the project. Although at project design, low institutional capacity at all levels of GOM and among service providers was identified (and rated substantial in the risk assessment, as per the PAD), the mechanisms put in place to address this critical challenge were neither adequate nor effective, given the low levels of the critical mass of capacity required to kick-start project implementation. Secondly, the design should have considered a longer-term approach to institutional capacity building, particularly in the situation of Mozambique (as a post-conflict state).

2.2 Implementation

20. The project experienced a very slow start and low disbursement during the first two years. This was mainly due to factors related to the inadequate existing capacity and the challenges inherent in the nascent district decentralization framework. At the beginning, the arrangement was that the project implementation would be undertaken using the existing staffing in the National Directorate for the Promotion of Rural Development (DNPDR) which was under the Ministry of Planning and Development (MPD) but was later placed under the Ministry of State Administration (MAE). However, without a dedicated team of staff to be responsible for the day to day coordination of

project implementation at the local level, coupled with lack of clear understanding of the project at the district level, implementation stalled. Moreover, given the alignment of the project implementation within the district decentralization framework, activities at the district level were to be coordinated by the District Administrators. Given the many coordination responsibilities of the Administrator within the decentralization set-up, the implementation of project activities suffered.

21. These initial challenges were well noted by the project team, and necessary changes were introduced at Mid-Term Review (MTR) which was undertaken in March 2010. A number of important changes were introduced, such as: (i) establishment of a dedicated project coordination team, including the hiring of the Project Manager who would report to the DNPDR National Director; (ii) hiring of additional staff (on contract) to complement the existing staff; (iii) transferring of some of the key members of the dedicated staff to operate from Morrumbala district within the project area. Some of these changes started to be implemented immediately after the MTR. However, the changes which required to be formalized through the amendment of the legal agreements were formalized into the project through a level 2 restructuring which the World Bank team did and was approved by the Bank Management on May 24, 2012.

22. These changes turned around the pace of project implementation significantly. The new set-up and the placement of dedicated staff closer to the project areas, as well as the availability of a dedicated project manager re-energized the entire team and significant progress started to be achieved. The other aspect which helped to improve project implementation effectiveness was the integrated planning involving all the project districts, which hitherto, was undertaken by each district almost independent of others. It is quite clear that had these changes and the associated project restructuring been undertaken much earlier, the project implementation challenges would have been addressed much earlier.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

23. The initial design entailed that project monitoring and evaluation capacity would be provided by the DNPDR, working with district staff to provide the monitoring framework and create the database required to accurately measure the outcome indicators. However, due to the capacity challenges already described, particularly at the district level, a decision was made to use the services of consultants, working hand in hand with Government staff as technical counterparts. A consultant was hired to facilitate the establishment of the initial database which was later discontinued because it lacked data from the districts. In 2010, the project hired a computer consultant who designed and installed an interactive M&E program linked with the districts, as well as trained district and national level M&E staff. However, M&E challenges still continued and the DNPDR and the World Bank decided to hire a firm through international tender to operationalize a system of monitoring, reporting and evaluation of the project, and to facilitate the implementation of impact evaluation surveys. The contract with this firm was discontinued due to poor performance. Finally the DNPDR proposed to the Bank to directly hire the National Statistics Institute (INE), a public institution with the experience and capacity to undertake impact evaluation surveys. The INE implemented

the impact evaluation at MTR and was also directly hired to implement the final impact evaluation.

24. The M&E capacity challenges affected the establishment of an effective M&E system for the project. The capacity for integrated planning was also highly constrained and this led to inconsistencies across districts in the implementation of project activities. However, through pro-active efforts on the part of both the World Bank and the DNPDR, the project baseline for the PDO indicator was re-constituted using data from the National Agricultural Surveys (TIA), and this was re-confirmed through the involvement of the World Bank's DIME team in collaboration with the International Food Policy Research Institute (IFPRI). As such, in spite of the initial challenges the project still managed to measure and reconfirm the achievement of the key performance indicators.

2.4 Safeguard and Fiduciary Compliance

25. **Environmental safeguards:** The EA Category for this project at appraisal was B. As most of the actual project investments were to be demand-driven and could only be determined during project implementation, the project prepared an Environmental and Social Management Framework (ESMF). Four Safeguard Policies were triggered i.e. Environmental Assessment (OP/BP 4.01), Pest Management (OP/BP 4.09), Involuntary Resettlement (OP/BP 4.12) and Projects on International Waterways (OP/BP 7.50). The ESMF therefore contained screening procedures for determining if resettlement plan would be required for any particular investment according to the Resettlement Policy Framework (RPF) which was prepared according to the requirements of the OP4.12. Both ESMF and the RFP were disclosed in the project districts and provinces and in the Bank's Infoshop. The OP/BP 7.50 was triggered because of the possible water withdrawals for the small irrigation projects implemented in the Zambezi river basin, including the Shire river, a major tributary of the Zambezi River. Notifications were sent to all riparian countries and none of them objected to the project by the deadline of May 15, 2006.

26. In terms of the actual implementation, none of the project activities implemented under the project have had any significant adverse social and/or environmental impacts or risks. All activities have brought much more positive impacts in terms of improving the livelihood and living conditions of the beneficiaries.[1] Some of the environmental safeguards coordinated during Project implementation included: the introduction and implementation of the Districts' land use plans (LUPs) which were preceded by series of technical training on territorial planning aimed at local traditional leaders and government officials; numerous training activities on SLM/NRM for various target groups were also carried out; partnerships with community radios was essential to raise community awareness on the need to comply with environmental safeguards standards. Particular attention was also given by project implementers and beneficiaries on the need to incorporate issues such as gender and vulnerable groups' empowerment in line with

1 DNPDR (2010). Report on the joint DNPDR/World Bank project mid-term review

environmental and social safeguard principles. An assessment done in April 2013[2] concluded that seed supplies had been improved to minimize production losses, an increasing number of lower income and vulnerable groups were involved in the use of improved honey production techniques, which led to significant reduction of uncontrolled bush fires. Nearly 77% of groups of beneficiaries eligible under CAIEF-3 funding were already engaged in activities under SLM[3].

27. **Social Safeguards:** There were no major negative social impacts and conflicts as a result of the project implementation.

28. **Procurement:** Throughout the Project implementation period, the overall responsibility of carrying out Procurement activities rested at the National Directorate for the Promotion of Rural Development. As per the Project design, the Project did not have a Project Implementation Unit. To adequately perform the procurement function, DNPDR recruited an experienced Procurement Officer. For most of the Project implementation period, procurement activities were coordinated and managed by the recruited procurement officer but had a strong integration of a civil servant who benefitted from on-the-job training.

29. At the district level, each district had a civil servant who managed local procurement. At project design, it was expected that each district would have procurement capacity in place as a result of previous support including that from the Bank-supported Decentralized Planning and Finance Project. The reality, however, was that the expected capacity did not exist in most of the districts, hence the recruited Procurement Officer was tasked with undertaking intense training and supervision activities to the district civil servant procurement officers. Another challenge was the continuous relocation of civil servants at the district level, which affected the Project as some of the trained staff moved to other districts for other functions and new procurement officers needed to be hired and trained.

30. The implementation of community-based procurement started with important challenges, which required intensive assistance, training and supervision of the Project Procurement Officer to improve performance. Overall, there was a limited availability of service providers and good suppliers in the Project districts, which often resulted in delays with supply of goods and services by suppliers located in distant cities, mostly in the provincial capital cities of Beira, Quelimane and Tete. This led to a general thinking, among local authorities, on the need for flexibility of procurement arrangements for community procurements.

31. **Financial Management:** The Market led Smallholder Project was the first Bank-financed project in Mozambique to pioneer the use of the country's FM systems, particularly the government's single treasury account and the government's Integrated

2 Aide-Memoire for the joint DNPDR/World Bank Implementation Support Mission. May, 2013.
3 DNPDR (2013). Projecto de Pequenos produtores orientado para o mercado. Relatório Final. Novembro de 2013

Financial Management Information System (IFMIS), and with the additional challenge of being implemented at the decentralized level. The implementation arrangement brought significant challenges with the need to open four Designated Accounts, two of which for funds to flow through the government's single treasury account and two in commercial banks to cater for payments in foreign currency, as at the commencement of the project the government's single treasury account could only account for payments in local currency. Despite such challenges, the Project remained adequately staffed throughout its life, where, the contracted Financial Management Specialist (FMS) was able to train and eventually pass the FM responsibilities to a civil servant who continued to work adequately for the last three years of the project. The project was also able to meet its FM obligations and there were no overdue Interim Financial Reports (IFRs) and audit reports.

2.5 Post-completion Operation/Next Phase

32. One key advantage of the project design was that activities implemented by communities would be integrated in the district decentralized development framework in order to ensure continuity of support services, such as for example, agricultural extension – through the District Services of Economic Activities (SDAE), which include agriculture. The DNPDR has also put in place arrangements for some of its officials to be following up and monitoring the project activities, and seeking ways of linking community groups to service providers. The project design principles have also been adopted by other projects, working on similar development such as for example, the Local Economic Development Project, funded by the European Union to improve value-chain infrastructure, as well as a number of other projects aimed at fostering partnerships between community groups/farmer based organizations and agribusiness investors. These continued arrangements for supporting community groups will continue to improve the economic prospects for the project areas and therefore create the demand for agricultural commodities.

33. The World Bank is also planning to prepare a new project aimed at strengthening agribusiness activities, and will use the lessons from this project in its design and implementation arrangements.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

34. The PDO was and still remains highly relevant to the country's overall development objectives. The country's inclusive growth prospects largely depend on agriculture which supports 80% of the population. The Government of Mozambique's (GOM) recent Agriculture Sector Strategy is characterized by a multi-sectoral approach. Its strategic objective is to contribute to food security and producer income in a competitive and sustainable manner which guarantees social and gender equity. The Strategy is built around the four pillars of agricultural productivity enhancement, market access promotion, natural resources management and institutional capacity development. The sector strategy seeks to achieve annual growth of at least 7% through a combined effect of farm productivity increase and expansion of cultivated area. The strategy

promotes public investments in areas of strong economic potential while supporting local initiatives and private sector participation in various agricultural value chains. The Strategy is to be implemented along six development corridors, one of which is the Zambezi Valley – where this project was implemented.

35. Both the design and implementation of the project espoused the key considerations of the agricultural sector strategy, placing emphasis on sustainability through pursuing the twin and complementary objectives of increasing incomes while promoting the achievement of the global environmental outcomes such as increased use of sustainable land management practices and the preservation of essential biodiversity and ecosystem services. The project also focused on institutional capacity building by relying upon and complementing the district decentralized framework.

