



2013:43

Sida Decentralised Evaluation

Andrew Lambert
Mateo Cabello
Padil Salimo
Hermes Sueia

Mid Term Review of the Malonda Program July 2010-June 2013

Final Report

Mid Term Review of the Malonda Program July 2010-June 2013

Final Report
January 2013

Andrew Lambert (team leader)
Mateo Cabello
Padil Salimo
Hermes Sueia

Authors: Andrew Lambert (team leader), Mateo Cabello, Padil Salimo and Hermes Sueia

The views and interpretations expressed in this report are the authors' and do not necessarily reflect those of the Swedish International Development Cooperation Agency, Sida.

Sida Decentralised Evaluation 2013:43

Commissioned by the Embassy of Sweden in Maputo, Mozambique

Copyright: Sida and the authors

Date of final report: January 2013

Published by Citat 2013

Art. no. Sida61671en

urn:nbn:se:sida-61671en

This publication can be downloaded from: <http://www.sida.se/publications>

SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

Address: S-105 25 Stockholm, Sweden. Office: Valhallavägen 199, Stockholm

Telephone: +46 (0)8-698 50 00. Telefax: +46 (0)8-20 88 64

E-mail: info@sida.se. Homepage: <http://www.sida.se>

Table of Contents

Executive Summary	2
1. Introduction	12
1.1. Purpose of the Review	12
1.2. Wider Context of the Review	12
1.3. Review Outputs.....	13
1.4. Organisational Aspects	13
1.5. Work Plan.....	14
2. Methodology	14
2.1. General Approach	14
2.2. Evaluation Questions	15
2.3. Document Review	15
2.4. Field Data	15
3. Programme Assessment	16
3.1. Programme Strategy	16
3.2. Programme Planning and Monitoring	17
3.3. Programme Management.....	19
3.4. Results Monitoring.....	21
3.5. Financial Governance.....	26
4. Pillar Results	27
4.1. Pillar 1: Promote and facilitate investment in agriculture, forestry, tourism and other targeted sectors.	28
4.2. Pillar 2: Facilitate improvements to the business enabling environment	34
Associations for Private Sector Development in Niassa are largely ineffective in	34
4.3. Pillar 3: Facilitate improved supply of financial, legal, accounting and other business services available to businesses.....	37
Stakeholders feedback	44
4.4. Pillar 4: Facilitate improved community-investor relationships.....	48
5. Conclusions	55
5.1. Conclusions from the Programme Assessment	55
5.2. Conclusions from the Pillar Analysis	56
5.3. Programme Assessment	58
5.4. Strategy Recommendations.....	63
5.5. Swedish Engagement in Niassa.....	65
Annexes.....	67
5.6. Annex 1: Time line: Private sector development program in Niassa, Malonda	68
5.7. Annex 2: Documents consulted	69
5.8. Annex 3: Schedule of Visits and Persons Interviewed	71
5.9. Annex 4: Results Matrix, 2011 & 2012.....	77
5.10. Annex 5 Terms of reference.....	83
5.11. Annex 6: Development Options for Sociedade Malonda	86
5.12. Annex 7: Financial Services for Rural Poverty Reduction in Mozambique	90

Acronyms

ADC	Community Development Association
ADEL	Local Economic Development Agency
AGECA	Association of Cuamba Economic Agents
AMODER	Associação Moçambicana de Desenvolvimento Rural
ASCA	Accumulative Savings and Credit Associations
CDF	Community Development Fund
CNRMCs	Community Based Natural Resources Management Committees
COGEP	Participatory Natural Resource Management Councils
CPPM	Caixa de poupança Postal de Moçambique
CSO	Civil Society Organization
FARE	Rural Finance Support Programme
GoM	Government of Mozambique
IGEPE	Mozambican State Enterprise Holding Institute / Instituto de Gestão das Participações do Estado
ITC	Community Land Initiative / Iniciativa de Terras Comunitárias
M&E	Monitoring and Evaluation
M4P	Making Markets Work for the Poor
MF	Malonda Foundation
MLT	Mozambique Leaf Tobacco
MSMEs	Micro, small and medium enterprises
MTR	Mid-Term Review
MoU	Memorandum of Understanding
NGO	Non Government Organization
PROMER	Support Program for Rural Markets
SdM	Sociedade de Malonda / Malonda Company
Sida	Swedish International Development Agency
UCA	National Peasant Union
UNDP	United Nations Development Program
UPCN	Niassa Peasants Associations Union

Executive Summary

This Mid Term Review (MTR) of the Malonda Foundation (MF) examines its progress in executing its 2010-2013 strategic plan over the period July 2010 to October 2012. The purpose of the review is to contribute to an understanding of MF's results in private sector development and to the engagement of stakeholders in a dialogue on what are the drivers and the constraints behind economic growth in the province and the role that facilitation by MF can play in further developing the private sector in conjunction with government. The findings of the MTR will be used as a basis for Sida's decision on whether to extend its agreement with MF beyond June 2013.

The central finding of the review is that MF has achieved a low rate of implementation against its expected results, which has translated into very limited impact on its main goal, the reduction of poverty in Niassa. The following table documents the main outputs achieved during implementation of its 2010 strategic plan and is based on a detailed assessment of each pillar and the analysis of results against targets for 2011 and 2012 as set out in Annex 4.

Table 1: MF Key Results, 2010-2012

Pillar 1: Investment Promotion	Pillar 2: Enabling Environment	Pillar 3: Financial and Business Services	Pillar 4: Community Relations
- MF has helped the commercial farming company AC Matama commence operations with 450 ha under soya cultivation in 2012, targeting 2000 ha in 2016. So far 95 jobs have been created, growing to 165 in 4 years' time. - MF is supporting two agricultural inputs firms and an Australian banana producer, in coordination with the Provincial Directorate of Agriculture. - MF is established as investors' first point of contact in Niassa. - MF's website is operational in English and Portuguese.	- MF has not instituted any significant improvements to the business environment - MF supported business groups/associations training in business management, legalization of some associations and publication of a manual on the prevention / mitigation of conflicts between investors and local communities.	- MF supported two new providers of legal services and accounting in Lichinga (against a target of three). - MF supported five new financial providers to become established in Niassa (against a target of three). 24 SMEs received credit against the planned 15. 651 micro companies benefited for AMODER microcredit, against the planned 90. 3,208 people benefitted from access to savings and loans schemes against the planned 3,000 (107%) revealing vitality in the growth of savings and credit groups and Caixa de Poupança Postal de Moçambique SA (CPPM). - AMODER financed grain traders in the purchase and sale of a reported 135 thousand tons of agricultural products, affecting some 31,000 peasant families annually.	- Uncertain progress due to - Limited success in building COGEP members' capacity in the management of CDFs and improving the management and use of available resources under CDF. - Limited role of MF in the empowerment of local community structures and the management of conflicts.

The disappointing results revealed in the above table also reflected in the low level of activities implemented compared to those planned. The table below shows that in 2011 only

11 out of 24 planned activities (45%) were actually carried out. In 2012 the rate of implementation rose to 68%.¹

Table 2: Rate of Implementation by Pillar and Programme, 2011-2012

Pillar	2011 Activities		2012 Activities	
	No. Planned	No. Carried Out	No. Planned	No. Carried Out
1	7	3	7	7
2	5	1	6	4
3	6	3	6	3
4	6	4	6	3
Total for MF	24	11	25	17
Avg Rate of Implementation	45%		68%	

However, the rate of implementation does not correlate with the results achieved in terms of beneficiaries. Pillar 3, with the highest number of results has an average rate of implementation of only 50% over the two years. It also positively impacted the highest number of beneficiaries. Pillar 1 with a 100% implementation in 2012 has directly impacted only the 95 employees of a new commercial farm but has not significantly increased private investment province-wide. Pillars 2 and 4 have little to show for their efforts in terms of impact on intended beneficiaries.

Significant constraints have limited MF's ability to explore and exploit the numerous opportunities for development that Niassa offers. These are set out in the table below.

Table 3: MF Constraints and Development Opportunities

Constraints Encountered during Implementation	Development Opportunities Identified by the MTR
Pillar 1: Investment Promotion	
Given Niassa's landlocked location, major new investment is heavily dependent on functioning infrastructure for its link with markets.	High potential for development of Niassa's large areas of un/under-utilised land and appropriate climatic conditions for crop production and forestry.
Forestry companies are not able to access sufficient land to continue their planned investments.	Staple and cash crop production in the smallholder sector has the greatest poverty reduction potential and should become MF's prime target sector, without neglecting commercial large-scale farming.
Investment in the minerals sector (gold and coal) is highly dependent on investors' access to DUATs and the existence of sound road and rail infrastructure and reliable transportation services, including direct flights to key destinations, especially Maputo.	MF would achieve greater investor attention if it conducted more website traffic analysis and evaluated the cost effectiveness of advertising the site and improving site management, as well as strengthening and regularly updating its investor database.
Pillar 2: Enabling Business Environment	
MF understanding of the constraints in specific value chains is weak.	Trainings would be more effective if focused on specific local development opportunities.
Structural constraints on private sector development regarding access to land and adequate transportation infrastructure are not amenable to MF influence.	Research into MF roles in a) facilitation of infrastructure development and b) improving access to land for forestry companies.

