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Investing in rural people in **Mozambique**

Rural poverty in Mozambique

Mozambique is one of the world's poorest countries. Despite its impressive economic growth rates and the encouraging development progress made by the government in recent years, poverty continues to be severe and widespread. According to the national household survey conducted in 2008-2009, the number of Mozambicans living in absolute poverty had been reduced to 54 per cent from 70 per cent in 1997. However, the vast majority of the rural population still lives on less than US\$1.25 a day and lacks basic services such as access to safe water, health facilities and schools.

Poverty is still predominantly a rural phenomenon in Mozambique. More than 70 per cent of poor households live in rural areas. Farming is their main source of food and income, but agricultural productivity is low. Farmers and fishers generally make enough to meet their households' basic food requirements, with a small surplus for sale in some cases. Incomes from both farming and fishing are meagre, and most of the rural population survives at subsistence level.

War, disease and natural disasters

In the decades since it gained independence, Mozambique has struggled through a series of calamities that have aggravated poverty levels throughout the country, especially in rural areas.

The Mozambican civil war lasted for 16 years, leaving most rural infrastructure damaged or destroyed and large portions of arable land infested with landmines. Both the conflict and the subsequent floods and drought forced large numbers of displaced persons to migrate to urban and coastal areas. The impact on the environment has been considerable, resulting in land desertification and the pollution of inland and coastal waters in certain areas.

Poor rural households are particularly vulnerable to natural disasters such as droughts and floods that periodically beset the southern and central areas of Mozambique. In the wake of such events, they are immediately exposed to the threat of food insecurity since they have few income-generating alternatives to agriculture.

The prevalence of the HIV/AIDS virus in Mozambique – with 11 per cent of the population currently living with HIV – is a further point of vulnerability for poor rural households, aggravating poverty and malnutrition levels. The virus affects the most productive household members and drains already meagre resources, which are used to pay for medical fees and other care.

The country's low agricultural productivity is the result of a lack of appropriate technologies and supports. In addition, produce markets are generally distant, unreliable and uncompetitive for smallholder farmers, who depend on traditional farming methods, low-yield seed varieties and manual cultivation techniques. Alternative sources of income outside agriculture are few. In times of scarcity, poor rural people have little to buffer them from food insecurity.

Within rural communities in Mozambique, women are particularly disadvantaged. They have considerably less access to education than men and, therefore, fewer skills. Health care is inadequate, and the number of women who die in childbirth is high.

Most rural women work in agriculture and play a crucial role in growing food crops and generating income for their families. Yet they have little access to, or control over, productive resources. Although the 1997 Land Law affirms that women should enjoy equal access to land, many women are unaware of their legal rights and those rights are not enforced in practice. At the same time, the number of women who head their households is rising rapidly. These women have limited land to farm and limited food security, and are highly vulnerable.

The central and northern provinces of Mozambique have greater agricultural potential, more fertile soil and more abundant rainfall than other parts of the country, and they generally produce agricultural surpluses. Moving from the central to the southern provinces, the climate becomes drier, the soil is poorer and natural disasters such as droughts and floods occur more frequently. These areas – together with coastal communities, which suffer extreme isolation – are the poorest in the country.

Overall, poverty in rural Mozambique is marked by isolation, inadequate infrastructure and the consequent lack of access to goods and services. The road network is in very poor condition, for example, and only about 60 per cent of rural people have access to safe water. Rural poverty is also closely related to lack of access to health care and education. Although the situation has improved over time, significantly more progress will be required to attain the health and education-related Millennium Development Goals and improve access to other social services.



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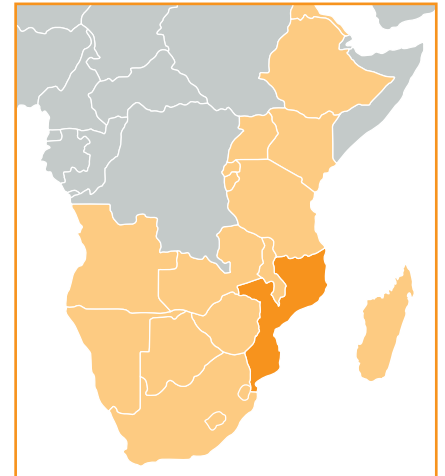
Eradicating rural poverty in Mozambique

In 2011, the Government of Mozambique launched a new Poverty Reduction Action Plan (*Plano de Acção para Redução da Pobreza*, or PARP). Its overriding goal is to reduce the incidence of poverty from nearly 55 per cent to 42 per cent by 2014. The plan focuses on pro-poor economic growth as the means of combating poverty and envisages three main thrusts for development activities:

- Increasing agricultural and fisheries production and productivity
- Promoting employment opportunities
- Improving access to quality social services.