3.2 Achievement of Project Development Objectives and Global Environment Objectives

3.2.1 Achievement of the Project Development Objective

36. The project development objective was fully achieved because the increase in income among project beneficiaries (compared to non-beneficiaries) was estimated at 47% from 2007 to 2012 which is higher than the targeted level of 30%. As shown in Table 1, average household income weighted by population size increased by 47% higher in the project districts compared to the non-project districts (control group) between 2007 and 2012.

Table 1: Population weighted average household incomes in the project area compared to non-project districts (control group) - MZN/HH

District	Population[1]	HH Income at Baseline[2]	Population[3]	HH Income at End of Project[4]
Project Districts				
Chemba	65,107	11,490	75,061	8,483
Maringue	75,089	8,760	88,794	13,512
Mopeia	115,614	4,930	146,287	10,719
Morrumbala	361,896	4,690	434,695	13,257
Mutarara	209,360	6,510	259,031	8,250
Project Area	827,066	6,089	1,001,643	11,282
Average % change in income within Project area				85%
Non-project Districts (control)				
Caia	115,455	9,505	139,510	4,618
Nicoadala	232,929	2,039	253,348	9,317
Control Area	348,384	4,513	392,858	7,760
Average % change in income in Project area compared to non-Project				47%

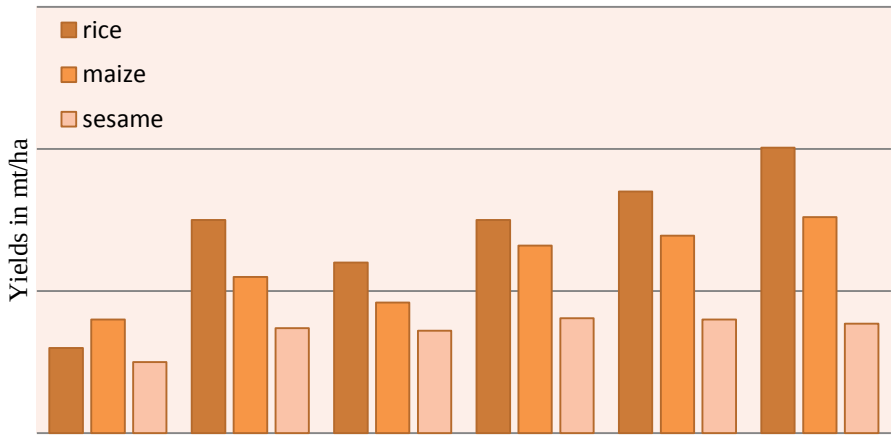
districts	
Source of Information: [1]2007 Population Census; [2]2007 TIA data; [3]INE Population Projections for 2013 based on the 2007 Population Census; [4]2012 TIA Data	

37. Within the project area, the average incomes at the end of the project increased by 85% compared to the baseline. Average incomes increased in all the project districts except Chemba. In the non-project districts, average household income increased significantly in Nicoadala district but declined in Caia district, compared to the baseline. Overall average income in the project area was estimated at MZN 11,282 per household, compared to MZN 7,760 per household (representing 47% increase). The end of project income figures were estimated using the Agricultural Survey Data (TIA Survey) because the baseline was constructed using the 2007 TIA survey.

38. While issues of attribution between the increase in income and the project interventions have not been fully explored, it is likely that the project contributed significantly to the increase in the income levels achieved in the project area mainly due to the effect of the project interventions on increasing crop yields (see Figure 1 for yields for key crops) as well as the adoption of various income generating activities among communities in the project area.

39. Increase in yields was achieved through the following project interventions implemented since 2007: provision of production kits, support for small-scale irrigation, post-harvest facilities and adoption of sustainable farming practices including use of organic fertilizer in combination with reduced quantities of inorganic fertilizer, mulching, crop rotation and use of improved seed varieties. As shown in Annex 2, about 23,814 smallholder farmers adopted the various productive technologies which were introduced through the project interventions. The project also facilitated the provision of extension services to farmers in the project area through the construction of 33 houses for extension workers, including provision of transport facilitates and operational support. This enabled farmers to appropriately use the technologies provided through the project interventions.

Figure 1: crop yields (mt/ha) in the project area: 2008 - 2013



Source: Project Monitoring and Evaluation Records (2008 – 2013)

40. Income gains were also achieved in the project area because the project introduced and facilitated increased adoption of income generating activities which were supported under the community agricultural and environmental investment fund (CAEIF) established to facilitate community up-take of sub-projects to complement agricultural and natural resource-based livelihood options. These activities included small-scale irrigation (for vegetable production), bee-keeping for improved honey production, livestock production (chicken and goats), small-scale fishing and other community demand-driven activities. By the end of the project, a total of 733 community groups had been formed and more than 60 percent of these were involved in these income generating activities (see Annex 2 under component 3).

41. The project also facilitated market linkages with various agribusiness value-chains through promotion of market fairs where community producers were able to show-case their products to buyers. This was complemented by a number of interventions including: (i) investments in market access infrastructure including bridges, drifts and rural access roads which were constructed using project support in order to open up the project areas to various market opportunities, (ii) promotion of group sales for commodities that traders had indicated willingness to buy in large quantities, (iii) preparation of consultation meetings on crop sales, attended by farmer groups' representatives and interested traders, and (iv) identification of agribusiness actors that could establish formal contracts with farmers for selected products (e.g. honey). All these interventions significantly complemented the agricultural incomes, and thereby raising the average household incomes in the project area (as shown in Table 1) and both DNPDR and district authorities have shown willingness to continue with their implementation. However, the actual success of these interventions requires long term trust and good faith from both parties (farmers and traders). The success depends also on farmers' and traders' ability to timely identify the crops they want to trade under these mechanisms, and agree on (and fulfill) the quantities, quality, price, and trading locations and timing. All this requires time and continued investment.

Achievement of the intermediate outcomes

42. **Number of community-based organizations**: The target was fully achieved as the actual total number of community-based organizations engaged in project supported organizational development activities was 733, which is over 11% more than the target of 660 groups set at appraisal. The project provided community empowerment through the training on group organization, institutional capacity and on savings mobilizations and loans.

43. **Number of community groups active in at least one sub-project on CAEIF:** Of the total number of community groups formed, about 65% (473 groups – as shown in Table 2) were involved in Community Agricultural and Environmental Investment Funds (CAEIF) activities. This means that the appraisal target of 600 groups was not fully met. One of the reasons why some of the groups could not enlist in some of the CAEIF sub-projects was because some of the sub-projects were introduced much later. This is due to the fact that the Government took some time to operationalize the CAEIF component due to initial inconsistencies between the cost-sharing grant arrangement and the applicable policy/law that could allow for such an arrangement in Mozambique.

Table 2: Achievement of the intermediate outcomes

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Number of CBOs engaging in Project supported organizational development activities	0	660	NA	733
Cumulative number of project beneficiaries smallholder farmers' groups active in at least one Subproject supported by CAEIF	0	600	NA	473
Number of members of savings and loans (SLGs) groups	0	12,000	6,000	7,291

Source: Borrower's ICR and Project Restructuring Paper

44. **Number of members of savings and loans groups (SLGs):** This indicator was fully met as the SLGs managed to enlist 7,291 members (over 21% above the revised target of 6000 members). This also achieved significant level of women empowerment as 51% of the members were women. The general information on the performance of these SLGs is that they were quite successful in mobilizing savings, and as such they also managed to distribute significant amounts on loans to members as shown in Table 3. The

continued functioning of these community savings and loans groups will help sustain the other activities such as small-scale businesses and agricultural production, given that small business owners will be able to access capital and farmers will be able to afford agricultural inputs. In the absence of formal financial institutions, these SLGs play a critical role in providing financial services in areas where such services would otherwise not be available.

Table 3: Information on savings and loans groups (SLGs)

District	No. of SLGs	No. of members, (of which female)	Amounts saved by groups (MZN)	Credit obtained (MZN)	Loans distributed to members (MZN)	Amount aside for social fund (MZN)
Morrumbala	271	4,392 (2,162)	1,663,360	3,027,869	2,055,242	180,589
Mutarara	81	1,066 (544)	396,910	797,220	476,632	34,151
Mopeia	40	699 (409)	287,671	348,907	348,880	38,789
Maringue	31	510 (259)	135,684	184,726	166,541	19,695
Chemba	35	624 (332)	251,043	126,425	304,420	32,859
Total	458	7,291 (3,706)	2,734,668	4,485,147	3,351,715	306,083

Source: Project Monitoring and Evaluation Records, 2012

3.2.2 Achievement of the Global Environmental Objective

45. The GEO was fully achieved at the end of the project. The project, as per the final figures provided by the project M&E, achieved to put 21,313 hectares under sustainable land management practices (see Annex 2) compared to the appraisal target of 20,000 hectares. The project also managed to achieve all the other GEO performance indictors: as 414 community groups (compared to a target of 250) supported under CAEIF were involved in natural resources management sub-projects; the installation of the VIC model was also achieved, and the model has been tested and calibrated for use in making predictions on the effect of land use and land cover scenarios on the hydrology of the Zambezi river. The model will continue to be used by the Water Authority in the Zambezi Valley (ARA-Zambezi).

46. There is adequate evidence (see Annex 2) that communities and local authorities have been actively engaged in reducing land degradation by increasing the number of sustainable land management practices with particular emphasis on the following: [4]

[4] DNPDR (2013). Projecto de Pequenos produtores orientado para o mercado. Relatório Final. Novembro de 2013

- Increasing interest in CBOs to participate in environmentally friendly income generating sub-projects (supported under CAEIF) such as honey production (including for market sales), community-based forest management practices, and conservation farming activities.

- Capacity building of local farmers along with improvement in the provision of extension (the project districts employed 8 additional extension workers) services seem to be the fundamental factors that have led to the results above. In addition, the fact that the Project implementation team was relocated to the Project area, has allowed a continued supervision and improvement of activity implementation on the ground.

- Elaboration of Participatory Land and Natural Resources Planning - Land Use Plans (LUP) of Mopeia, Chemba, Mutarara, Morrumbala and Maringue have already been completed and approved by District Governments respectively; series of technical training on planning and territorial ordering and implementation of the LUPs were conducted for 50 district officials.