¹ 2010 is not included in this analysis as the Programme only became fully active in mid 2011, after the move to Lichinga and the recruitment of many new staff.

Mid Term Review of the Malonda Program (July 2010-June 2013): January 2013

Constraints Encountered during Implementation	Development Opportunities Identified by the MTR
MF's potential as an investment facilitator is restricted by the absence of appropriate mechanisms for dialogue with the private sector, a poor perception of MF by some major investors and weak dialogue within the private sector itself.	Clarify MF's mandate and separate its entrepreneurial activities from its development role.
Weak synergies with Pillar 1.	Development of agricultural market linkages to spur investment in post-harvest infrastructure and systems.
Pillar 3: Financial and Business Services	
In the past, AMODER has allowed some larger clients to default on their loans, encouraging a low repayment culture and increase the risk of poor loan performance by new borrowers	Re-alignment of MF's financial services support towards partners that follow best practice.
	Capacity building at AMODER to ensure better portfolio management and a more sustainable credit culture.
	Provide training to Financial Services organisations, including AMODER, in the use of software package for credit management.
Weak relations between the program and the private sector are hampering Malonda from becoming an effective "agent of change in a private sector that impacts positively on poverty reduction" (Strategic Plan 2010-2013).	Conduct regular private sector consultations to ensure that the program has a genuine understanding of its concerns and financial and business service needs.
MF is not partnering sufficiently with programs such as PROMER at the local, provincial and national levels.	Strengthen MF partnerships with programs such as PROMER.
	MF to facilitate expansion by the few current providers to other areas of Niassa, and/or attract new serious micro-finance players
	The provision of research and analysis services to potential micro-finance investors would facilitate their entry into the Niassa market.
The quantity, quality and appropriateness of business development and financial services available to the target value chains and the agribusiness sector in Niassa is insufficient to meet the needs of entrepreneurs of all categories.	Develop value-chain finance in Niassa and establish a partnership with the Rural Finance Support Programme
	Expand the pilot programme for agricultural lending being implemented in conjunction with Mundukide.
	Improve the focusing of training to local service providers by area and value chains.
	Support the expansion of ASCAs which are emerging as a sustainable and efficient means of disbursing credit in rural areas.
	Strengthen MF's understanding of current best practice in sustainable economic growth in rural areas, including: (i) developing value-chain-focused, private sector-run agribusiness service clusters; (ii) rolling out and expanding farmer-owned service centres; (iii) building the capacity of service providers in the target value chains.
Pillar 4: Community Relations	
Consultations promoted by forestry companies with traditional or religious leaders individually and not open to communities have almost always resulted in the loss of trust of communities in their local leaders,	Knowledge of COGEPs about practices and procedures used for CDF allocation and management in other districts found to be successful stories compared with

Constraints Encountered during Implementation	Development Opportunities Identified by the MTR
conflicts, and breach of agreements regarding the holding and use of land.	their own has generated frustrations that need to be managed in order to avoid possible conflicts.
The absence of written agreements between companies and communities has created expectations and misunderstandings on both sides, making companies more vulnerable to the wrath of communities.	MF should consider supporting the adoption and dissemination of written agreements between companies and communities to avoid false expectations and misunderstandings and thereby increase the durability of agreements required for the exploitation of the areas covered by investment projects in forestry / commercial farming areas. MF can improve knowledge and understanding of traditional and social structure of communities by contracting the services of trained professionals in social science disciplines such as sociology and anthropology.
The uncertainty about the right of use and enjoyment of land by companies does not offer them the necessary assurance to further develop their investments.	
There is asymmetric information regarding responsibility and criteria used by companies to allocate funds to the CDF, in addition to the irregular fund allocation from part of the companies operating in the area.	

Several key areas for development emerge from the above table:

- Strengthening of private sector organisations and of MF's relations with private businesses large and small, and with their associations.
- Deepening understanding of the concerns and needs of business in Niassa, in particular regarding the enabling environment, both "soft" (policy and regulatory issues, business and financial services) and "hard" (physical infrastructure, communication and transportation services).
- Increased capability within MF to respond effectively to the needs of business, given its resource constraints.
- Development of a clearly articulated MF strategy on access to land for large operators and the transfer of use rights to investors that ensures equitable and durable agreements with the affected communities.
- A clearer definition / diagnostic of the land tenure issues concerning communities by qualified professionals, businesses and potential investors, preferably resulting in a written code of practice based on objective research and analysis.
- A stronger awareness at MF of the potential of M4P and value chain approaches, linked to appropriate financial and business services, to create a sustainable process of pro-poor development in Niassa.
- Value chain analysis to identify specific opportunities for MF interventions in the area of market linkages that can contribute to sustainable reductions in rural poverty.
- Stronger and more sustainable financial and business services that support value chain and market development in sectors with high poverty reduction potential.

In terms of the evaluation criteria of effectiveness, efficiency, impacts, sustainability and relevance the main findings are as follows:

Effectiveness (outputs to outcomes): There is little hard evidence of MF having been an effective market development facilitator that has benefitted the poor. The focus has been more on the relatively better off in the Province: grain traders and forestry employees. So far, Malonda has not delivered significant concrete benefits to its target beneficiaries - poor, marginalised and vulnerable people, particularly those in rural areas of Niassa. One possible exception is the recent focus of MF on savings and loan schemes, which is rapidly expanding and could provide Malonda with a platform for a more pro-poor approach. This scheme,

which is linked to sustainable micro credit, is helping offset the negative effects of AMODER's low loan recovery rate (AMODER still uses the now depleted funds that it was granted by MF's predecessor Mozagrius in 2002).

Efficiency: Regarding the cost-effectiveness of the expenditure of Swedish aid to Malonda over the review period, the amounts transferred total approximately USD3.6M, distributed as follows:

- 2010: USD860,000
- 2011: USD1,240,000
- 2012: USD1,500,000.

The tangible benefits generated from this expenditure are slight by comparison, being principally the provision of credit to grain traders, the encouragement of a savings and loan scheme in some districts of the province and the start-up of a highly mechanised commercial farm that has taken over land partially cultivated by smallholders from local communities. Even when fully operational, the farm is not generating a large number of employments for local residents. Only when agricultural development occurs on a large scale and involves large numbers of economic operators, as could be envisaged under a value chain development programme on a well-established staple crop such as maize, beans or cassava, or a low investment smallholder cash-crop such as potato or small-scale poultry, can agricultural investments be expected to generate significant poverty reduction effects.

In terms of actual wages (which excludes social costs) MF's annual bill in 2011 was USD 864,468, which equates to USD 38,000 per staff member. It behoves Sida to examine more closely the salary levels to ensure they are in line with current practice within provincial development agencies in Mozambique and to link them to individual performance to optimise value for money and management efficiency.

On the other hand, it should be recognized that the programme is not over equipped for the tasks it is expected to carry out, even if its ability to do so has so far proved unsatisfactory for the reasons we have amply demonstrated relating to its strategic focus.²

MF also has to bear the costs of its Management Board and the Fiscal Committee, which added during 2011 approximately another USD 100,000 per year. However, the elimination of Board salaries in 2012 has reduced this outgoing considerably and the projected figure for 2012 (1st semester) is now USD 46,000. While this may mean a reduction in the level of effort board members in particular are willing to dedicate to MF business, it establishes an important principle i.e. that service on the board is essentially a recognition of a member's standing in society and sense of social responsibility rather than a source of income.

Regarding the efficiency of MF's internal mechanisms for delivering results (e.g. the role of founders, board, management and operations), the Review found that under Malonda's current governance structure its Management Board plays a strong executive role that may be limiting the autonomy of the Executive Director. The Review Team is concerned that this

² The MTR team has reservations concerning the professional profile of some members of the MF team in terms of years of experience in rural development programmes, experience with farmer organizations, capacity building of community based organizations, market linkages and value chain development. This is one of the factors behind MF's difficulties in formulating and implementing a viable strategic plan.

may be inhibiting the development of a clear vision for the programme and the Director's exercise of internal authority and welding together a team to work towards a common goal. On the other hand, the Board's current management role does ensure that decisions are taken collectively and avoids the risks of any excesses in the exercise of authority by the Director (although in our view these are not significant).

The Review sees the need for a clearer dividing line between day-to-day management decisions by the Executive Director and strategic direction from the board. One option would be to strengthen the project steering committee (consultative council) by inviting recognised experts in poverty reduction to join the core members in bi-annual meetings to review strategy and discuss new approaches and underlying issues regarding the Programme. The Management Board would then have a clearer monitoring role with more extensive use of an enhanced M&E system, which would also strengthen the Executive Director's capacity for correcting any deviations in strategy and addressing major constraints encountered during implementation.