The government recognizes the need to focus particularly on integrating the family farming and fishing sectors – smallholder agriculture and artisanal fisheries – into the national economy. The PARP framework helps set priorities for investment in these sectors and in rural finance. Other important sectoral documents include the following:

- Strategic Plan for Agricultural Development (2010-2019), which emphasizes the need to increase food and market-oriented production, and to promote market linkages and the sustainable management of natural resources.
- Strategic Plan for the Artisanal Fisheries Sector (2006-2015), which provides a vision for progressively upgrading from subsistence to commercial artisanal fishing through improved access to services and infrastructure, and an emphasis on participatory, community-based management of fishing resources.
- Rural Finance Strategy (2011), which promotes an inclusive financial system to serve the different segments of the rural population.



IFAD partners in Mozambique

Since 2007, the United Nations system in Mozambique has implemented the 'Delivering as One' operational plan. IFAD has been an active partner in this collaborative approach – along with the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP) – through the now completed Joint Programme on Building Commodity Value Chains and Market Linkages for Farmers' Associations. It will build on this experience in the joint implementation with FAO and WFP of a European Union-funded initiative focused on food security and malnutrition, thus contributing to attainment of the Millennium Development Goal of halving the proportion of people who suffer from hunger. IFAD is also an active member of several sectoral working groups that coordinate the activities of various development partners in order to optimize the environment for sustainable development.



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IFAD's strategy in Mozambique

Programmes and projects: 13
 Total cost: US\$378 million
 Amount of approved IFAD financing: US\$219 million
 Directly benefiting: 2,194,889 households

IFAD began operations in Mozambique in 1983 and has provided more than US\$200 million in financing for 12 programmes and projects in the country. A country strategic opportunities programme (COSOP) approved in 2011 sets out a framework for the partnership between IFAD and the Government of Mozambique from 2011 through 2015. The COSOP builds on IFAD's experience and lessons learned from past operations in the country, including notable successes in:

- Creating market linkages between small-scale producers and buyers
- Facilitating the introduction of new technologies and services for fishing communities
- Setting up savings and credit groups
- Rehabilitating rural roads for better access to markets and services
- Introducing important policy and legislative changes, such as the protection of artisanal fishing.

The country programme continues its strategic focus on supporting smallholder farmers and artisanal fishers. Its main target group comprises poor producers who have the potential to expand and commercialize their activities, with a special emphasis on disadvantaged groups such as women and young people.

IFAD's overriding goal in Mozambique is to help integrate these small-scale producers into profitable and accessible markets. To achieve this goal, it pursues three strategic objectives:

- Improving smallholder farmers' and artisanal fishers' access to technologies and services that increase productivity – by ensuring that farmers and fishers have secure rights to use key natural resources, supporting a strong natural resource management system and mitigating climate risks where possible.
- Increasing access to and participation in markets for an equitable share of profits – by helping to develop economic infrastructure for the conservation, processing and marketing of produce, and building solid and equitable partnerships between small-scale producers and agribusinesses.



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- Increasing access to sustainable financial services in rural areas – by promoting an enhanced institutional and policy environment for rural finance, and supporting community-based services offering financial products specifically targeted to the needs of rural communities.

Moreover, IFAD engages in policy dialogue where relevant issues emerge from project operations, and it helps build the capacity of local stakeholders to participate in policy processes.

IFAD's country strategy is fully aligned with all the major strategies defining the framework for collaboration between the government and its development partners – including the Poverty Reduction Action Plan, United Nations Development Assistance Framework, Strategic Plan for Agricultural Development and Comprehensive Africa Agriculture Development Programme.

Beyond its regular programme of work in Mozambique, IFAD also funds projects with small grants, including the following:

- Securing Artisanal Fishers' Resource Rights Project (PRODIRPA), which aims to improve the livelihoods of artisanal fishing communities by strengthening their security over and management of natural resources (Implementation: Institute for Development of Small-scale Fisheries, 2013-2016).
- Coastal HIV/Aids Prevention and Nutrition Improvement Project (CHAPANI), designed to improve food security and livelihoods of artisanal fisher households (Implementation: *Associação Moçambicana Ajuda de Povo para Povo*, 2012-2015).
- Community Investor Partnership Project (ProParcerias), which promotes the establishment of sustainable community-investor partnerships in rural areas (Implementation: National Directorate for the Promotion of Rural Development, 2011-2013).