- Calibration of a VIC Model for the Zambezi River basin: Under the project, the VIC model was tested and applied to simulate and predict changes in land use and land cover scenarios on the hydrology of Zambezi river basin[5]. An MoU between the DNPDR and ARA - Zambezi was signed in order for the institution to continue using the VIC model to predict the impact of changes in land use and land cover on basin hydrology in the Zambezi valley. The institution has managed to calibrate, test and validate the model in order to provide the information dynamic framework (DIF) for use in the prediction. Technical staff from both ARA- Zambezi and MICOA were trained to undertake regular updating of data that feeds into the model. The Zambezi - DIF, which includes geo-referenced information (soil, elevation, temperature, rainfall, access roads, watersheds), and is used to generate reports and tables, is expected to be available for public use once it is uploaded on the official ARA – Zambezi's website.

Table 4: GEO indicators

[5] DNPDR (2013) Calibração do Modelo Hidrológico e Elaboração do DIF. Vol 1.

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Increase in area under improved sustainable land management (SLM) or natural resource management practices in Project area by at least 20,000 hectare by Project end	0	20,000	NA	21,313
Cumulative number of project beneficiaries smallholder farmers' groups active in at least one natural resources management sub-project supported by CAEIF under Part C© of the Project described in Schedule 1 of the Grant Agreement	0	250	NA	414
Predictive and Basin Specific scenarios for land use land cover impacts on hydrology (flooding and drought) under changing rainfall and evapo-transipiration regimes	0	4	NA	4
Variable Infiltration Capacity (VIC) Distributed Hydrological Model installed and operating (introduced after MTR)	No	Yes	NA	Yes

47. The extent to which these interventions will result in limiting land degradation, providing predictive capacity for assessing vulnerabilities to climate change, and improving the ecosystem's resilience towards climate change in the Zambezi Valley, as per the GEO, largely depends on the community groups capacity not only to maintain these environmentally friendly activities, but also whether these activities will continue to support their livelihoods. The assessment of the ICR team based on the discussion with project implementation officials shows that most of these activities are likely to be continued because they were demanded by the community groups due to the fact that they offer viable and sustainable livelihoods. However, continued support and monitoring from government authorities and other stakeholders operating in the project area will be fundamental for the long-term sustainability and replication of these environmental outcomes across and beyond the project area.

3.3 Efficiency

48. Detailed analysis of economic and financial returns was undertaken at appraisal. These analyses were based on the assumption that the primary economic benefits as a result of the Project would accrue from increased agricultural productivity due to the

agricultural interventions such as crop production support through the introduction of improved varieties, the provision of extension services (and production kits provided through community facilitators), coupled with sustainable land management practices and investment sub-projects supported through the CAEIF. The methodology for the estimation of the economic and financial returns at appraisal was based on representative farm models for traditional food crops and newly introduced cash crops, with production valued at 2005 farm-gate prices. Key assumptions were made regarding the production costs and yields, as detailed in Annex 3. The results indicated that the economic and financial net benefits (in terms of net present values) were US$ 1.8 million and US$ 0.5 million, respectively. The economic and financial rate of return was estimated at 15% and 13%, respectively (see Table 5).

Table 5: Appraisal estimates

	NPV (US$ million)	IRR (%)
Economic	1.8	15%
Financial	0.5	13%

Source: Project Appraisal Document, 2006.

49. The ICR mission re-estimated the economic and financial returns of the project based on the data collected through the final project impact evaluation, in order to validate the appraisal estimates. While the estimation approach is the same as at appraisal, there are two fundamental differences between the estimation at appraisal and at ICR: (i) most of the assumptions have been revalidated using actual data obtained after project implementation; and (ii) the appraisal estimates did not include the expected net benefits from the sub-projects supported through the CAEIF because at the time of appraisal, the CAEIF sub-projects were not known with certainty, as this component was to be demand-driven by the community groups once they were put in place and properly trained.

50. The results indicate that the project economic and financial returns remained positive, with discounted net benefits estimated at US$ 3.74 million and US$ 1.6 million, for the economic and financial net benefits, respectively. The economic and financial internal rates of return have been estimated at 18% and 14%, respectively. These higher returns are attributed to increased crop production (both food and cash) and the increased adoption of income generating sub-projects supported under the CAEIF. It should be noted that the net benefits related to community and institutional capacity building as well as the long-term benefits of the environmentally sustainable land management practices have not been fully incorporated in the analysis, due to methodological challenges. It is therefore highly likely that the overall net benefit and rate of return for the project should be much higher than estimated.

Table 6: End of project estimates of economic and financial returns

	End of project ENPV (US$ million)	End of project ERR (%)	End of project FNPV (US$ million)	End of project FRR (%)
Food crops/1	1.39	17	0.4	14
Cash crops/2	1.32	19	0.7	17

CAEIF subprojects/3	1.03	15	0.5	12
Overall	3.74	18	1.6	14

Source: End of project estimates based on Impact Evaluation data, 2013; Appraisal estimates based on the Project Appraisal Document (Annex 9).
1/ includes: maize, rice, beans, pigeon peas and cassava
2/includes: seed cotton, paprika, sesame, vegetables (horticulture)
3/includes: poultry, small ruminants (goats) and honey production

51. The analysis shows that project returns are highly sensitive to changes in yields and output prices, particularly for the food and cash crops. A more than 10% reduction in the estimated yield levels lowers the rate of return below the discount rate which was assumed at 12%. Similarly, output prices mainly for cash crops such as sesame, paprika and vegetables are critical to ensure continued viability of the project activities.

3.4 Justification of Overall Outcome and Global Environment Outcome Rating

52. Overall project outcome is rated as **Moderately Satisfactory**. This rating is based on the high relevance of the Project objectives and the achievement of the Key Performance Indicators, as well as the favorable estimated economic rate of return. Two key shortcomings have been highlighted that justify the proposed ICR outcome rating: (i) the achievement of some key outcome indicators being slightly below the target levels e.g. the number of smallholder farmer groups active in at least one CAEIF supported sub-project and (ii) the inadequate institutional capacity, particularly for M&E which affected the establishment of an effective framework for monitoring project implementation and measuring the outcome indicators which remains an issue even after project completion.

53. The GEO outcome is however rated **Satisfactory** because all the global environmental outcome indicators were fully met.

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

54. **Targeting and beneficiary selection**: Even though the PAD indicate that the project would directly benefit 20,000 smallholder households in the project area, the project implementation manual did not elaborate on the targeting and beneficiary selection criteria. During Project implementation, a decision was made to implement the project through community groups (as indicated in the Project Implementation Manual). However, due to lack of clear targeting and beneficiary selection criteria, the number of project beneficiaries, both in terms of individual households and community groups far exceeded the appraisal targets. While this is important in that it increased social inclusion, and that many people benefited in terms of production gains, and overall income increase in the project area, it is also likely that the resources were spread too thinly. During the discussion with the implementation officials, it was indicated that the use of the targeting and beneficiary selection criteria could not be uniformly applied across all districts

because of different levels of understanding among staff at the district level. This was also partly attributed to lack of uniformity in understanding the project documents (particularly at the district and local levels).

55. **Interface between agriculture and natural resources management:** The interface between agricultural and natural resources interventions created the basis for long-term approaches to reduce vulnerability and strengthened the communities focus beyond the immediate subsistence needs. As a result, to the extent that community empowerment process on sustainable land use was consistent and effective, it likely that the project has left behind communities that are well equipped to better cope with the effects climate change by avoiding destructive tendencies such as unsustainable intensification, including setting up of bush fires. The challenge remains how to replicate and scale-up such community empowerment across the other provinces of Mozambique. The PAD indicated that the Replication Strategy and Action Plan would be prepared before the end of the project. However, it is unclear whether this strategy has been prepared and whether arrangements have been made within the framework of the decentralization process to provide the resources to support its implementation.

56. **Gender**: Overall, the project did very well to encourage the participation of women as direct beneficiaries in various project activities. For example, there was very strong participation of women in agricultural production activities and in the CAEIF sub-project community group activities including the savings and loans groups where 51% of the members were women. Given the important role women play in livelihood activities at the household level in many parts of sub-Saharan Africa, including Mozambique, it was very important that this project emphasized on women empowerment as a basis for building the capacity for sustainable livelihoods.

57. **Spillover effects**: The project resulted in numerous secondary beneficiaries including agribusiness value-chain players and commodity processors (such as honey producers) who were able to source the supply for intermediate raw materials for their commodities. Similarly agricultural input traders also benefited because the increase in agricultural production activities entailed an increase in effective demand for agro-inputs. The project facilitated the market fairs which brought together agribusiness industry players from other provinces, including those operational in neighboring South Africa to interface with farmers thereby creating the demand for their products.

(b) Institutional Change/Strengthening

58. This is the first project which tested the implementation of the fiscal decentralization framework – whereby resources were transferred from the Treasury straight into the district accounts. Although this proved challenging in the beginning, by testing the decentralization framework, the project provided an opportunity to address some of the systemic capacity challenges, and also helped create the essential management, technical and fiduciary capacities required for an effective decentralization system. The project therefore helped to consolidate the implementation of the district decentralized framework, thereby contributing towards building longer term capacity and institutional development in Mozambique.

59. At the community-level, the project helped to establish the framework for generating local development through the empowerment of community groups and the creation of social capital required to effectively mobilize community development. The project also improved the plight of women and vulnerable groups (as indicated in Annex 5 on beneficiary perceptions), re-dynamized local farmers and the political economy and helped foster more social cohesion, accountability and stability. The project has left a strong legacy among rural communities in the targeted 5 districts.

(c) Other Unintended Outcomes and Impacts (positive or negative)

N/A

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

60. The project did not undertake a beneficiary survey and/or stakeholder workshop because towards the end of the project implementation, elements of the emergence of conflicts between the Government and the opposition (RENAMO) started surfacing and affected some parts of the project area. However, from various project documentaries, the Project prepared a compilation of beneficiary success stories and perceptions, extracts of which are included as part of the GoM's ICR, as summarized in Annex 4 of this ICR.

4. Assessment of Risk to Development Outcome and Global Environment Outcome

61. The risk to the development outcome is rated **moderate**. This is because most of the project interventions were demand-driven, and were chosen by communities on the basis of their importance in sustaining their livelihoods. As experience from other projects within and outside Mozambique shows, interventions selected by the communities themselves tend to be sustainable because they are mostly appropriate to the local context and are well known and tested by the communities. The risk to the GEO outcome is also **moderate** because the inclusion of the GEF component implies that communities have been provided with the necessary capacity on production practices which are sustainable, allowing communities to be able to adapt to the changing contexts, brought about by the effects of climate change. The building of the community structures, coupled with the relevant capacity at the district level will help to ensure that communities continue to be supported with relevant services required to maintain sustainable livelihoods.