- Examples of such underlying issues and constraints are outlined below:
- MF has a tendency toward the literal interpretation of the Strategic Plan often to the extent of disregarding its overall goals and target groups.
- The Programme has not established mechanisms (such as effective stakeholder consultations) to ensure it is demand-led and outcome oriented.
- The four project pillars, instead of supporting each other and delivering synergies whereby the whole is greater than the sum of its parts, have become silos disconnected from each other and with little or no links to external sources of knowledge or information, such as effective market linkage or M4P programmes in the country or the region, of which there are many examples³.
- There is a symbiotic relationship between MF and some cash-poor provincial government departments (e.g. Commerce and Tourism) that frequently rely on MF for financial assistance for the organisation of workshops, publicity material or logistical support. This tends to obscure MF's private-sector orientation and gives the programme a public-sector veneer that can inhibit both large and micro firms

³ PAMA (Programme to support Agricultural Markets), an initiative from the Government of Mozambique financed by FIDA and government itself to support smallholder agriculture sector (provinces of Niassa, Nampula and Cabo Delgado). The initiatives supported by the project include the development of groups/associations for smallholder farmers, development of rural traders, small scale processing, and dissemination of marketing information, diversification of goods and development of rural roads;

P4P – Purchase for Progress programme/WFP, spread along the Central Provinces of Tete, Manica, Zambézia and Sofala, and the northern province of Nampula. P4P has managed to establish direct contracting services with Farmer Organization (FOs) and medium trader;

Market-led Smallholder Development project, financed by IDA with operations in the districts of Morrumbala/Zambezia, Mopeia/Zambezia, Mutarara/Tete, Chemba and Maringue/Sofala);

PRODEZA – Zambezia Rural Development Support Programme, financed by FINIDA;

USAID AgriFUTURO programme (Beira and Nacala corridors) with the objective of increase Mozambique's private-sector competitiveness by strengthening targeted agricultural value chains. The project focuses on value chain development as a means of creating incentives to improve the enabling environment, expand and strengthen business development services, build linkages between agribusinesses and financial services providers, and increase and strengthen public/private partnerships;

Market-led Smallholder Development project, financed by IDA with operations in the districts of Morrumbala/Zambezia, Mopeia/Zambezia, Mutarara/Tete, Chemba and Maringue/Sofala)

from associating with MF, due to a poor perception of government's ability to deliver useful support.

- Sida has adopted a leading supervisory role of MF and funds frequent, successive evaluations and reviews of its affairs, presumably due to concern over MF's progress since 2010. These consultancies do not appear to have led to corrections in implementation, as demonstrated by the lack of fulfilment by April 2012 of the 10 recommendations that ORGUT had put forward in April 2011.

Impact:

- During the review period we did not find significant impact from MF's promotional/facilitative activities that have led to changes further down the results chain. This is mainly because the programme has not specifically sought to achieve improved conditions and higher incomes for their target group, the rural poor. It has tended to focus on better-off members of the communities where the interventions were located.
- There is little hard evidence of MF having helped mitigate the negative impact of the recent downsizing of the forestry industry's expansion plans. Since 2010, the start of the current MF programme, the forestry sector has shed >1000 jobs as it has rolled back its plans for new plantings due to lack of access to additional areas of land. Malonda has not been able to break the deadlock over access to more land, despite helping obtain promises of a solution from the national Ministry of Agriculture, which is testimony of the intractable nature of the DUAT process.
- Regarding increased food insecurity, MF is not supporting household-level staple food production / nutrition, despite the potential of higher yielding varieties of maize and beans and edible cassava, of which mosaic-resistant sweet varieties are available in Malawi or in Nampula. It also has no environmental programme, despite the risks posed by plantation forestry and by slash and burn agriculture, especially given the undulating topography with its inherent propensity to erosion from heavy rains and uncontrolled run-off.
- AMODER has been an effective facilitator of credit services in Niassa, and is now a driving force behind micro-credit services with increasing numbers of clients. However, AMODER's acceptance of low repayment rates has weakened the credit culture in the affected communities and may prove to be a difficult legacy to recover from.
- A positive effect of Malonda has been that investors still have in MF a first port of call in Niassa, whereby MF can act as a go-between in their relations with government and communities. In MF Niassa has an institution identified with private sector development and economic growth, even if it achieves very little at present, and the Foundation can still claim some residual credibility from its more active role during the forestry investment period.

Crosscutting Aspects:

- Despite MF potential for ensuring incorporation of such crossing dimensions as gender equality / women empowerment, youth empowerment, environment and HIV, there is no evidence of such an approach either in practice or in project documents. Curiously, when discussing crosscutting issues with project management, poverty reduction was raised as a crosscutting activity, when in fact it is the core on which all activities are supposed to be based.
- In Niassa, as elsewhere in the region, traditional structures tend to reduce female participation in business activities and economic decisions within the household or business unit. Nonetheless, a gender-aware approach was dropped from the programme's strategic plan in 2010, thus depriving the programme of the valuable

opportunities for poverty reduction and income generation in the province that greater women empowerment would have brought with it.

Sustainability of the MF Programme Results:

- The MF strategic plan and annual programmes do not make specific provision for the sustainability of its results or for an exit strategy for the institution, despite being active in the renewable natural resource sector characterised by long production cycles.
- Some sustainability of financial services is visible in the savings and loans operations and in AMODER's growing microcredit activities.
- Regarding institutional capacity building, MF has been slow to respond to local demand for business training within rural communities and the MSME sector.
- In the absence of a major strategy review, it appears unlikely that the activities of MF during the review period will leave behind any lasting results outside the few new investments and sustainable financial services.

Sociedade de Malonda:

- The activation of Sociedade de Malonda is another means of providing some sustainability to the Sida-funded development efforts in and has already been proposed by the Board. The MTR shares its recommendations, which foresee SdeM taking over assets from MF and starting operations as a private company with some state and donor participation dedicated to the promotion of investment in Niassa. The proposed areas of activity are: agriculture, tourism, forestry, transportation and communications, business and legal consultancy, commercial agencies and mineral exploration. We explore the implications of such a move in Annex 6.

Relevance:

- MF's facilitative approach under the 2010-2013 Strategic Plan, with its focus on improved market functions, is highly relevant to the achievement of the desired "self-sustaining broad impact on economic development" in Niassa Province. Unfortunately it has not been implemented correctly. Through adequate use of M4P, MF can make significant contributions to strengthening market linkages and environmental sustainability along key value chains, both in commodities (e.g. basic food crops, charcoal, fisheries) and in services (e.g. logistics, business services, tourism), while addressing Province specific business environment constraints.

General conclusions:

1. During the period under review Malonda Foundation adopted a new approach to achieving poverty reduction through private sector development, based on facilitation of investment rather than direct partnership with investors. This posed complex technical challenges that MF was not equipped to meet effectively. It also faced numerous organisational constraints that delayed implementation of its strategic plan by up to a year.
2. MF's target population for the present phase was radically different from that of its earlier years, when it focused almost entirely on assisting forestry investors, and agriculture and tourism operators, to gain access to land and negotiate agreements with local communities in the vicinity of its new investments.
3. MF has adapted only slowly to this new reality and still has to adjust its programmes to address the needs of its target population, the "economically active poor" of the province, as opposed to the private investors who in its previous phase helped deliver jobs and increased revenue to rural households.
4. The slow and incomplete transition to the new approach was partly due to the strategic plan taking insufficient account of the nature of its new beneficiaries, mainly small farmers, their sectoral context and the structural causes of their poverty. At the same time it set quantitative targets for the whole programme

without specifying the location and socio-economic characteristics of its target beneficiaries. As a result the new MF tended to continue to focus on the communities that benefitted – or were affected by – the forestry companies, which by virtue of the investments were not the most province's most typical or most needy.

5. MF commenced its new phase without a detailed assessment of poverty-reduction potential or an analysis of economic growth opportunities, nor an awareness on the part of management of the importance of such an analytical approach. As the focus of the detailed baseline survey shows, MF tended to work with the same beneficiary groups as in the previous phase, diverting implementation away from its new target groups.
6. MF's numerous evaluations and monitoring missions, while diligent and articulate, did not lead to the correction of observed weaknesses. The two main causes are i) the disruptions caused by the move from Maputo to Lichinga in 2011, the programme's second year of operation, as to the need for greater strategic monitoring ii) insufficient strategic guidance from the Consultative Council and Management Board to the Executive Director and what in our view is excessive attention operational and administrative aspects, which is currently the case.
7. Since the Programme was faced with ambitious objectives and targets set early in its cycle without adequate information, it would be advisable to conduct a profound review of the MF strategic plan to ensure all activities, expected results and outcome indicators are closely aligned with the overall goal of poverty reduction and are susceptible to objective verification. A first step could be the strengthening of the M&E system as a management tool and the creation of a knowledge management capability at MF to strengthen understanding of its new target sectors.