Fast facts about the East and Southern Africa region

- The East and Southern Africa (ESA) region has one of the world's highest concentrations of poverty.
- Three out of four people in the region, or some 260 million people, live in rural areas, and more than half of them live in extreme poverty.
- About 85 per cent of extremely poor people depend on agriculture, particularly smallholder farming, for their livelihoods. Yet agricultural development is falling behind and the region has suffered a general decline in development assistance and a dramatic decline in investment in agriculture.
- With a wealth of human and natural resources, rural areas in the region have enormous potential for growth that would benefit not only rural poor people but also national economies. The potential for improvements in smallholder agriculture offers the most immediate practical opportunity to reduce rural poverty and stimulate broad-based growth.
- In 2012, GDP increased by an average 4.9 per cent in East Africa and 4.3 per cent in Southern Africa. Some of the strongest performances were in Angola, Mozambique, Rwanda and Zambia. The GDP in the region is expected to further increase during the coming two years. Approximately 70 per cent of foreign investments in ESA target the mining sector, with major investments directed at Angola, Mozambique and South Africa.
- In absolute terms, government expenditure on agriculture has increased in ESA over the past 20 years, but spending on agriculture as a portion of all government expenditures has decreased.
- In ESA, agriculture's contribution to GDP is far lower than the percentage of people engaged in agriculture, reflecting low agricultural productivity.
- The Food and Agriculture Organization of the United Nations estimates that in lower and medium-income countries, farmers invest four times more in agriculture than government, donor and private foreign investment combined.
- In the 21 countries in ESA, on average 60 per cent of the active population is engaged in the agriculture sector, but the variation is wide, reflecting the presence or absence of diversified economic opportunity.
- 65 per cent of farm work in the region is done by 'hand', 25 per cent by draft animal power and 10 per cent by tractors, pumps or other motorized instruments.
- The overwhelming dependence on human muscle for farming in sub-Saharan Africa is perhaps the greatest brake on rural economic and social development. It is highly inefficient, taking an average 60 person days per hectare for land preparation, seeding, weeding and harvesting and greatly limiting the amount of land that a farming family can efficiently cultivate.
- African exports have tripled in value in the past 14 years, reaching a value of over US\$582 billion, as a result of high commodity prices and the rise in demand for oil and minerals, mainly from China.
- Trade between African countries lags behind, representing only 12 per cent of total trade.
- Under the New Partnership for Africa's Development (NEPAD), the Comprehensive Africa Agriculture Development Programme (CAADP) was established in 2003 to improve and promote agriculture across Africa.
- As a medium-term objective for 2015, African governments expect to:
 - foster agricultural markets within and between countries
 - increase the participation of farmers in the market economy
 - increase agricultural production and sustainable management of natural resources on the continent.

In this regard, the main regional economic blocks – the Southern African Development Community and the Common Market for Eastern and Southern Africa – are playing an important role as stakeholders. In ESA, 11 countries have signed the CAADP compact, an instrument that identifies the key areas for investment and shows the governments' commitment to implementation of the CAADP pillars. The remaining countries have launched CAADP implementation and are working towards signing the compact.

IFAD's strategy for rural poverty reduction in East and Southern Africa

Since starting operations in 1978, IFAD has financed 177 investment programmes and projects in ESA, for a total commitment of US\$2.9 billion. IFAD is one of the principal sources of development assistance for rural poverty reduction in the region. IFAD's regional programme takes the growth potential of the smallholder economy as its starting point. It focuses squarely on new opportunities and challenges associated with the region's incomplete economic transition, the result of structural adjustment that modified the landscape of economic policy and institutions. It also makes support to women a priority. Women are the least empowered people in rural communities, but they have the potential to make a key contribution to poverty reduction.