62. Furthermore the risk to both the PDO and GEO is moderate by the demonstrated high level of national and local ownership to the project activities. The project activities were strategically harmonized with the policies of the Government of Mozambique at local, provincial, and central levels.[6] The integration of both the PDO and GEO with Government's poverty reduction strategy (PARPA II[7]) and the highly participatory and

6 PAD - Market-led smallholder development in the Zambezi valley project

7 GoM – PARPA II - Plano de Acção de redução da pobreza absoluta

demand-driven nature of identification of activities improved the level of project ownership at both the national and local levels.

63. The project also created partnerships with key stakeholders such as MINAG, MICOA, INGC, ARA- Zambezi, DPAs, INAM and the National Directorate of Water, which was important for better coordination of agricultural and rural development interventions in the project area.

64. However, the risk to the development outcome may considerably increase in the case of an escalation of the conflict which is now emerging and may affect large parts of the project area, with obvious challenges on both the local, provincial and national institutional capacity. Although this risk was not anticipated at design and is outside the control of the project, it is considered critical in the assessment of the risk to the development outcomes.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

65. **Rating:** ***Moderately Unsatisfactory***. The quality at entry was moderately unsatisfactory because the project design overstated the existing capacity when it should have been very clear that capacity at all levels was a major and binding constraint to effective project implementation. This was particularly critical given that the Project was designed to be implemented by GoM institutions, without a PIU. The project envisaged quite correctly the need to build the capacity at the district and community levels in order to ensure effective uptake of the project interventions, on a demand-driven basis. However, even with this in-built design feature to focus on capacity building and local community empowerment, the design still overestimated the existing capacity particularly in critical areas such as financial management, procurement, and monitoring and evaluation. The design should have examined these issues, given that it was one of the first projects which would be implemented through the district decentralization framework, largely using the country's own systems. This design limitation had far-reaching implications which persisted throughout the project period.

(b) Quality of Supervision

66. **Rating:** ***Satisfactory***. The Project benefitted from close monitoring and implementation support by the Bank team. Implementation support missions were undertaken consistently, both the mission aide memoires and implementation status reports flagged key issues related to capacity challenges, especially on M&E and the fiduciary responsibilities at the district level. The team also proactively undertook a detailed Mid-Term Review which brought changes which turned around project implementation in a very significant way. The strong participation of the country office

(three of the Task Team Leaders were country-based) strengthened the close monitoring of progress. However, the decision regarding the timing of the MTR and the restructuring which followed could have been made earlier than was actually the case. Furthermore, the challenges on M&E were not adequately and consistently addressed during the early years of the project.

(c) Justification of Rating for Overall Bank Performance

67. **Rating: *Moderately Satisfactory.*** Based on the performance ratings at entry and during supervision, the overall Bank performance is rated *Moderately Satisfactory*. It reflects a well-designed and relevant operation with respect to country development priorities, as well as close and professional implementation support provided to the Project. However, the design should have adequately examined the capacity challenges in view of the relatively new decentralization framework, and should have been more proactive early enough to address the challenges with M&E.

(a) Government Performance

68. **Rating: *Satisfactory***. The GOM supported the implementation of this project, as designed and provided clear policy guidance with regard to the decentralization policy and its operational framework at the district level. The GOM also respected the requirement for funds to be directly transferred to the district level. There were no issues which affected the implementation of the project due to lack of clarity of government policy and/or strategic guidance. Government also continued to support DNPDR, the department which was responsible for providing overall oversight and coordination in the implementation of the project. Even though the GOM relocated the department from the MPD to the MAE, this change did not affect the department's responsibilities with regard to project implementation. Finally, GOM lived up to its obligations in terms of honoring its counterpart contribution to the project.

(b) Implementing Agency or Agencies Performance

69. **Rating: *Moderately Satisfactory***. Although the DNPDR initially struggled to create the dedicated team of staff to be responsible for project implementation, when this team was put in place, it comprised staff that were highly proactive and responsive to project implementation issues. After the changes introduced at MTR, the team was so well organized, ensured integrated planning and made sure that the project adhered to implementation procedures and guidelines, maintained good working relationship with the Bank team and ensured adequate fiduciary oversight by preparing and submitting audited financial statements, maintained financial integrity, filed financial monitoring reports with the Bank, timely production and submission of annual progress reports. The main challenge is that the DNPDR was unable to establish an effective project M&E system to measure project progress. This role was performed by hired consultants, including the INE, albeit not in an effective and consistent manner as would have been

envisaged in a project of this nature. A number of challenges were also experienced with financial management at both the center as well as the district level.

(c) Justification of Rating for Overall Borrower Performance

70. **Rating: *Moderately Satisfactory***. Based on the combination of the two ratings above, overall Borrower performance is rated as Moderately Satisfactory. It reflects a real Government's willingness to facilitate project implementation and to achieve desired project development objectives, in spite of the capacity challenges faced.

6. Lessons Learned

The following are the key lessons from the implementation of the project:

71. **The design of projects for implementation under decentralized arrangements, using country systems, should critically examine the existing capacity at all levels:** The design should critically examine the existing capacity and provide in-built mechanisms for capacity building in order to avoid facing pitfalls especially on critical capacities such as M&E, financial management and procurement.

72. **Institutional capacity development requires long-term engagement:** In order to build the strong decentralization capacity at local, district and national levels, this project should have considered a long-term approach; using flexible lending instruments e.g. Adjustable Program Loan (APL) in order to ensure consistent and continued support for a longer period of time than the planned five year period. This would have provided the flexibility, learning and accumulation of capacity required for long-term institutional development. Apart from the limited sensitization of implementers at the district and local levels, the project should have put in place a longer-term training and capacity development plan for key implementers in order to ensure full understanding of the project design and implementation arrangements required to adhere to applicable Bank procedures.

73. **Translation of PAD and the FA into local language would have improved project implementation at the local level:** Translation of important project documents into Portuguese could have helped the implementers, particularly at the district and local levels to fully understand the project design as well as the applicable rules and procedures. While the PIM may have been translated into Portuguese, both the FA and PAD were written in English. For a non-english speaking country, this proved to be a challenge to implementers at the local level where opportunities for translation were very limited. For example, the design features of the CAEIF were not well understood and this caused delays as the project had to sort out many issues with the Ministry of Finance related to the requirements for matching grants and the transfer of public resources into private entities before the component activities could be implemented. These issues would have been resolved if the PAD, FA and PIM were translated into the main official language (Portuguese) even before the project was appraised and negotiated.

74. **The sustainability of community empowerment requires continued government follow-up, facilitating appropriate linkages with service providers and agribusiness value-chain players:** The smallholder's project was a truly community empowerment project as it enlightened women and vulnerable groups, re-dynamized local farmers and the political economy and helped foster more social cohesion, accountability and stability. The project has left a strong legacy among rural communities in the targeted 5 districts. However, continued follow-up is required by Government and non-governmental institutions to ensure that the district authorities have the capacity to link up the communities with service providers, more especially agricultural extension, including livestock management. Furthermore, the communities need to continue to attract agribusiness value-chain players in order to access viable markets for their products.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/implementing agencies

75. While the Borrower agrees with the overall storyline and the ratings in the Bank ICR, the Borrower's perception is that the project was a success because of the institutional capacity it has helped to establish, and the livelihood opportunities that have been created at the local level. The key lasting achievement is the institutional capacity, which started at a very low base, and needs to be built upon. On Government performance, it is important to balance between long term development goals and short term Project indicators and targets. It would not be conceivable to achieve long-term development goals within a short period of time. There is need to build upon the successes of the project.

76. The Borrower's impression is that on the overall the Bank performance was good although the Bank team seemed to have some tendency to interfere in Project implementation particularly when things were slow on the Government side. However, at the end of the day, the Bank promoted dialogue and helped the Government to understand the Bank rules and procedures, and to keep focus on results. The key lesson is that the Project was designed under the assumption that the Government would have the necessary implementation capacity, but this was a challenge particularly at the district level, mainly for financial management, procurement and monitoring and evaluation. For financial management, this further complicated with the need to use clientconnection, with electronic signatures starting at some point of Project implementation, which was far beyond the capacity at the district level.

(b) Cofinanciers

N/A

(c) Other partners and stakeholders

N/A

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

Market led Smallholder Development in the Zambezi Valley - P093165			
Components	**Appraisal Estimate (USD millions)**	**Actual/Latest Estimate (USD millions)**	**Percentage of Appraisal**
1. Community group org. and local institutions strengthening	7.3	5.9	80%
2. Agricultural production and marketing development	4.2	3.8	90%
3. Community agricultural and environmental investment fund	4.3	4.4	102%
4. Project management, coordination, and Monitoring and Evaluation	5.4	4.1	76%
Disbursed amount but still in designated accounts	-	2.6	
Total Project Cost	**20.0**		
Project Preparation Facility	0.4	0.4	100%
Total Financing Required	**21.5**	21.02	98%
Market-Led Smallholder Development in the Zambezi Valley - P098040			
Components	**Appraisal Estimate (USD millions)**	**Actual/Latest Estimate (USD millions)**	**Percentage of Appraisal**
1. Community group org. and local institutions strengthening	0.9	0.8	89%
2. Agricultural production and marketing development	2.5	2.5	100%
3. Community agricultural and environmental investment fund	1.9	1.5	80%
4. Project management, coordination, and Monitoring and Evaluation	0.9	0.5	56%
Disbursed amount but still in designated accounts	-	0.8	
Total Project Cost			
Project Preparation Facility	0.0	0.0	
Total Financing Required	**6.2**	6.1	98%

(b) Financing

P093165 - Market led Smallholder Development in the Zambezi Valley				
Source of Funds	**Type of Financing**	**Appraisal Estimate (USD millions)**	**Actual/Latest Estimate (USD millions)**	**Percentage of Appraisal**
Borrower	Parallel	0.3	0.24	80.00
Beneficiaries	Parallel	0.9	0.9	100.00
International Development Association (IDA)	Parallel/Blending	20.00	0.00	.00
Global Environment Facility (GEF)	Parallel/Blending	6.20	0.00	.00

Annex 2. Outputs by Component

Component 1: Community Group Organization and Local Institutional Strengthening

Output Indicator: Number of CBOs engaged in Project activities

District	Baseline Value	Target	Results	Achievements
Morrumbala	0	317	335	106%
Mutarara	0	145	135	93%
Mopeia	0	75	104	139%
Chemba	0	65	79	122%
Maringue	0	58	80	138%
Project Area	0	660	733	111%