Recommendations:

1. The Strategy of Poverty Reduction should be retained and defined more precisely through close stakeholder consultations, productive sector data collection and analysis, to focus on the higher impact / sustainability options for intervention.
2. The MF programme objectives need to be redefined. For example, instead of the number of investments facilitated, it would be preferable to specify the number of farmers with improved access to agricultural inputs, credit, supply contracts, storage; instead of the number of families to be benefitted, it would be advisable to specify the number of MSMEs trained in and applying improved business practices, accessing credit and servicing credit agreements and the numbers of service providers working with target beneficiaries.
3. The structure by pillars needs revising through an institutional review, for which this MTR does not have a mandate or the resources. However, our exposure to MF does suggest the need for a simplification of MF's structure. A possible arrangement would be to reduce the number of "Pillars" or departments to two: a department of Private Sector Development that incorporates investment and BizEnv and a department of Value Chain Development that worked with the economic actors in the field, building market linkages, facilitating credit services, promoting value adding, etc. while working closely with PSD to optimise synergies and complementarity.
4. Gender equality / women empowerment, as well as youth empowerment and HIV need to be incorporated into both a revised strategic plan and the operational programming, with specific targets set and progress monitored.
5. Environmental analysis of major investments benefitting from MF support should be introduced and the environmental dimensions of poverty reduction should be explicitly considered in the revised strategy.

6. M4P should be placed at the core of MF's strategy and implementation plan which would identify specific sectors with high poverty reduction and MSME development potential (e.g. farming, tourism, business and pro-poor financial services)
7. All Programme efforts should focus on moving the target sectors forward through stronger market linkages, higher profitability and competitiveness. In this way MF could become a rural development programme generating significant sustainable development in Niassa.

The Way Forward

A prompt decision is required on the future of MF. In the view of the Review team the main options are:

- A. Continued support for poverty reduction in Niassa, either:
 - i. Immediately commence a process of reorientation of MF toward its strategic poverty reduction goal and target population and continue to support MF for another 2 years after June 2013 with an option for another tranche of funding thereafter (this would involve re-branding MF); or
 - ii. Start now to wind down MF and close it at the end of the current funding cycle (June 2013) in order to commence preparation of a completely new M4P / rural development programme in Niassa, probably from 2014 onwards. Possible programme vehicles could be i) a tender for a contract with a service provider or consortium through a design and operate arrangement, ii) separate design phase and implementation tenders, iii) a directly managed Sida programme through a different Mozambican agency from MF.
- B. Withdraw by June 2013 from Niassa and from investment-based private sector development and reorient the Sida PSD strategy toward a national M4P-based rural development programme that selects intervention zones on the basis of explicit criteria linked to the required conditions for successful implementation; this option does not preclude activities in Niassa.
- C. In parallel with either of the above Options, activate Sociedade Malonda as a Niassa-based, profit-making Private Public Partnership for investment facilitation, which would absorb the commercial assets of MF, including land entitlements, real estate property and company shares. Under Options A(ii) and B, both of which involve closing MF, MF's equipment, furnishings and vehicles could also be transferred to Sociedade Malonda as a capital contribution. The report gives further consideration to this option in a specific annex.

1. Introduction

1.1. Purpose of the Review

The purpose of the mid-term review of the MF program is to consider the case for an extension of the current phase, which ends in June 2013, to June 2015, which would necessitate a prolongation of the current agreement. This review is expected to contribute to an understanding of MF's results in private sector development and to the engagement of stakeholders in a dialogue on what are the drivers and the constraints behind economic growth in the province and the role that facilitation by MF can play in further developing the private sector in conjunction with government. The findings of the MTR will be used as a basis for Sida's decision on whether to extend the agreement with MF.

The specific objectives of the MTR are:

- To establish what results have been achieved according to the agreed objectives of the program (based on the agreed RAF Results Assessment Framework).
- Assess the effectiveness and efficiency of MF's organisational set up in order to reach the objectives in the strategic plan.
- Summarise the lessons learned from the implementation.
- Use the process of the MTR as an opportunity for stakeholders to learn from the experiences of the implementation of the MF program.
- Provide recommendations for how alternative support to private sector development in the province could be designed, including innovative approaches and partnerships, taking into consideration experiences from MF.

The time scope of the review is the period July 2010 to October 2012 (28 months).

1.2. Wider Context of the Review

Swedish support to the private sector development process in Niassa dates back to 2000, specifically through the Malonda Foundation, which has gone through several phases with continued Swedish support^{4,5}. Questions over the continuation of this support have emerged in recent years due to faltering progress. This review has been commissioned to help clarify the key issues at stake and allow the Swedish Embassy to reach a decision on the nature and dimension of its future support, in particular the option to extend the agreement with MF for two additional years from June 2013. The mid-term review also responds to a programmatic commitment to review progress toward planned outputs after 2 years of activity of the current strategic plan 2010-2013, although in fact it takes place slightly later than originally planned. It is tasked with identifying lessons learned regarding private sector development and assessing the overall performance of the programme against evaluation questions contained in the terms of reference. These questions, and their underlying evaluation criteria, are based on the DAC criteria of efficiency, effectiveness, impact, sustainability and relevance. Finally, the review is an opportunity to provide the Embassy

⁴ The Swedish embassy in Mozambique supports at least seven private sector and agricultural projects at a value of over 200MSEK, of which Malonda, with its 60MSEK budget for 2010-2013, is the largest.

⁵ See Annex 1, Timeline of evolution of the private sector development program in Niassa, Malonda.

with balanced feedback from Niassa stakeholders in the private sector development sphere regarding the drivers and the constraints behind economic growth in the province and to identify the facilitation requirements for further development of the province's private sector.

1.3. Review Outputs

The outputs from the review, as specified in the terms of reference, are as follows:

- Measurement of results from Programme activities against the agreed RAF Assessment Framework, exploring the reasons why results have / have not been achieved, and drawing lessons for future programming.
- Assessment of the effectiveness and efficiency of the Malonda Foundation's organisational set-up to achieve the objectives in its strategic plan.
- Guidance for Sida to determine whether and how to extend the programme from its current scheduled end in June 2013 to June 2015.
- An Inception Report submitted in draft form prior to team mobilisation and in final form two weeks later.
- A detailed presentation of findings and recommendations at the end of fieldwork in Mozambique by 30 November, followed by a final report by the end of December 2012.

1.4. Organisational Aspects

Fieldwork was carried out over the period October to December 2012 in Niassa and Maputo during November 2012. The Review work was conducted by a team consisting of:

- Economist and lead evaluator, Dr Andrew Lambert (ITAD consultant and team leader).
- Socioeconomics / Community Relations, Mr Padil Salimo (ITAD consultant).
- Micro finance specialist, Mr Hermes Sueia (ITAD consultant).
- Political Economy and private sector specialist, Mr Mateo Cabello (OPM consultant) provided input on financial services.
- ITAD program manager Tim Ruffer provide technical and management oversight and quality assurance.
- Jodie Dubber (ITAD) provided administrative and coordination support from home office in the UK.

The Swedish Embassy in Maputo provided facilitation support through Annlouise Olaffson, Program Manager for Rural Development, who has provided background information on the Programme in initial meetings with team members and the basic documentation required to conduct the assessment.

In addition to the terms of reference, Sida has provided the review team with copious documentation on the Malonda programme, which has allowed it to build an increasingly detailed picture of the subject of this review (see Annex 2, Documents Consulted). The review team has also had detailed discussions with the Swedish Embassy in Maputo regarding the scope and content of this review, where it was emphasised that the review should focus on the results achieved during the 2010-2012 period, given that the outputs from the previous phase of Fundação Malonda (MF), 2005-June 2010, have already been assessed by previous evaluations.

It is clear that MF today is a very different operation from the original MF, which focused on investment promotion and facilitation, mainly in the intensive plantation forestry sector and to a lesser extent in agriculture and tourism. Under Malonda's current Strategic Plan 2010-2013, the target beneficiary group are now the economically active poor and its targeted economic sectors are agriculture, forestry and tourism, which represents a clear break from the period 2005-2010.

It was also made clear that a large part of the first 12 months of the review period were taken up with dismantling the Malonda headquarters in Maputo and transferring them to Lichinga. This involved recruiting a new set of staff, since most of the Maputo-based staff chose not to relocate to Lichinga. Hence, effective implementation under the current strategic plan commenced mid-2011, not mid-2010.