Working with governments, donors, poor rural people and community-based and non-governmental organizations, IFAD explores opportunities created by governments through political opening, decentralization and economic liberalization. It supports a wide range of activities through which smallholder farmers develop new relations with the private sector and public services, and a new approach to resource management. The strategy's objective is to ensure that activities can be replicated and scaled up to reduce poverty. Nine nations in ESA are middle-income countries (MICs). Projects cannot always offer the design and financing options MICs desire, according to the changing global environment for development assistance. MICs, which have access to alternative sources of financing, consider that the non-financial costs and rigidities associated with project lending outweigh the benefits associated with IFAD involvement. On the other hand, agricultural sectors represent a far lower portion of GDP in MICs than in other countries. Government agricultural strategies focus primarily on increasing production through support to large agro-enterprises; as such, there can be a certain disconnect between government sectoral objectives and IFAD's focus on smallholder agriculture and poverty reduction. Supporting effective government policies to empower the most marginalized people and to improve their access to basic productive assets is an important niche for IFAD in MICs.

IFAD designs and implements projects in ESA that reflect its mandate to invest in rural people by:

- Ensuring careful targeting, focusing on poor rural people in areas of medium to high potential, without excluding more marginal areas
- Investing in empowering poor rural women and men to strengthen their own productivity and assets, and enabling them to assert their influence on government and the private sector
- Supporting development of rural poverty reduction policies and establishment of institutions that help give poor people a voice in their future.

IFAD's operations in ESA have a particular focus on:

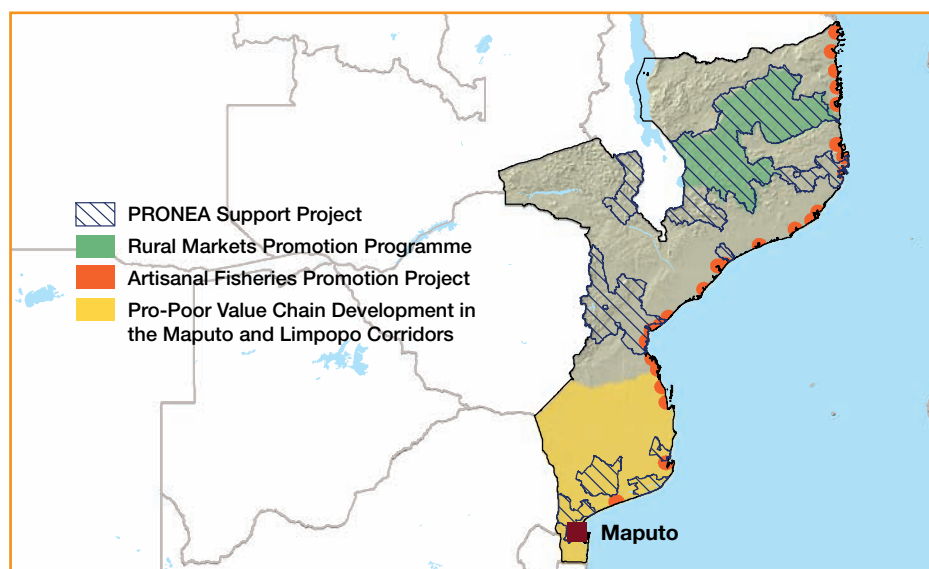
- Promoting efficient and equitable market linkages
- Developing rural finance systems
- Improving access to and management of land and water
- Creating a better knowledge, information and technology system

Building up resilience to crises such as the HIV/AIDS epidemic and civil strife is an essential element of IFAD's strategy. The region is the epicentre of the epidemic, and adult prevalence rates are among the highest in the world. Most of those who suffer the impact of the epidemic are extremely poor people living in rural areas. IFAD's response is to extend knowledge empowerment at the community level into the realm of HIV/AIDS in order to support prevention – and to work towards establishing livelihood options for the poor, outside high-risk activities.

ESA new business model for decentralization

- The IFAD ESA regional division introduces a new approach to project management, moving from country managers to country management teams.
- Country programmes are managed jointly by the country management teams, which fosters cross-country linkages and support.
- Countries are gathered by a clear set of criteria, the most important of which is accessibility to add value to subregional trade and open up markets beyond borders.
- IFAD taps into the mix of skills and competencies among country office staff and sharing of local experiences.

Ongoing operations



Project for Promotion of Small-Scale Aquaculture (PROAQUA)

Financed by the European Union through IFAD, this project is implemented by the National Institute for the Development of Aquaculture and aims to increase the consumption and sale of fish by small-scale fisher households in four districts of Manica and Sofala Provinces. The project’s overall goal is to improve the livelihoods and food security of poor households involved in fish farming. It supports aquaculture development by building fish farmer groups and providing technical support, training and start-up packages.