Output Indicator: Number of Groups with at least one CAEIF sub-project

District	Baseline Value	Target	Results	Achievements
Morrumbala	0	288	141	49%
Mutarara	0	132	107	81%
Mopeia	0	68	85	125%
Chemba	0	59	74	125%
Maringue	0	53	66	125%
Project Area	0	600	473	79%

Output Indicator: Number of Members of Savings and Loans Groups

District	Baseline Value	Target	Results	Achievements
Morrumbala	0	2900	4392	151%
Mutarara	0	1300	1066	82%
Mopeia	0	700	699	100%
Chemba	0	600	624	104%
Maringue	0	500	510	102%
Project Area	0	6000	7291	122%

Output Indicator: Number of District Land use Plans

District	Baseline Value	Target	Results	Achievements
Morrumbala	0	1	1	100%
Mutarara	0	1	1	100%
Mopeia	0	1	1	100%
Chemba	0	1	1	100%
Maringue	0	1	1	100%
Project Area	0	5	5	100%

Output Indicator: Number of trainings on participatory preparation of district land use plans

District	Baseline Value	Target	Results	Achievements
Morrumbala	0	3	1	33%
Mutarara	0	3	1	33%
Mopeia	0	3	2	67%
Chemba	0	3	2	67%
Maringue	0	3	3	100%
Project Area	0	15	9	60%

Component 2: Agricultural Production and Marketing Development

Output Indicator: Number of smallholders adopting demonstrated technologies

District	Baseline Value	Target	Results	Achievements
Morrumbala	0	7600	9790	129%
Mutarara	0	3500	4241	121%
Mopeia	0	1800	5637	313%
Chemba	0	1300	1640	126%
Maringue	0	1400	2506	179%
Project Area	0	15600	23814	153%

Output Indicator: Productivity of Key Crops (metric tons/ha)

Crop	Baseline Value	Target	Results	Achievements
Rice		1.5	2.01	134%
Maize		1.34	1.52	113%
Sesame		1.08	0.77	71%

Output Indicator: Area with sustainable land management practices

District	Baseline Value	Target	Results	Achievements
Morrumbala	0	9500	8543	90%
Mutarara	0	4400	3859	88%
Mopeia	0	2600	4904	189%
Chemba	0	1600	1620	101%
Maringue	0	1900	2387	126%
Project Area	0	20000	21313	107%

Component 3: Community Agricultural and Environmental Investment Fund

Output Indicator: of CAEIF sub-project on public infrastructure

District	Baseline Value	Target	Results	Achievements
Morrumbala	0	49	47	96%
Mutarara	0	32	42	131%
Mopeia	0	14	9	64%
Chemba	0	12	16	133%
Maringue	0	11	6	55%
Project Area	0	118	120	102%

Output Indicator: Number of productive CAEIF sub-projects

District	Baseline Value	Target	Results	Achievements
Morrumbala	0	144	497	345%
Mutarara	0	66	182	276%
Mopeia	0	43	169	393%
Chemba	0	30	184	613%
Maringue	0	26	164	631%
Project Area	0	309	1196	387%

Output Indicator: Number of SLM / GEF CAEIF sub-projects

District	Baseline Value	Target	Results	Achievements
Morrumbala	0	67	121	181%
Mutarara	0	65	91	140%
Mopeia	0	40	67	168%
Chemba	0	40	70	175%

Maringue	0	38	65	171%
Project Area	0	250	414	166%

Typology of CAEIF Sub-projects by Component

Sub-Project	District					Total
	Morrumbala	Mutarara	Mopeia	Maringue	Chemba	
Public infrastructure						
Drifts	7	1	2	2	4	16
Bridges	9	4	3	0	1	17
Marketplaces	6	4	4	0	3	17
Vaccination facilities	0	18	0	1	0	19
Rural roads	24	15	0	1	8	48
Dip tanks	1	0	0	0	0	1
Sub-total window 1	47	42	9	4	16	118
Productivity sub-projects						
Hummer mills	9	9	6	6	12	42
Threshing machines	40	18	15	10	10	93
Small-scale Irrigation	2	6	1	2	7	18
Animal traction	26	23	13	8	26	96
Chicken rearing	3	0	0	1	0	4
Goats multiplication	7	8	0	0	0	15
Productivity kits to FCs	16	18	14	17	16	81
Improved silos	394	100	120	120	113	847
Sub-total window 2	497	182	169	164	184	1,196
SLM / GEF sub-projects						
Community forestry	18	8	5	5	12	48
Improved honey prod	55	61	26	57	43	242
Forestry nurseries	0	0	0	3	3	6
Small-scale fishing	48	22	22	0	12	104
Sub-total window 3	121	91	53	65	70	400
Grand Total	665	315	231	233	270	1,714

Annex 3. Economic and Financial Analysis

Detailed analysis of economic and financial returns was undertaken at appraisal. These analyses were based on the assumption that the primary economic benefits as a result of the Project would accrue from increased agricultural productivity due to the agricultural interventions such as crop production support through the introduction of improved varieties, the provision of extension services (and production kits provided through community facilitators), coupled with sustainable land management practices and investment sub-projects supported through the CAEIF. The methodology for the estimation of the economic and financial returns at appraisal was based on representative farm models for traditional food crops and newly introduced cash crops, with production valued at 2005 farm-gate prices. Key assumptions were made regarding the production costs and yields, as detailed in Table A3.4. The results indicated that the economic and financial net benefits (in terms of net present values) were US$ 1.8 million and US$ 0.5 million, respectively. The economic and financial rate of return was estimated at 15% and 13%, respectively (see Table A3.1).

Table A3.1: Appraisal estimates

	NPV (US$ million)	IRR (%)
Economic	1.8	15%
Financial	0.5	13%

Source: Project Appraisal Document, 2006.

The ICR mission re-estimated the economic and financial returns of the project based on the data collected through the final project impact evaluation, in order to validate the appraisal estimates. While the estimation approach is the same as at appraisal, there are two fundamental differences between the estimation at appraisal and at ICR: (i) most of the assumptions have been revalidated using actual data obtained after project implementation; and (ii) the appraisal estimates did not include the expected net benefits from the sub-projects supported through the CAEIF because at the time of appraisal, the CAEIF sub-projects were not known with certainty, as this component was to be demand-driven by the community groups once they were put in place and properly trained.

The results indicate that the project economic and financial returns remained positive, with discounted net benefits estimated at US$ 3.74 million and US$ 1.60 million, for the economic and financial net benefits, respectively. The economic and financial internal rates of return have been estimated at 18% and 14%, respectively. These higher returns are attributed to increased crop production (both food and cash) and the increased adoption of income generating sub-projects supported under the CAEIF. It should be noted the net benefits related to community and institutional capacity building as well as the long-term benefits of the environmentally sustainable land management practices have not been fully incorporated in the analysis, due to methodological challenges. It is therefore highly likely that the overall net benefit and rate of return for the project should be much higher than estimated. Furthemore, the effects on the fiscus as a result of the broader tax base created through the vibrant rural production and businesses created from the CAEIF sub-projects have not been factored into the analysis due to lack of credible data.

Table A3.2: End of project estimates of economic and financial returns

	End of project ENPV (US$ million)	End of project ERR (%)	End of project FNPV (US$ million)	End of project FRR (%)
Food crops/1	1.39	17	0.4	14
Cash crops/2	1.32	19	0.7	17
CAEIF subprojects/3	1.03	15	0.5	12
Overall	3.74	18	1.6	14

Source: End of project estimates based on Impact Evaluation data, 2013; Appraisal estimates based on the Project Appraisal Document (Annex 9).
1/ includes: maize, rice, beans, pigeon peas and cassava
2/includes: seed cotton, paprika, sesame, vegetables (horticulture)
3/includes: poultry, small ruminants (goats) and honey production

The key assumptions used for the analysis of economic and financial returns at appraisal (and updated at ICR) are provided in Table A3.3.

Table A3.3: Crop models with and without project scenarios

	Production costs ('000 MZN)	Labour (days)	Yield (ton/ha)	Price (MZN/kg)	Income ('000 MZN)	Margin	Margin/day
Without project scenario							
Maize	70	72	1.2	3.0	3,600	3,530	49
Seed cotton	550	110	0.55	5.0	2,700	2,200	20
Rice	450	165	1.0	5.0	5,000	4,550	28
Beans	60	60	0.4	4.5	1,800	1,740	29
Pigeon peas	60	60	0.5	4.0	2,000	1,940	32
Cassava	60	60	4.0	0.8	3,200	3,140	52
With project scenario							
Maize	1,650	76	2.0	3.0	6,000	4,350	57
Seed cotton	550	130	0.8	5.0	4,000	3,450	27
Paprika	1,450	250	0.7	14.6	10,200	8,770	35
Rice	3,000	157	3.0	5.0	15,000	12,000	76
Beans	500	64	0.6	4.5	2,700	2,200	20
Pigeon peas	100	65	0.7	4.0	2,800	2,700	34
Sesame	30	60	0.5	11.0	5,500	5,470	42
Cassava	100	65	7.0	0.8	5,600	5,500	85
Vegetables	1,800	350	8.0	5.0	40,000	22,000	63
Poultry	100	140	10.0**	--	45,000	44,900	321
Small ruminants	80	130	2.0**	--	75,000	74,920	576
Honey	120	160	7.0**	150*	79,565	79,445	497

production							

** For poultry, the yield is the average number of birds per group; for small ruminants it is the average number of animals per group; and for honey, it is the average liters of honey produced per beehive.
* For honey, the price is MZN/liter; the other prices are per head.

Table A3.4: Area covered with project interventions (ha)

	Baseline	Year2	3	4	5	6
Maize	4,000	4,000	8,000	12,000	16,000	20,000
Seed cotton	1,000	1,000	2,000	3,000	4,000	5,000
Paprika	20	20	40	60	80	100
Rice	40	40	80	120	160	200
Beans	400	400	800	1,200	1,600	2,000
Pigeon peas	600	600	1,200	1,800	2,400	3,000
Sesame	100	100	200	300	400	500
Cassava	1,600	1,600	3,200	4,800	6,400	8,000
Vegetables	50	50	100	150	200	250
Poultry	0	3	0	0	1	0
Small ruminants	0	7	8	0	0	0
Honey production	0	55	61	26	57	43

Note: for poultry, small ruminants and honey production, the numbers represent groups

47. Other assumptions used in the analysis include:

1. Where data is significantly inconsistent and/or unreliable, fairly conservative assumptions have been made. An improvement in this analysis is that actual activity output estimates from the beneficiaries (based on the impact evaluation) as well as input and output prices have been used instead of informed assumptions as was the case at appraisal.
2. A 15 year time horizon is considered for the full project build-up of costs and benefits based on individual activity or activity groups assuming a 10 year horizon.
3. The value of beneficiaries' output for all activities were assumed to increase by 0.5% per year, reflecting technology adoption and related productivity gains.
4. Input costs include fertilizer, seeds, establishment costs, farm implements, labour and cost of feed (for small ruminants and poultry) and other capital requirements. Output prices assume low quality, rural level prices.
5. Family labor is valued at the rural labor rate (informal labor) equivalent to 60% of the average rural wage, as the opportunity cost in the remote rural areas where alternative gainful employment is scarce.