1.5. Work Plan

The work took place in three phases:

- Phase I: Document Review. This took place at the consultants' home base as well as in Maputo and included consultation with Sida and MF.
- Phase II: Field Work. Based in Lichinga, Niassa, with numerous field visits and dialogue with main stakeholders and Programme staff. Initial findings reached during Phase I were tested and the status of investment, business development, access to finance and business services, employment generation and poverty reduction in Niassa were determined.
- Phase III: Analysis and Reporting. This phase involved: i) the discussion of findings with MF staff and stakeholders in Niassa and of strategic options with the representatives of Sida in Maputo, ii) the preparation of the draft report, iii) revisions following Sida comments and iv) production and submission of the final draft.

The detailed itinerary of fieldwork in Niassa is provided in Annex 3.

2. Methodology

2.1. General Approach

The Review methodology is centred on a structured, transparent and verifiable approach to answering the evaluation questions outlined in the terms of reference, reporting and synthesizing findings, drawing well-founded conclusions, and producing solid and useful recommendations.⁶

The Review applies the specified evaluation criteria – of relevance, effectiveness, efficiency, sustainability and potential impact – through a mixture of methods that combines quantitative and qualitative sources and techniques. Meaningful and solid quantitative data is used wherever they are available or can be generated, complemented by the best qualitative data and techniques.

⁶ These will be grouped around four key recommendation points: relevance of the current program objectives and set-up; relevance of current market players; alternative ways to reach the overall goals of the program; further opportunities to engage with investors.

2.2. Evaluation Questions

The evaluation questions formulated in the terms of reference provide the basis for this assessment; they focus on the assessment of results and activities under each pillar according to the standard evaluation criteria and on recommendations for the future of the Programme. In addition, the document review conducted during the preparatory period and validated in the discussions with the Embassy, suggests that the Review needs to ascertain the following:

1. How Malonda as an organisation has managed, since the launch of the current strategic plan, to effectively support more inclusive multi-sector pro-poor growth in the province.
2. How Malonda has applied the M4P approach enshrined in its current strategy to a greater variety of sectors and stakeholders in order to promote market and MSME development therein, given that different approaches and capabilities are required from those deployed under Malonda's original forestry-investment focus.
3. How Malonda has utilised the experiences and lessons learned from other development partners in Niassa and more widely in Mozambique in facing up to the new challenges of this new phase.
4. How relevant and effective is Malonda's new facilitative approach, with its focus on improved market functions in the achievement of the desired "self-sustaining broad impact on economic development" in the Province.
5. To what extent Malonda is now delivering concrete benefits to its target beneficiaries - poor, marginalised and vulnerable people, particularly those in rural areas of Niassa.
6. What are the potential benefits / negative consequences of returning to elements of the previous model of direct intervention in order to enhance MF's capacity for delivering results in its target areas?

2.3. Document Review

The key documents reviewed are listed in Annex 1 according to the following categories:

- Programme Strategy
- Results Monitoring
- Programme Management
- Financial Governance
- Pillar 1: Promote and facilitate investment in agriculture, forestry, tourism and other targeted sectors
- Pillar 2: Facilitate improvements to the business enabling environment
- Pillar 3: Facilitate improved supply of financial, legal, accounting and other business services available to businesses
- Pillar 4: Facilitate improved community-investor relationships

2.4. Field Data

The Review has conducted structured interviews and focus-group discussions with all categories of programme stakeholders:

- SE Program Management.
- Malonda Foundation management and staff
- Niassa authorities

- Niassa private sector and service providers (banks, business development Service Providers)
- Programme stakeholders and beneficiaries
- Community leaders
- Investors

Management Interviews

- IGEPE Chairman and senior staff
- Chairman of the MF Management Board
- MF Executive Director
- MF Pillar directors
- MF M&E specialist.

Stakeholder Interviews

Interviews were conducted with the following stakeholders:

- Forestry companies
- Tourism companies
- Rural community organisations
- Farmers
- Financial and business Service providers and their clients through focal group discussions in:
 - Cuamba with 8 clients;
 - Mandimba with 13 clients;
 - Lichinga (Amoder office) with 17 clients; and
 - AMODER 3 active credit clients were interviewed in the market “25 de Setembro” in Cuamba.
- Visits to market places were conducted at:
 - Market “Feira” (Cuamba);
 - Central Market (Cuamba);
 - Market “25 de Setembro” (Cuamba); and
 - Central Market (Lichinga).

Community organisations were consulted in focus group sessions in all districts of MF activity (see visit programme in Annex 3).

3. Programme Assessment

In this section we consider documentary and empirical evidence regarding the performance of MF against its own established planning documents.

3.1. Programme Strategy

This is set out in the document entitled “Plano Estratégico para o Programa Malonda Junho 2010 – Junho 2013”, which states that the Programme **Goal** for 2010-2013 is to reduce poverty through a 24% increase in incomes of 20,000 households. However, it does not provide any indication of the characteristics of these households nor how the figure of 20,000 was arrived at. This represents the first significant finding of the MTR.

The **Objective** of the Programme is to achieve a sustained increase in investment through 80 new investments valued at USD10m with 8,500 new permanent jobs created. Again, the basis for these predictions is lacking, and the assumption that an investment of a little over

USD1000 is sufficient to create a permanent job appears optimistic and would need validation.⁷ This constitutes the MTR's next significant finding.

The Programme's **target group** is the "economically active poor to include small farmers, women's groups, farmers' / traders' associations, small-scale traders/ processors, and agri/forestry-input suppliers... service providers, financial intermediaries, small and medium enterprises are secondary target groups." Presumably the Programme cast its net so wide in to avoid committing to specific subsectors at the start-up phase of the Programme. However, it would have been preferable to delay a commitment to specific areas, subsectors or commodity value chains of the province until the basic socioeconomic research and needs assessments had been done. This constitutes another major finding of the review.

In terms of stakeholder perceptions of the MF strategy the Orgut / Sida periodic report (April/May 2012) mission team meetings with stakeholders indicate a general perception that Malonda has 'changed direction', but there continues to be only limited understanding of what this means in practical terms. On-going communication about the practical application of the Strategic Plan and its implications for each stakeholder group is required, as the following statement from the report illustrates:

"There continues to be a significant divergence between what the programme believes the private sector needs and wants and what the private sector itself requires. Overall private sector representatives interviewed considered MF does not respond to and is often not relevant to their needs. Typical statements included 'Malonda has served its purpose and its time has come and gone' and 'being required to work with Malonda can be more of a hindrance than a help', and 'Malonda is part of the government and so it can't really understand business or be trusted to express the views of business. As noted during the MTR this issue continues to be a major concern. The private sector does not see Malonda as a potential partner or facilitator and those companies that have sought assistance from MF in resolving problems report limited or no results."

According to the report, the relationship between Malonda and the private sector is critical to the programme's success and MF should urgently consider ways to improve its relationship with the private sector and its ability to respond to its needs".⁸

3.2. Programme Planning and Monitoring

The key document here is the "Results Based Matrix" in pursuit of the Programme Objective cited above. Examples of the Expected results for 2010 are given below. Similar types of result are specified for years 2011 and 2012:

- Pillar 1: Target for Year 1: 4.000 Farmers, 30 SMEs and one Investor Group supported and investment facilitated.

⁷ The investment cost per permanent post created in intensive mechanized farming on a green field site in Nigeria is recorded as between USD2000 and USD3000 in November 2012 (private source). Less intensive farming with uncertain access to profitable market outlets, as in Niassa, could require a lower initial investment but the creation of year-round full employment is less likely than in the Nigeria case cited. Hence the USD1100 per job figure is almost certainly very low. The investment per job created in Niassa forestry sector was in the region of USD4000 (assuming an average of 5000 posts over the period 2008 to 2012 and a total investment of USD20M).

⁸ Sida monitoring consultant to the private sector development programme – Periodic report – April/May 2012.

- Pillar 2: Target for Year 1: Two Regulations or Policies amended two constraints removed or reduced / Facilitate establishment and support development of 10 new groups / business associations and carry out training to two groups/ business associations.
- Pillar 3: Target for Year 1: Two suppliers of business and accounting services for SME's; six new SME's receiving credit, 35 new micro firms receive credit, 1500 new rural clients have access to savings and loans; and two new providers of legal and accounting services established and supported.
- Pillar 4 Target Year 1: 13 conflict mediations; two conflicts resolved and investments continued by the forestry companies.

The Review finds the link between such interventions and the reduction of poverty in the target population hard to demonstrate given the lack of sectoral or geographic focus. For instance, it is not clear what is meant by “supporting three large and 77 small and medium companies” and how that will impact the programme goals. The modification of an indeterminate number of government regulations and policies does not lead to poverty reduction but is an intermediate objective that implies a specific theory of change regarding the fulfilment of the necessary conditions for enhanced private sector investment, growth, employment generation and household income improvements. A greater number of financial service providers and volumes of credit disbursed are not in themselves benefits, unless they drive sustainable growth in the target population. A fundamental problem with the programme design is that it lacks an explicit theory of change and results chains to explain programme and implementation theories. A useful resource in that regard is the DCED Standard for results measurement. See for example A Guide to Making Results Chains, DCED, Donor Committee on Enterprise Development, <http://www.enterprise-development.org/page/download?id=1833>.