Total cost: US\$3.2 million
 European Union grant: US\$2.8 million
 Duration: 2013-2017
 Directly benefiting: 1,400 households

Pro-Poor Value Chain Development in the Maputo and Limpopo Corridors (PROSUL)

This project’s objective is to improve the climate-smart livelihoods of smallholder farmers in the Maputo and Limpopo corridors, comprising 19 selected districts in Gaza, Inhambane and Maputo provinces. Its expected outcome is a sustainable increase in the incomes of farmers producing irrigated vegetables, cassava and livestock including cattle, goats and sheep.

The project builds on the experience of initiatives supporting inclusive agribusiness value chains and farmers’ organizations, including the previous IFAD-financed Agricultural Markets Support Programme and the ongoing Rural Markets Promotion Programme. Its five components are horticulture, cassava, red meat, financial services, and institutional support and project management.

Activities supported by IFAD’s Adaptation for Smallholder Agriculture Programme (ASAP) are fully integrated into the project. They aim to make value chains resilient to the expected impacts of climate change – in particular, increased rainfall variability and the risks of droughts and flooding.

Total cost: US\$45.0 million
 Approved IFAD loan: US\$16.3 million
 Approved IFAD grant: US\$1.5 million
 ASAP Trust Fund grant: US\$4.9 million
 Cofinancing: Spanish Trust Fund (US\$16.3 million); United Nations Capital Development Fund (US\$143,000)
 Duration: 2012-2019
 Directly benefiting: 20,350 households



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Artisanal Fisheries Promotion Project (ProPESCA)

This project builds on the experience of three artisanal fisheries projects implemented along the Mozambican coast, including the now completed Sofala Bank Artisanal Fisheries Project (PPABAS), which was financed by IFAD. In addition to other financing, it is receiving US\$15.7 million in grant funding from the European Union through IFAD.

The goal of the project is to improve the incomes and livelihoods of artisanal fishers and their communities. To this end, it works to boost fishing productivity and subsequent sales sustainably, by increasing the quantity and value of the catch – and by improving all links in the value chain, up to the marketplace. Implementation focuses on four investment components:

- Supporting the development of higher-value fish
- Improving market infrastructure
- Developing financial services
- Strengthening institutions and promoting policy initiatives.

The project area stretches along the entire coastline from the Tanzanian border in the north to the border with South Africa in the south. The project focuses, however, on key growth poles, each comprising a major fishing centre with links to other centres up and down the coast or on adjacent islands. These growth poles have strong potential for expanding fishing and fish marketing operations.

Wealth generated through small-scale fishing and other fishing-related activities, such as processing and trading, is an important factor in rural economies, particularly given that around 80 per cent of any catch is sold. Even so-called subsistence and semi-subsistence fishers sell a considerable share of their harvest to local traders. Hence, removing the obstacles that constrain the functioning of the fisheries value chain is expected to have a significant impact on the project’s target group and on poverty reduction.

Total cost: US\$43.5 million

Approved IFAD loan: US\$21.1 million

Cofinancing: OPEC Fund for International Development (US\$13.5 million)

Duration: 2011-2018

Directly benefiting: 40,000 households



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Rural Markets Promotion Programme (PROMER)

This programme helps small-scale farmers in the northern region of the country, where two thirds of the rural population is poor. In addition to other financing, it is receiving US\$9.9 million in grant funding from the European Union through IFAD.

Although this part of the country has good agricultural potential, farms there have some of the lowest yields in southern Africa. Poor returns from sales of their agricultural surpluses have led small-scale farmers in the region to fall back on semi-subsistence agriculture.

The programme builds on emerging opportunities for both domestic and export markets, and particularly for agribusiness investment, to improve the terms of trade for small-scale farmers. It helps small farming households make the transition from subsistence to market-oriented agriculture, achieving higher productivity and better market integration.

The target group includes small-scale, semi-subsistence farmers and other poor farmers, most of whom live below the poverty line. Women are an important part of the target group because of their disadvantaged position in society and in the economy, and because they are often the poorest members of the rural population.

The programme's overall aim is to enable small-scale farmers to increase their incomes from agriculture by helping them market their surpluses more profitably. Its specific aims are to:

- Improve small-scale farmers' access to and participation in agricultural markets and value chains
- Develop more efficient market intermediaries and partnerships to stimulate increased agricultural production and added value
- Create a more conducive environment for agricultural market operations.