6. A discount rate of 12% is used, in line with the rate used in most economic analyses. The current discount rate for Mozambique is likely to be higher than 12%.
7. Significant distortions in the economy in input costs (e.g. fertilizer) and output prices are assumed to be minimal. Therefore, financial and economic costs and prices are assumed to be roughly the same (except for a minor taxable proportion of input costs).
8. The non-farm multiplier from the linkage effect of a change in farm production and cash on the local economy is assumed to be 1.5.
9. Overall project costs include the component costs as estimated at project identification as given in Annex 4 of the PAD.
10. Some benefits have not been included in the analysis because they are either difficult to value, or due to lack of reliable data e.g. value of assets such as village grain silos, irrigation equipment, rural access infrastructure etc. Benefits from interventions under component 1 (capacity building and group formation) have not been included in the analysis of economic returns.

48. **Sensitivity analysis:** The sensitivity analysis shows that project returns are highly sensitive to changes in yields and output prices, particularly for the food and cash crops. A more than 10% reduction in the estimated yield levels lowers the economic rate of return to 11%, below the discount rate which was assumed at 12%. Similarly, a more than 10% reduction in output prices mainly for cash crops such as sesame, paprika and vegetables reduces the economic rate of return to less than 10%. Similar results are obtained when input costs are also increased. As such, sustaining productivity gains and ensuring that farmers continue to access better markets for their output, as well as competitive prices for key inputs, are critical factors for the continued viability of the project activities.

50. On the basis of the economic rate of return analysis based on data provided from the end of project evaluation, the results indicate that the project achieved positive returns. It is important to note that the analysis is limited to components for which objective data is available. As such, it is likely that the social return for the project is much higher than can be empirically demonstrable.

Annex 4. Bank Lending and Implementation Support/Supervision Processes Celia

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Alberto Ninio	Chief Counsel	LEGEN	
Anil S. Bhandari	Consultant	AFTG1	
Caroline L. Guazzo	Language Program Assistant	AFTCS	
Daniel Liborio Da Cruz Sousa	Consultant	AFTA1	
Eduardo Luis Leao de Sousa	Senior Economist	AFTA1	
Gilberto de Barros	Senior Private Sector Development	AFTFW	
Joao Tinga	Financial Management Specialist	AFTME	
Josef Ludger Loening	Consultant	MNACE	
Katherine Kuper	Sr. Urban Spec.	AFTU1	
Leonard John Abrams	Consultant	AFTU1	
Luisa Moises Matsinhe	Senior Executive Assistant	AFCS2	
Slaheddine Ben-Halima	Consultant	MNAPC	
Supervision/ICR			
Amos Martinho Malate	Procurement Analyst	AFTPE	
Aniceto Timoteo Bila	Senior Rural Development Specialist	AFTA2	
Anne Louise Grinsted	Consultant	AFTP1	
Anne Ritchie	Consultant	HDNSP	
Antonio L. Chamuco	Senior Procurement Specialist	AFTPE	
Boris Enrique Utria	Country Operations Adviser	LCC5C	
Brighton Musungwa	Sr. Financial Management Specialist	AFTME	
Caroline L. Guazzo	Language Program Assistant	AFTCS	
Cheikh A. T. Sagna	Senior Social Development Spec	AFTCS	
Daniel Liborio Da Cruz Sousa	Consultant	AFTA1	
Eduardo Brito	Senior Counsel	LEGAF-HIS	
Elvis Teodoro Bernado Langa	Financial Management Specialist	AFTME	
Erick C.M. Fernandes	Adviser	LCSAR	
Florence Kondylis	Senior Economist	DECIE	
Joao Tinga	Financial Management Specialist	AFTME	
John A. Boyle	Consultant	AFTWR-HIS	
Jonathan Nyamukapa	Sr Financial Management Specialist	AFTME	
Leonard John Abrams	Consultant	AFTU1	

Luisa Moises Matsinhe	Senior Executive Assistant	AFCS2	
Lungiswa Thandiwe Gxaba	Consultant	AFTTR	
Luz Meza-Bartrina	Senior Counsel	LEGAM	
Mohamed Arbi Ben-Achour	Consultant	AFTN2	
Pedro Arlindo	Agric. Economist	AFTA2	
Rui Manuel Benfica	Consultant	DECPI	
Slaheddine Ben-Halima	Consultant	MNAPC	
Susan Hume	Senior Operations Officer	AFTFE	
Suzanne F. Morris	Senior Finance Officer	CTRFC-His	
Teresa De Jesus S. McCue	Operations Analyst	CAFPP	
Tijan M. Sallah	Sector Manager	AFTA3	

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
IDA	96	480,456.73
GEF	--	352,102.21
Total:		832,558.94
Supervision/ICR		
IDA	322	900,762.87
GEF	--	385,295.20
Total	418	1,286,058.07

Annex 5. Beneficiary Survey Results

Success Stories

Ms. Belita Jaime Lopes, Head of *Nlape Novilela* Association: The Project has been very important to us; it has helped us to make investments with positive outcomes. We have our own association. We now sell fish as a group. There are group members who are now running their own business, some of which travel to cities like to Quelimane where they go and buy different products that are then sold here in our community. We are now planning to have a chicken rearing facility to further increase our incomes. Once we have our new planned investment, we will be able to sell chicken to local inhabitants here in Morrumbala district, hence reducing distance for consumers who now have to travel to buy chicken. We will also increase chicken availability in local markets. Prices to consumers will drop. That is our dream.

Mr. Sebastiao Olesse, Community Trainer on CBOs and SLGs: I am happy to be working with Savings and Loans Groups under the Smallholders Project. As part of the SLGs program that we have introduced under the project, there are smallholder farmers who are now planning to buy goats. Others are planning to improve their houses, and others are considering to kick-start their own business. Each one has his/her own ideas, but they all those ideas result from the fact that they are now able to save money thanks to this mechanism. I can foresee that the livelihoods in the community will improve.

Mr. Albano Miquitais, member of the Nlape Novilela Association: We have decided to get together and form our own association. As an association, we have decided to organize a Savings and Loans Groups to which we all belong. It is our own bank, our own way to save money and make our own investment. We do not have much money, so we start saving the little we have. By saving it, we make it available to those who want to invest, and hence we get some revenues because of the interest they pay. The Project has brought a Service provider who is helping us get organized and we like the idea. We can now make our own savings and be able to buy agricultural tools and school materials for our children. Our group is now our own bank.

Mr. Assane Cuacia Camala: I work for a Service Provider that supports the establishment and strengthening of Savings and Loans Groups in Morrumbala District. I work with several SLGs here in Morrumbala, and I have been witnessing that some group members throughout the district are improving their livelihood. As a result of saving their money and adding value to it through rolling credits, some people have been able to buy bicycles, radios, and some are planning to use part of the money to increase their cultivated areas and employ seasonal workers who they will pay using the money they have been able to save through this mechanism.

Ms. Damalesse Augusto: I am a member of a Savings and Loans Group, and I have started to save the little money that I have. As a result of saving, I have been able to receive some additional money, which I used to buy school materials for my children. I

am now starting my own business with the money that I have been able to save and receive back after six months.

Mr. Martins Bire: I am simple farmer and I have been farming on my own farming fields for many years here in Morrumbala district, Zambezia Province. When the Smallholders Project started to be implemented in my community, I was selected to be a contact farmer, or Community Facilitator as we call it now. The Project thought that I could play the role of improving farming practices among other smallholder farmers in my community. For that, I have participated in a training course in Sofala Province, where together with others I was taught, among other things, how to use animal traction. Then, the Project has given me the opportunity to buy my own productivity kit. I spent MZN 3,500 for the kit. In addition to working in my own fields, I am also assisting other farmers in my community.

Mr. Bengala Trocsida: Thanks to the Smallholders Project, I now have two silos for storing maize. Each silo has the capacity to store up to a ton of maize. They are operational and I now store my maize safely. I have reduced post-harvest losses. Building these silos is not difficult at all. I did not need to have any particular training outside the community. Artisans from the community have been trained and they can build these silos for farmers who want them.

Mr. Antonio F. Lino, District Administrator in Morrumbala: The Smallholders Project has made significant contributions to the livelihoods of local inhabitants in Morrumbala district. The project has supported the outreach of extension services in our district, including in the Administrative Posts. Working conditions for our extension officers have improved including those in the Administrative Posts.

Annex 6. Stakeholder Workshop Report and Results *(if any)*

Annex 7. Summary of Borrower's ICR and/or Comments on Draft ICR

Introduction

The Market led Smallholder Development project was designed to be implemented without a Project Implementation Unit (PIU), on the basis that the priorities for investment under the Project would be defined at the district level through the District development Plans (PEDD).

Financial management was implemented using the country systems. The Project used the e-SISTAFE on pilot basis among other Projects in the country, with the particularity of being a Project to be implemented at the decentralized level. Contracts and payments to services provided by local entities were paid at the district level. The Project was implemented in the Zambezi Valley which, in 2006, was the home of 25% of Mozambique's inhabitants. The Zambezi Valley has a great potential for agriculture development, both rain fed as well as irrigated agriculture, and had the potential to integrate investments made under the Smallholder Project with those made under other initiatives in the geographic area. At the time of Project design, the Zambezi Valley had mostly comprised rural, agriculture-based households, and had a considerable rate of poverty. But it also had potential for improved farming and for market linkages. At the time, agricultural products from the Zambezi Valley could be traded to all the sub-regions within Mozambique and to Malawi, but the scope for improved market linkages existed and needed to be further explored.

The following were the key activities developed under each Project component:

Under Component 1.a – Development of local capacity:

Key activities, implementation and achievements: For the implementation of this component, the Project contracted Service Providers. The Project indicator for this sub-component was to assist 660 CBOs in the Project area. Despite delays in starting with this activity, the Project was able to assist 733 CBOs including 426 that were assisted to become legal groups.