On the other hand, continued investment by forestry companies is a clear outcome indicator that contributes directly to the Programme Objective. It would be advisable to review the strategic plan to identify other outcome indicators that are similarly aligned with its overall goal for poverty reduction and susceptible to objective verification.

Unfortunately the means of verification proposed in the Plan and its results matrix tend to rely on government information sources, the accuracy and timeliness of which cannot be always be relied upon. This tends to diminish the value of the results matrix as a management tool. It appears not to be based on any detailed assessment of poverty-reduction potential or analysis of economic growth opportunities⁹. For instance under Pillar 1, the very precise figures of 3 large and 77 small/medium companies that would receive investment promotion services seem to have been established to comply with the figure of 80 companies set (arbitrarily?) as an objective, without any independent verification of the feasibility of such a target. This undermines the credibility of the overall objective, rather than substantiating it.

⁹ These conclusions are reinforced with the information in the 2012 annual narrative report of MF that says the following: “Notou-se uma frequência elevada de improvisação na implementação das atividades em todos sectores e pilares, os critérios “eficiência e eficácia não foram observados com rigor na implementação das tarefas”. The document presents three main reasons for that: “i) insuficiência nos processos de programação/planificação; ii) desconhecimento dos documentos programáticos/planos de acção; e iii) desconhecimento do terreno onde se implementa o programa.” Pp. 6.

The means of verification of the proposed support to the 80 target companies are “data from the registrar of companies”, but not from the company records themselves, which would surely have been the most obvious / reliable source. Under Pillar 2 the Matrix leaves blank the number of regulations changed/improved, policies amended and identified constraints partially/fully reduced or removed, making the task of the Pillar director almost impossible. Clearly these two Pillars should have been defined differently: first year activities should have started with a survey of investment opportunities and constraints and not jump straight to target setting as a formalistic exercise without an objective basis. It appears as if Malonda dispensed with the task of gathering new empirical data on the target sectors on account of its involvement in Niassa’s forestry development. But since Malonda was entering new, uncharted territory as it proposed poverty reduction through MSME development using M4P (a deceptively difficult tool) it should have started this new phase with a series of objective surveys and in-depth stakeholder consultations in order to construct a sound programme.

In late 2010 MF issued important revisions to the strategic plan in its “Notas Explicativas da Matriz de Resultados do Plano Estratégico 2010 – 2013”¹⁰. These have modified several important targets in an attempt to make them more measurable and attainable. The number of target beneficiaries of the new programme has been reduced from 20,000 families to 5000, given that 15000 beneficiary families were “inherited” from MF previous investment phase and only 5000 are “new”. The headline figure for families benefitting from MF activities was left at 20,000 but accountability of the new phase is for one quarter of that number. With regard to Pillar 3 the word “new” was added for the beneficiaries of credit services - SMEs and 90 micro-enterprises - clarifying that these targets are not cumulative. Also of note is the acknowledgement that under Pillar 2 the reduction in regulatory constraints is outside the immediate manageable interest of Malonda, “taking into account that the country’s legal framework requires that any modifications to the regulatory conditions for private companies be approved at central level and that MF will operate from the periphery towards the Centre”.

Under Pillar 4, the Malonda strategic plan for 2010-2013 defined the process of facilitating improved relations between investors and communities as a cornerstone for its program. Three performance indicators were defined to evaluate program performance under this component, as shown above. The first two indicators (four major conflicts resolved; 30 significant mediations) focus on resolving conflicts once they arise while it would have been more appropriate to facilitate mutual understanding through communication and liaison between the parties concerned.

3.3. Programme Management

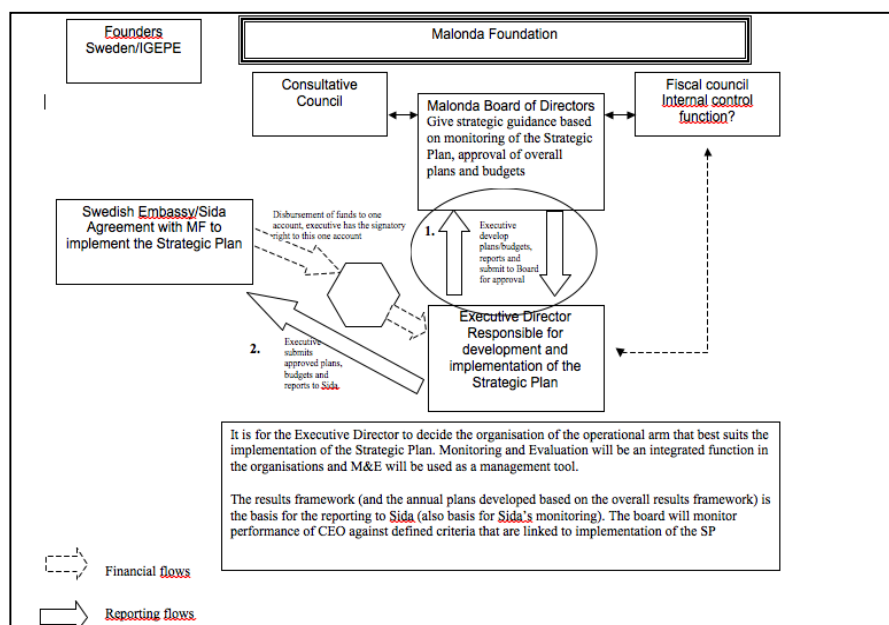
Responsibility for the management of MF lies in the Board of Directors (Conselho de Administração), which delegates the routine operation of the programme to its Executive Director. A steering committee or consultative council also has oversight of the Board, although its role is more formal than functional. There is also a Fiscal Council or ombudsman

1. ¹⁰ “Foi constatado pelo estudo de base que, o crescimento no rendimento dos agregados familiares nas áreas de atuação da Malonda atingiu um nível estacionário depois de um período de crescimento exponencial nos primeiros 5 anos da operacionalização das empresas florestais e do programa de microcrédito. Deste modo, houve a necessidade de acautelar este nível de crescimento para os próximos 3 anos do programa.”

2.

to ensure adequate fiduciary measures are in place. The following diagram shows the composition and reporting lines of MF.

Figure 1: Composition and reporting lines of Malonda Foundation



A review of the minutes from the regular quarterly board meetings of 2011 and 2012 reveals the high degree of involvement of the Board in the details of project operations, in particular the verification of progress against the action plans and related Pillar budgets, as well as the content of the periodic reports. This results in the issuance to the Executive Director of detailed recommendations or instructions such as occurred at the 8-06-2012 meeting, when 22 detailed recommendations were made for the executive director to execute. During the same meeting the Board asks the Director to obtain from the MF auditors an agreement to modify their assessment of the 2011 annual accounts, which had received only a “qualified” approval due to a lack of transparency surrounding the transfer of funds between MF and Green resources, a forestry company. See the following excerpt from the minutes:

Figure 2: Extract from the minutes of Board meeting: 8th June 2012

Recomendações: (i) A questão específica referente á opinião qualificada nas contas pode desabonar a instituição, por isso a Direcção Executiva deve trabalhar com os Auditores para, se possível, mudar de opinião; E este ponto deve ser inscrita na agenda do próximo CdA e a Direcção Executiva deve preparar um informe sobre a matéria;

Such advice from the Board would seem to undermine the fiduciary role of the Fiscal Committee and may indicate a tendency to overstep its mandate.

The Board minutes certainly confirm what is already stated in the statutes of MF, that the Board has full authority for management decisions relating to the programme and that consequently the Executive Director’s role is to execute their decisions. In principle, the Board is to refrain from “interference” in operational matters “sem interferir em assuntos operacionais”. However, by issuing frequent detailed recommendations to the Director it appears that these are in fact instructions and as such tend to limit his ability to exercise his own discretion and lead effectively. On the other hand, relatively little mention is made in

the minutes to the strategic direction of the programme, even though the periodic monitoring missions are concerned that insufficient progress is being made. The most significant strategic issue raised by the Board is the need for MF to generate more employment and protect employees' salary from the effects of currency fluctuations.

3.4. Results Monitoring

MF's Monitoring and Evaluation System

According to the programme's organisational structure, monitoring and evaluation (M&E) is expected to act as an effective management tool in the implementation of the strategic plan as approved by the Board. However, it appears to have acted more as a reporting function, producing monitoring reports of progress against quantitative targets, both impact indicators and budgetary commitments. The usual management support functions of constraint identification and the formulation of solutions, or independent analysis of the development context within which MF operates, are largely absent.