The multisectoral programme is in line with the government's poverty reduction strategy, and it coordinates with several public institutions at the national, provincial and district levels. It also works with farmers' organizations and traders to improve market efficiency; introduces a demand-driven facility to advance commercial partnerships between small-scale farmers and agribusiness companies; and promotes development of a network of dealers in agricultural inputs.

Total cost: US\$40.6 million

Approved IFAD loan: US\$31.1 million

Cofinancing: Alliance for a Green Revolution in Africa (US\$3.5 million)

Duration: 2009-2016

Directly benefiting: 20,000 households



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PRONEA Support Project (PSP)

This project supports the government's National Programme for Agricultural Extension (PRONEA), operating in 42 districts throughout the country. In addition to other financing, it is receiving US\$1.4 million in grant funding from the European Union through IFAD.

The goal of the project, which evolved from the now completed Agricultural Markets Support Programme, is to contribute to a reduction in absolute poverty and to an improvement in the quality of life of poor rural women and men.

Specifically, the project works to help subsistence farmers – particularly woman-headed and disadvantaged households – attain increased returns and improved household food security through increased production efficiency. This increase is to be achieved through wider access to effective technical support services focused on districts; better organized producer groups influencing the supply of services; and delivery of support services in response to requests.

The project promotes a new extension approach based on demand-driven service provision to guarantee the quality of services provided to farmers. Targeting small farming households, especially in the poorest localities, it ensures that disadvantaged groups such as women, young people, the elderly and people affected by HIV/AIDS are involved in project activities, which include:

- Introducing low-cost techniques and technologies to raise crop and livestock farmers' productivity
- Broadening access to technical support services, including outsourced services
- Helping to establish farmers' organizations
- Building capacity within the agricultural sector.

Total cost: US\$50.8 million

Approved IFAD loan: US\$20.0 million

Duration: 2007-2017

Directly benefiting: 140,000 households

Completed operations

Rural Finance Support Programme (PAFIR)

Total cost: US\$34.3 million
Approved IFAD loan: US\$9.5 million
Cofinancing: African Development Bank (US\$16.4 million); African Development Fund (US\$5.4 million)
Duration: 2005-2013
Directly benefiting: 124,000 households

Sofala Bank Artisanal Fisheries Project (PPABAS)

Total cost: US\$30.6 million
Approved IFAD loan: US\$18.0 million
Cofinancing: Belgium/BSF (US\$3.4 million); Norway/NORAD (US\$5.8 million); Germany (US\$321,000)
Duration: 2002-2011
Directly benefiting: 26,000 households

Agricultural Markets Support Programme (PAMA)

Total cost: US\$26.6 million
Approved IFAD loan: US\$22.8 million
Cofinancing: Development Cooperation Ireland (US\$1.0 million)
Duration: 2001-2008
Directly benefiting: 230,000 households

Family Sector Livestock Development Programme (FSLDP)

Total cost: US\$25.7 million
Approved IFAD loan: US\$19.4 million
Duration: 1998-2006
Directly benefiting: 300,000 households

Niassa Agricultural Development Project

Total cost: US\$20.1 million
Approved IFAD loan: US\$12.4 million
Cofinancing: OPEC Fund for International Development (US\$4.1 million)
Duration: 1994-2005
Directly benefiting: 28,600 households

Nampula Artisanal Fisheries Project

Total cost: US\$11.2 million
Approved IFAD loan: US\$6.0 million
Cofinancing: OPEC Fund for International Development (US\$2.0 million)
Duration: 1994-2002
Directly benefiting: 12,539 households

Second Agricultural Rehabilitation Project

Total cost: US\$21.2 million
Approved SPA grant: US\$1.0 million
Approved SPA loan: US\$15.0 million
Cofinancing: India: AFRICA Fund (US\$1.5 million); Netherlands (US\$2.5 million)
Duration: 1988-1995
Directly benefiting: 1,227,000 households

National Programme for Food Production in the Cooperative and Family Sector

Total cost: US\$25.5 million
Approved IFAD loan: US\$19.9 million
Duration: 1983-1986
Directly benefiting: 25,000 households

Building a poverty-free world

IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided over US\$16 billion in grants and low-interest loans to projects that have reached more than 430 million people. IFAD is an international financial institution and a specialized United Nations agency based in Rome – the UN's food and agriculture hub.

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For further information on rural poverty in Mozambique visit the Rural Poverty Portal: <http://www.ruralpovertyportal.org>



Investing in rural people

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