Constraints, challenges, and the way forward: the observed delays with the implementation of the activities under this sub-component were caused by the long time spent in preparing the Terms of Reference for the Service Providers, and for the long time that the approval process took by the Government approving entity, the Commission for Foreign Affairs (CRE). The key consequence of these problems was that the work with the CBOs was discontinued in some instances and geographical areas, particularly in the Phase 1 districts. As a result, the Project could not ensure a continued evolution of the CBOs throughout the Project implementation period, which is critical for the sustainability of the work. As a way forward, the district authorities will need to continue assisting the CBOs.

Under sub-component 1.b – Rural finance services:

Key activities, implementation and achievements: At the Project design stage, an assumption was that the establishment and strengthening of Savings and Loans Groups (SLGs) would be a consequence and follow-up activity to the establishment and consolidation of CBOs. This reviewed at the Project MTR, and a new strategy was adopted, which consisted in increasing the tasks of the CBOs Service Providers so that the creation and strengthening of SLGs would be an inclusive part of the work with the CBOs. The new strategy yielded visible results on the ground. The level of acceptance of SLGs among CBO members was very high, indicating the importance of, and the need for rural services. The high adherence level to the Savings and Loans Groups also provided an indication that the CBOs can be more sustainable in the long term if their members understand them as economic units in addition to the social dimension. The regular meetings for savings and loans were also used as an opportunity to introduce new activities including on health and agriculture. As a result of the new strategy, the number of members of SLGs was 22% higher than the target value of 6,000 members expected for this activity.

Under sub-component 1.c – Strengthening of district capacity for agriculture and sustainable development

Key activities, implementation and achievements: This sub-component aimed to create, among district authorities, the capacity to identify and respond to local demand on agriculture development and sustainable management of natural resources. Activities in this sub-component were mostly focused on the support to the allocation of technical and administrative staff to the districts to increase districts' capacity to better respond to local development needs. As part of this, the Project supported the allocation of a project-paid position of Project District Facilitator in each district, and incentivized the districts to increase their technical capacity for procurement and financial management by hiring staff for these functions. The Project also assisted the districts with instruments for the preparation of District Land Use Plans (LUP). As a result of these investments, local capacity for Procurement and Financial Management increased in the five Project districts, and each district has completed the participatory process of preparing a LUP, which followed consultations with communities, which were trained on the participatory planning on land use. As a result of these investments,

Constraints, challenges, and the way forward: At the time of the preparation of the District LUPs, Mozambique did not have a consolidated experience in pursuing with this process. As a result, there were problems with the preparation of the LUPs as initially planned, and after the first experience, the process was successfully completed. As a way forward, this experience should be continued to the extent possible in other districts.

Under sub-component 2.a – Market development and value chain

Key activities, implementation and achievements: The focus of this sub-component was on strengthening linkages of smallholder farmers to markets by supporting value chain investments among others. The active activity implementation under this sub-component started in 2010 when the project started to organize Market Forums, which comprised

mobilizing CBOs for the identification geographic areas within their communities where farmers would gather together their products and be able to negotiate to promote group sales and have group negotiations with traders for better prices. Then implementation of this activity was heavily supported by the extension officers and community facilitators who helped identify buyers and the products that the buyers were more interested on.

With support from the project, district authorities in the Project area organized two agricultural trade fairs to which traders and input suppliers from various parts of Mozambique including the cities of Maputo, Beira, Quelimane and Chimoio were invited and participated. The main outcome of the fairs was that local farmers were exposed to improved inputs and tools, and traders were happy to sell all the equipment and inputs they had. This gave a clear indication that (i) the Project districts have good potential for market linkages which can be explored further, and (ii) agricultural fairs are an important opportunity to reduce transaction costs for traders who want to reach out rural areas, and local farmers can buy and use improved tools and inputs if those are available in local markets. As lead farmers, those FCs who had access to productivity kit through CAEIF, had an opportunity to expose their improved products, which were sold, and were able to establish contacts for future linkages with urban markets. To increase knowledge of the importance of these fairs among local authorities and lead farmers, all district Administrators, selected Community Facilitators visited a similar fair in South Africa.

Constraints, challenges, and the way forward: The Project made several attempts to promote formal contractual arrangements between traders and farmer groups, but this has never worked due to: (i) the pertaining spirit of individual sales among smallholder farmers, (ii) difficulties in estimating the actual quantities that individual farmers had to sale, which would allow for better planning on the side of traders and (iii) price uncertainty particularly for export products, which depended on international price levels. As a way forward, local authorities in the Project are encouraged to continue promoting agricultural fairs and group sales.

Under sub-component 2.b – strengthening district extension services:

This sub-component results from the fusion, at the Project MTR, of three sub-components identified at Project design. To actually implement the activities under this sub-component, the Project supported the allocation of extension officer in each of the five districts. For each extension officer, improved working conditions were allocated including a motorbike and a kit of extension tools. The ensure a better outreach of the extension services, each district hired two extension officers for each Administrative Post, and the Project supported to improve their working conditions by supporting the construction of a house for extension officer allocated in Administrative posts. A total of 33 houses were completed and occupied by the extension officers. Each house was equipped with a solar panel and basic furniture. To further increase the outreach of the extension services, the Project supported the identification of lead farmers (with at least 2 Ha) in each community who became Community Facilitators (CFs). These were local farmers, not public officials, and hence did not have salaries. They benefitted from training on extension including on conservation agriculture, and the best CFs had access

to a productivity kit each, under the CAEIF mechanism. Overall, 352 CFs were integrated in extension services.

The Project also introduced new farming practices and technologies in the Project area. Among the different technologies, inter-cropping was the most widely used technology, which can be attributed to the fact that smallholder farmers in the Project area already did inter-cropping, but with no knowledge of inter-cropping techniques for higher yields and lower crop diseases. Other introduced farming practices including were also widely adopted by smallholder farmers, and those include crop rotation, minimum fertilizing. In addition to improved farming practices, the Project introduced post-harvesting technologies, in particular the household "Gorongosa" silos, which are expected to reduce post-harvest losses in the Project area. The demand for "Gorongosa" silos among households in the Project area was high, and it is believed that this will continue. Other activities implemented by the Project in this sub-component included chicken vaccination against Newcastle, training on control and reduction of bush fire, and community reforestation.

This was one of the first sub-components to be implemented by the Project. The main constraint in this sub-component was the delay in introducing activities in some Project areas. On the way forward, the Government should continue with the investment made in establishing the CFs in the communities, and should continue supervising the good use of the working conditions that were allocated t the extension officers, and continue providing them with working conditions including fuel.

Under Component 3 – Community Agricultural and Environmental Investment Fund (CAEIF)

The objective of the component was to provide beneficiaries with access to investment funds. Activities included capacity building and technical support on how to prepare documentation to access the CAEIF investment funds. Under the component, beneficiaries had access to investment funds through the following three windows: (1) improving public infrastructure that enhances agricultural production and market linkages, (2) productive agriculture investments, both under farming activities as well as on post-harvest management, and (3) activities aimed at better management of natural resources.
For a consistent preparation of CAEIF proposals for sup-projects, DNPDR and the Bank agreed on the need to prepare and approve CAEIF sub-project models, which were then developed and followed. While the whole process of preparing, agreeing and approving the CAEIF sub-project models took some time, this showed to be very important as it helped to have models for each CAEIF sub-project type, allowing for cost comparison, assessing and comparing the quality of proposal and as well as that of the investment, and for easy supervision by local authorities. This also allowed a faster implementation of the CAEIF sub-projects once DNPDR and the bank agreed on the models. To further ensure sustainability of the CAEIF sub-projects, there was a requirement that all CAEIF sub-proposals include an environmental assessment. This implied the preparation of training courses to beneficiaries and their support entities on the basics of environmental

safeguards. Local suppliers of goods and services were identified in the Project area, and participated in providing goods and services.

Constraints, challenges, and the way forward: The CAEIF component used country systems to transfer funds from the project to CAEIF beneficiaries. While using country systems was a good aim, it proved to be challenging as some of the anticipated transactions were not easy. For instance, to use CAEIF funds to finance activities under window 2, the Ministry of Finance had to classify differently the CAEIF funds in order to be able to allocate funds to the investments made by individual or groups of farmers. Other constraints faced by the Project in implementing this component included administrative processes (inclusion of the CAEIF funds in the General State Budget) and lack of experience with community-based procurement. As a result, the CAEIF component only started to be actively implemented in 2010.

Key Lessons:

The Project brought about many lessons, some of which are summarized below:

1. The difficulties that DNPDR faced in the first years of implementing the Project as a public sector agency and without a dedicated PIU suggest that for the benefit of achieving the intended Project objectives, it is advisable to have a PIU.
2. By using country systems to allocate funds to the districts and allow for decentralized management of funds, was important for transparency, for the creation of institutional capacity at the district level, and for improving ownership among district authorities. However, the complexity of the system and the lengthy period needed for some of the transactions comprised the pace of activity implementation on the ground.
3. The Project was precise in terms of the intended objectives and outcomes, but was open with regards to the actual activities that needed to be implemented to achieve the intended objectives and outcomes. While this type of project design is good for allowing pro-activity in selecting the activities are thought to better contribute to the objectives, it would be important to define up-front the activities that should be implemented to avoid the inclusion of activities that do not contribute to the objectives of the project.
4. The Project made a good decision in allocating District Facilitators (DFs) to each of the Project districts as they played an important role in ensuring the actual activity implementation on the ground. The DFs were critical in maintaining District Administrators informed about the Project priorities and activities, and ensured that the Bank procedures were followed at the district levels where a substantial part of the Project funds and resources was managed.
5. At Mid-term, DNPDR and the Bank agreed to have a dedicated team of Project staff based in the Project area. This decision was instrumental in accelerating the pace of project implementation on the ground. In addition, the spirit of team work and the level of contact with district authorities and beneficiaries increased substantially.
6. At Mid-Term, the Project decided to blend the training on, and the establishment of

Savings and Loans Groups (SLGs) with the strengthening of CBOs. This was an important decision as SLGs became an important engine that increased the level of activity in CBOS and increased cohesion among CBO members.