M&E is hampered by a lack of resources, there being a single member of staff in the Unit, which lacks a specific budget allocation or resources including its own vehicle. The M&E reporting line is on a par with that of the Pillar Directors but in terms of the project hierarchy is perceived to be lower than that of the Pillars, impeding access to necessary information on programmes and beneficiaries. Hence, M&E does not systematically act on results information to facilitate effective implementation and is used mainly to ensure compliance to formal requirements. Furthermore, M&E has no budget or mandate for focus studies or research to specific constraints or opportunities and to identify alternative approaches to problems found during implementation, hence it has been unable to exercise the important role of knowledge management. As a result spot studies on key issues and constraints encountered under the different pillars have not been consulted or identified as required. Over the review period it appears that M&E has tended to be passive/reactive, rather than a pro-active management tool that is able to inform senior management decision-making.

Another weakness is that M&E has tended to equate "activities implemented" ("executadas") with objectives fulfilled ("objetivos atingidos"). The link between the two is rarely independently confirmed, and our review found no evidence of new investment leading to decreased rural poverty, nor of studies or surveys to determine results chains. The lack of analytical qualitative data has led M&E to use disbursement as a performance indicator, while it is most useful as an indicator of the budgeting process, and of accuracy of allocations against planned activities.

MF's system of M&E could benefit considerably from the adoption of the DCED¹¹ Standard for results measurement, a useful example of best practice in M&E.

Review Documents

The key documents analysed to assess the results monitoring function at the Foundation are the Results Based Monitoring Matrix 2010-2013 (Matriz de Monitoria Baseada em Resultados, Malonda 2010 – 2013), the Programme's annual narrative reports, the periodic

¹¹ See for example A Guide to Making Results Chains, DCED, Donor Committee on Enterprise Development, <http://www.enterprise-development.org/page/download?id=1833>.

evaluations by Orgut of 2011 and 2012 and the Metier Baseline Survey of 2010 and Impact Assessment 2012.

Annual Narrative Reports

According to the “Relatório Narrativo De Actividades 2010” slow adjustment of Malonda to its new Strategy meant that these targets were not met and the Programme underspent its budget by around 40%. Its activities were mainly focused on data gathering and staff training, hence “the results achieved do not contribute directly to the expected results.” Despite this statement, the annual report still was able to claim that: “no deviations were noted in the implementation of planned activities.” The obvious contradiction detracts from the credibility of the report. Nonetheless, it correctly identified a need for “support to smallholder agriculture to improve incomes and strengthen market linkages” while also acknowledging the low uptake of the M4P approach due to lack of experience and interest among management and operational staff.

In view of the lack of activity in the first year of the programme, the plan was over-ambitious and appears to have been an attempt to look convincing, rather than being based on a realistic assessment of opportunities and available resources to develop them.

The 2011 narrative report paints a picture of low implementation of planned activities in all four Pillars due to prolonged administrative problems relating to the move from Maputo to Lichinga and the appointment of new staff.

- Pillar 1: the consultancies to prepare a marketing strategy and communication plan were not launched. The main output was the launch of the Malonda website and the dissemination of positive experiences of some investors in Niassa.
- Under Pillars 2, 3 and 4 the main activities were the identification of stakeholders and potential beneficiaries and some studies and basic research. Such activities are to be expected during the first year of project implementation, which 2011 effectively was for MF.

The 2012 narrative report is able to point to more achievements, although the emphasis on consultations and studies continues, which is a concern for the M&E manager that drafted the report, as the following excerpts show:

- The MF program is still far from achieving its goal.
- The organisational changes that MF suffered at the end of 2011, made 2012 more a year of learning and integration rather than one of implementation.
- The level of results achieved during the MTR review period is the result of far less than two and a half years’ work, suggesting that this year’s achievements this can greatly improve in the future, given the opportunity.
- The biggest constraints faced by MF at this moment is the “inadequacy” of the Strategic Plan and action plan, which is not aligned with the realities on the ground, that has led to a high degree of improvisation in implementation across all sectors and pillars, weakening efficiency and effectiveness.
- The majority of the 12 impact indicators in the strategic plan was inconsistent with the evaluation tools and had to be withdrawn from the evaluation criteria. This is significant, since the MF operational team has no prerogative to change or delete an approved policy or planned activity. For instance the shortage of funds that pillar 4 has worked under is dictated by the MF original budget for the multi-annual action plan, which was approved by the founders of MF more than 2 years ago.

- Nearly two years after the launch of the new strategy the Pillar 4 team has now realised the need for a change in strategy in order to reach more communities needing support.
- An update to the current budget and strategic plan would appear to be required. This would need to be approved by the founders once the Board has issued its own request. This is not currently in the pipeline.

The Metier reports

Metier's Baseline Study of December 2010 (Relatório Final do Inquérito de Base) focuses on families living in and around areas where forestry companies operated. Hence, the samples included ordinary villagers from those communities as well as families of some forestry company workers who were members of those same communities. While all the sampled families were rural by nature, the communities sampled were not representative of the entire province, since the number of regular wage earners was necessarily higher than in an average Niassa rural household that mainly relies on income from annual rain-fed crops. Since the MF remit is province-wide, the baseline study is only of only partial validity as a reference point for its far-reaching poverty reduction and enterprise development objectives.

Surprisingly the survey did not take the opportunity to gather and present a wider range of data on Niassa, even though it was known that the Programme approach had changed from a mainly forestry investment focus to the facilitation of poverty reduction through multisectoral interventions. This would have necessitated a review of agricultural development constraints and opportunities, given the sector's significance in almost all districts of Niassa. The absence of validated Niassa-wide baseline socioeconomic data has constrained a comprehensive impact assessment of the Programme, as well as on-going M&E performance assessments and progress monitoring by Malonda's own staff.

Metier has provided the MTR with the following explanation of the reasons for this apparent bias. The comments indeed seem entirely reasonable, and reflect back on MF's capability at the inception of the current programme to accurately and adequately formulate a viable programme for rural poverty reduction:¹²

The baseline survey carried out in 2010 took as the observation universe the workers of the forestry companies under the program support, as was extensively discussed and agreed at that time. The survey was able to rely on the Household Budget Survey carried out in 2009 regarding income among Niassa's rural population thus saving survey costs. Above all, the Strategic results matrix of the Program focused on the indicators in respect of income increase on the workers of those companies. No indicator in respect of the total rural population of the province existed or exists to Metier's knowledge in the Program Strategic Matrix. Metier was asked to determine the net effect of the Program regarding the conditions of the directly affected population (namely workers and credit beneficiaries) with the other population.

The implication of the above is that if the Malonda Program had intended to promote general conditions covering all the population of the Province it would have needed to i) design and focus its interventions differently ii) establish its target population poverty

¹² Paraphrased from a recent email communication between MF and Metier to which the MTR has been party.

indicators in its Strategic Matrix in order to measure change and iii) establish mechanisms to track attribution to MF. These are difficult tasks requiring specialist knowledge and instruments that appear to have been lacking in MF at the time of project detailed design.

Our assessment of Metier, “Relatório Final Do Inquérito De Avaliação De Meio Termo, 30 De Outubro De 2012” has identified the following weaknesses:

- The structural weakness of the 2010 survey is continued (not corrected or commented upon) in this follow-up impact evaluation of 2012, which appears to absolve Malonda from blame over its weak performance by stating that the target beneficiaries are, in 2012, above the official poverty line. This is not surprising as they are in fact among the province’s most privileged workers, as employees of forestry companies that follow national labour laws and apply corporate social responsibility principles.
- The study further avoids objective analyses when it states that compared to the 2010 baseline study family income has increased by 32% (against 24% in the programme target). However, national inflation since July 2010 has been of the order of 25%, and may well have been higher in Niassa due to the weight of the province’s high transport costs compared to the coastal provinces.

The report does however make an important contribution by underscoring the heavy negative impact on the programme of the freeze on new land concessions to the forestry companies, which has led to a considerable reduction in permanent and seasonal employment in the sector. This will likely prevent the programme from reaching its target of an additional 5000 beneficiary families on top of the 15000 it inherited from the previous Malonda and is undermining the sustainability of the Programme. Regrettably, though, Metier prolongs the belief that MF has benefitted those 15,000, when in fact it is the forestry companies that have ensured the continuity of those benefits by sustaining their investments despite the lack of progress in accessing sufficient land to ensure the long-term financial viability of their initial investments.¹³

The Orgut monitoring missions

Orgut has been responsible for two independent monitoring missions, the first of which¹⁴ concludes that:

- In 2011 less than 50% of the proposed activities were undertaken, mainly due to the lack of technical personnel and specialist consultancies and a long period of administrative “turbulence” in the executive of MF.
- However, the report tends to overlook a fundamental weakness of the programme; the lack of a clear definition of its target beneficiaries. These are

¹³ The forestry companies invested in Niassa on the assumption of being able to increase their plantations annually through secure access to appropriate land. In some cases, security of land use / tenure is not assured and all companies have had to downscale their expansion plans for lack of DUATs. The financial feasibility of the investments as originally planned is also linked to the expectation of a timber processing plant within Niassa. The lack of road and rail infrastructure, and the absence of concrete plans to put such networks in place, reduces the probability of processing plants being established in time to add value to the raw timber coming to maturity in the next 5-10 years. Despite the lower predicted returns to their investments, the forestry companies remain in Niassa and continue to provide employment, cash income and other benefits to a significant number of rural families.