7. The CAEIF experience suggests that sub-project can result in better advantages to beneficiaries if the CAEIF sub-projects can allow for integrated investments in the value chain.
8. The construction of houses for extension officers in the district Administrative Posts was instrumental for allowing extension officers to be based in those remote localities and thus have better access to the farmers they assisted.
9. Sometimes, extension officers were transferred to other districts, which inhibited the Project from achieving the intended results by investing in those officers.
10. The Project organized visits to agricultural fairs in South Africa, which was an important catalytic element for the replication of similar fairs in the Project area. The fairs organized in the Project area were also important for linking input/tools suppliers with smallholder farmers. This has created opportunities for increased access to inputs by smallholder farmers, and shown that smallholder farmers can buy and use improved inputs and agricultural tools if they are available in their residential areas.

Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders

This Annex summarizes comments from the Borrower/Implementing Agency.

The project met the planned outcomes. Beyond the outcomes, there is need to remember the capacity that existed within DNPDR and at the district level when the Project was designed, and all the institutional strengthening that was needed in order for DNPDR and the districts to be able to fully accomplish the planned outcomes. The project has helped to strengthen institutional capacity at the district level.

On Financial Management, the Project was designed to use the country FM system (eSISTAFE), which was challenging. When a given amount was disbursed by the Bank, it was deposited in Designated Accounts. From the designated accounts, it needed to be transferred to FOREX accounts, and from there to Multi-currency Account, and finally to the Project accounts. All this resulted in lengthy financial transactions and was not easy. Also, a strong training of the local level FM officers would have been necessary for them to understand the principles and challenges, and be able to operate in such a way that no delays could be caused by the FM system including submission of withdrawal applications to the Bank. Similar challenges were faced on Procurement where districts were expected to play an important role but they did not have the necessary capacity. But the Project helped to create that capacity. It is there now.

At MTR, there was a profound change in Project management, which turned around the project performance thereafter, to the better.

The Project was very open in terms of the activities that needed to be implemented to reach the Project outcomes. While this is good as it allows for proactivity, this is not similar to what other donors do (they basically indicate the activities that need to be implemented) and allowed for some confusion on the priorities. This was particularly the case because the project was designed to be implemented in a centralized context where different districts had different priorities, and they thought that the Project would be necessarily aligned to each district's priorities. Among local authorities, the level of understanding the Project objectives and the need to follow Bank procedures increased over time.

The relocation of some of the key functions of Project Management to the Project area following MTR was important to bring closer communication between the Project implementation team and beneficiaries and local authorities.

The districts did not have the aimed implementation capacity. As a result, the District Facilitators spent more time on administrative aspects than needed. They should have spent more time on assisting actual project implementation on the ground. Also, Project ownership among local authorities was not as strong until the MTR mission. Because District Administrators report to the Ministry of State Administration, the fact that the DNPDR was relocated from MPD to MAE at some point during the Project implementation period helped to better work with local authorities.

In terms of sustainability, the public infrastructure that was financed through the CAEIF mechanisms (small bridges, segments of rural roads, rural marketplaces) will stay on the ground for years. The Project also trained beneficiaries on concrete activities to improve production and productivity that will stay. Overall, we are not expecting that every single investment will stay on the ground for many years, but the Project has made important investments and has left lessons. For instance, farmers will reduce post-harvest losses with the introduction of the Gorongosa Silos. The introduction of improved bee keeping technologies coupled with conservation of forestry has the potential to reduce uncontrolled bush fire. It is also good that Project introduced productivity kits for selected community facilitators (78 out of 308 have benefited). The Project has also made investment on public extension including the construction of houses that has the potential to stay, but local authorities will need to include in their district budget some items including maintenance costs for the houses and motorbikes, and recurrent costs for extension officers.

On Government performance, it is important to balance between long term development goals and short term Project indicators and targets. This is not easy and needs to continue being thought about. For the Project to achieve the target values of its indicators, the Government needs dedicated staff to implement the Project.

On the Bank performance, it was overall good. However, the Bank seemed to have some tendency to interfere in Project implementation particularly when things were slow on the Government side. At the end of the day, the Bank promoted dialogue and helped the Government to understand the Bank rules and procedures, and to keep focus on results.

The key lesson is that the Project was designed under the assumption that the Government already had the necessary implementation capacity, but this was a challenge particularly at the district level.

The FM function was also challenging as the Project needed to use clientconnection, with electronic signatures starting at some point of Project implementation, and all this was challenging.

Annex 9. List of Supporting Documents

Project Appraisal Document (PAD) for the IDA and GEF

Project Implementation Manual (PIM)

Project Implementation Completion Report for the Government of Mozambique

Project Mid-Term Review Report

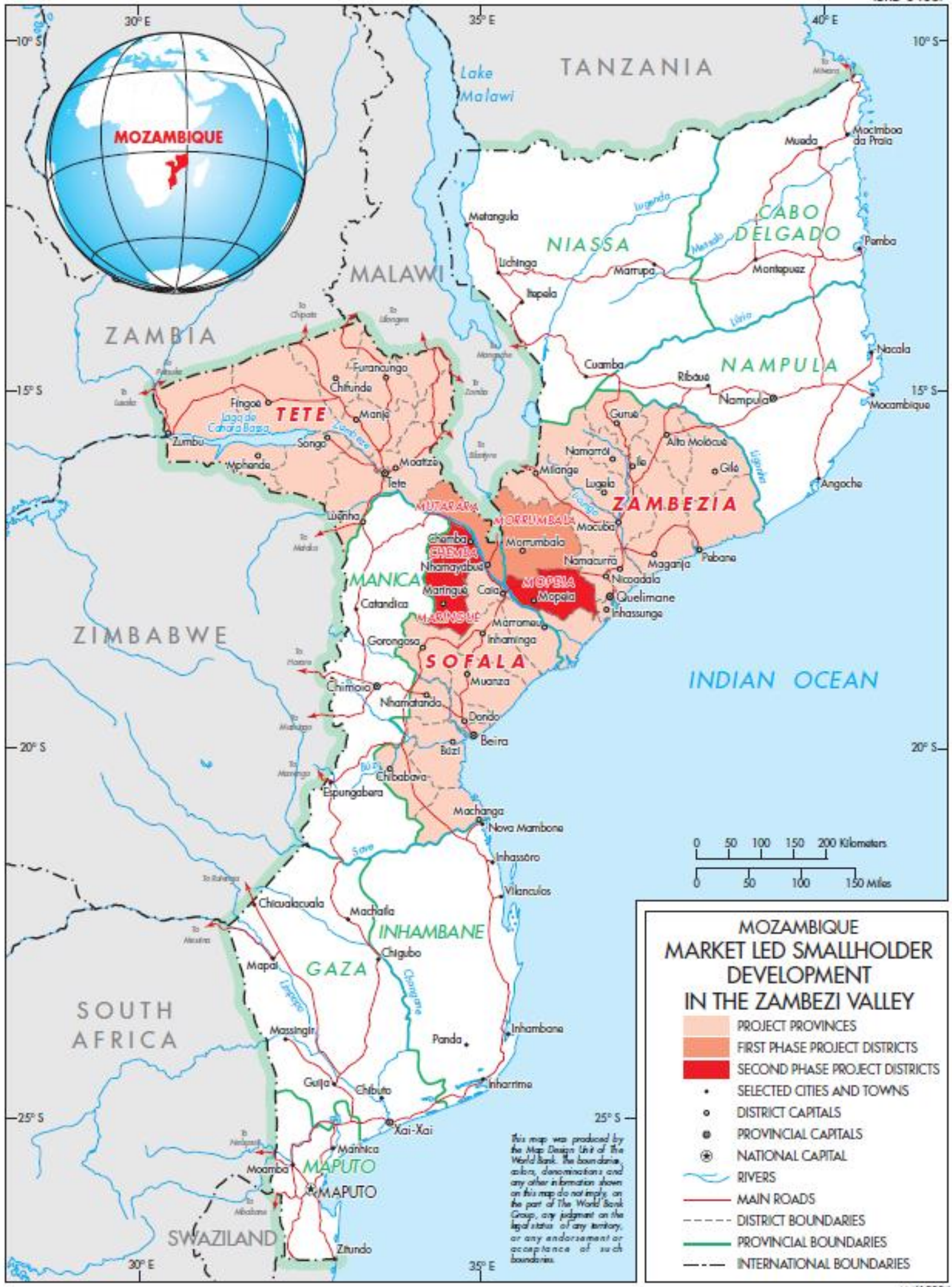
Final Implementation Support Aide Memoire

Various Implementation Status Reports (obtained from the Project Portal)

DIME/IFPRI Report

Financing Agreement for IDA and Grant Agreement for the GEF

MAP


IBRD 34637
MOZAMBIQUE
MARKET LED SMALLHOLDER
DEVELOPMENT
IN THE ZAMBEZI VALLEY
PROJECT PROVINCES
FIRST PHASE PROJECT DISTRICTS
SECOND PHASE PROJECT DISTRICTS
SELECTED CITIES AND TOWNS
DISTRICT CAPITALS
PROVINCIAL CAPITALS
NATIONAL CAPITAL
RIVERS
MAIN ROADS
DISTRICT BOUNDARIES
PROVINCIAL BOUNDARIES
INTERNATIONAL BOUNDARIES
TANZANIA
MALAWI
ZAMBIA
ZIMBABWE
SOUTH AFRICA
SWAZILAND
INDIAN OCEAN
Lake Malawi
NIASSA
CABO DELGADO
NAMPULA
ZAMBEZIA
TETE
MANICA
SOFALA
INHAMBANE
GAZA
MAPUTO
MUTARARA
MORRUMBALA
CHEMBA
MOPEIA
MARINGUE
Mocimboa da Praia
Mueda
Pemba
Montepuez
Marrupa
Lichinga
Metangula
Itepela
Cuamba
Ribaue
Nampula
Nacala
Mocambique
Angoche
Gurue
Alto Molocue
Namarroi
Ile
Gile
Milange
Lugela
Mocuba
Morrumbala
Namacurra
Maganja
Pebane
Nicoadala
Quelimane
Inhassunge
Mopeia
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Maringue
Marromeu
Inhaminga
Catandica
Gorongosa
Muanza
Chimoio
Nhamatanda
Dondo
Beira
Buzi
Chibabava
Espungabera
Machanga
Nova Mambone
Inhassoro
Vilanculos
Chicualacuala
Machaila
Chigubo
Mapai
Massingir
Panda
Inhambane
Guija
Chibuto
Inharrime
Xai-Xai
Manhica
Moamba
MAPUTO
Zitundo
Furancungo
Chifunde
Fingoe
Manje
Zumbo
Songo
Mphende
Moatize
Tete
Luenha
Lago de Cahora Bassa
Save
30° E
35° E
40° E
10° S
15° S
20° S
25° S
0 50 100 150 200 Kilometers
0 50 100 150 Miles
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