¹⁴ ORGUT (2011). Relatório Periódico Final de Maio – Junho 2011. Consultoria para a Monitoria do Programa de Desenvolvimento do Sector Privado, Malonda, na Província do Niassa, Moçambique.

both numerous and disparate - economically active families, national and foreign investors with available capital and relevant experience, the province's private sector (formal and informal) and local communities – and would appear to require markedly different approaches.

- To its credit, however, the report admits that the lack of a rigorous approach to the crosscutting issues of poverty (sic), gender and environment MF cannot guarantee the fulfillment of its goal and vision¹⁵ nor can it make concrete progress in these areas until this weakness is corrected.
- It also addresses a timely message to MF's Founders, Funders and Board that it must take a clear stand on the two fundamental constraints to its continued development, currently stalled: access to land and transport infrastructure (especially rail). The authors believe that if they acted in unison these key players could help identify the root causes of the current stalemate on both issues, which if prolonged will "wipe out any progress made to date in Niassa".¹⁶ Ways of effectively facilitating the approval of DUATs for its actual users need to be defined and MF's role, and that of IGEPE in particular, agreed and formalised. Similarly, a road map for Niassa infrastructure development needs to be formulated or, if one exists, updated on the basis of adequate stakeholder consultations, and the role of all relevant players clearly specified.

The 2012 report¹⁷ makes a series of findings and recommendations that this mid-term review in many ways shares:

- Programme activities during the period October 2010 to May 2012 had negligible impact on the expected results.
- The report is concerned by MF management's rigid adherence to the sub-activities specified in the results matrix that forms part of the Strategic Plan and questions the effectiveness of the programme structure according to the four pillars, plus M&E and Administration and Finance. While it is clear that the structure does not optimise management efficiency and creates wasteful overlaps and inhibits valuable synergies (e.g. Pillars 1 & 2 particularly) the suggestion to further specify pillar activities could result in an even more top-down and mechanistic (as opposed to critical) approach to implementation across the programme.
- Some misconceptions of the M4P approach are evident in the report when it declares the approach of limited relevance to the implementation for Pillars 1 and 2. The following slide from the well known Value Links site demonstrates its considerable potential in the context of Niassa's business environment reform:

¹⁵ VISION: To be an agent of change in a private sector impacting positively on poverty reduction. MISSION: To facilitate sustainable improvement in the business environment. GOAL: That Niassa has increasing levels of private sector investment by micro, small, medium and large businesses resulting in increasing real incomes, thereby stimulating self-sustainable growth.

¹⁶ Translation from the Portuguese version.

¹⁷ Sida monitoring consultant to the private sector development programme, Malonda, in Niassa province, Mozambique Periodic report - April/May 2012



Consequences for VC projects



Pro-poor VC development depends on the business environment and on sub-sector-wide framework conditions

- Secure access to production resources
- Ability to engage in economic activities
- Transaction costs
- Complementary (coordinated) investments

1



→ ***Need to adopt an active economic development policy integrating different fields of policy-making (trade, public administration, environment & resource use, land management, regional planning, quality standards)***

→ ***Need to react to (global) market change AND improve supply side conditions***

ValueLinks



- There is significant divergence between what the programme believes the private sector needs and wants and what the private sector itself requires, with MF often not relevant to their needs and even becoming an obstruction to their investments.
- Malonda has not extracted sufficient value from the analysis, conclusions and lessons learned of earlier studies, and would do well to systematically incorporate such findings into a specific knowledge management practice within an enhanced M&E system, which could become the cornerstone for the monitoring, documentation and dissemination of good practice to all stakeholders.
- Malonda does not play a significant role in providing research and data on the cost of current infrastructure constraints to business and likely impacts on future investment of lack of road and rail links
- It makes little contribution to the Brazilian / Japanese Pro-Savanna programme with its high potential for economic transformation in the Province
- In order for the Malonda Programme to achieve its aims, the Mozambican Government needs to implement effective reforms to the business environment, in particular the introduction of a more proactive and unambiguous policy for the timely attribution of land to valid investors.
- The Programme has strong potential to improve the lives of women in the Province through the introduction of an effective gender strategy cross-cutting all interventions.

3.5. Financial Governance

At the outset MF developed a system of financial accounting that allows for close monitoring of expenditure against annual budgets. In 2012 this was strengthened through Sida's "Financial, Audit and Fiduciary Risk Assignments". MF has now instituted a more detailed system of monthly budgets that will improve both planning and monitoring. We quote from the November 2012 report:

"Up to now the annual budget has not been compiled on monthly projections, so it has been hard to track expenditure against the activities undertaken. From October 2012 monthly Budget estimates have been prepared and henceforth annual budgets will be compiled from

month-by-month estimates based on the work plan. Under this “live” budgeting system, Pillar Directors will have access to their Budgets and be able to plan implementation and control expenditure against the Budget. This is a welcome improvement and will facilitate efficiency of implementation as well as both financial and performance monitoring. It will be much easier to pick up on over-runs and non- or under-performance than when solely annual projections were available.”

This will help avoid a repetition of 2011 performance against budget, when only 50% of the budget was disbursed due to low levels of implementation in the Pillars, as the following figures show:

- 2011: Total budget: USD3.27M, spent USD1.56M ±50%
- Investment promotion spent 47% of budget
- Enabling business environment spent 36% of budget
- Financial and business services spent 28% of budget
- Community relations spent 31% of budget
- Administration spent 107% of budget.

In mid-2012, MF suffered a suspected fraud by some staff members who withdrew 900,000 MT of MF funds from its bank account. In an interview with the MTR consultants, the MF Executive Director explained the background to the attempted theft through the issuance of false bank cheques, presumably with the knowledge of bank staff. While this unfortunate event clearly shows the weakness of the security systems in place at the time, effective corrective measures have now been introduced, as shown by the 2012 “Financial, Audit and Fiduciary Risk Assignments” and closer oversight by the Fiscal committee.

Another area that may require strengthening is procurement, given the 2011 and 2012 annual reports’ mention of the delays regarding the commissioning of studies under Pillar 1. The 2012 fiduciary report cited above also records concern that consultancies may have been contracted without proper adherence to the guidelines. As the MTR has observed, contracting of third party service providers has been slow, which may indicate a need for streamlining procurement systems and rendering them more transparent and accessible to programme line managers.

4. Pillar Results

This section presents our analysis of the MF results by pillar and related findings.

The MF Results Matrix is shown below, along with the revisions of late 2010 and the achievements up to October 2012:

Table 4: Results Matrix

Pillar	Project Goal	Original Expected Result	Revised Expected Result 2010	October 2012 Result Achieved	Discrepancy Re 2010 Expected Result	MTR Team Comment
Strategic Program Result	Poverty in Niassa Province is reduced by increased income	24% increase in income of 20,000 households	5000 beneficiary families on top of the 15000 inherited from the previous MF program.	Family income increased by 32%	Plus 8% increase in deflated incomes minus 15000 households	
		At least 80 small, medium and large investments, new or existing.				Loans are wrongly being claimed as investments. Once loans are excluded, the actual investments represent xx% of the forecast.
		Facilitated USD10 millions of investment projects.				Severely under-achieved
		8.500 jobs created directly				

4.1. Pillar 1: Promote and facilitate investment in agriculture, forestry, tourism and other targeted sectors.

Introduction

After the considerable momentum MF achieved during the period 2005-2008, MF's activities in the promotion of forestry investments appear to have stalled due to issues over access to land. Whilst there has been success in facilitating one commercial farming investment (Matama) developing potential in the main nature / wildlife reserve in the North of the province (40,000 km²) has so far proved less amenable to the efforts of MF.

After forestry, which was key to MF's efforts in its previous phase and is still a focus area, the strongest potential for economic growth and investment in Niassa lies in agriculture. The province's agro-ecological conditions are generally favourable, but farmers require better access to improved seeds and fertilisers more post-harvest infrastructure and better access to markets.

The potential for investment facilitation in the minerals sector (gold and coal) appears considerable, if long-term.

Under the strategic plan MF's activities in the micro-finance sector are included under "investment". Although this bolsters results under Pillar 1, in fact micro-finance loans belong under Pillar 3, financial services.

Major new investment in the province is heavily dependent on functioning infrastructure for its link with markets, given its landlocked location. Improvements in some road networks that link Niassa with Pemba and the lake as well as more frequent air services, have contributed to reducing the isolation of the province but limitations in infrastructure are still regarded as major constraints for the province (Sida 2010).

The organization of 'investment and linkage fairs' is one of the critical activities of Pillar 1 according to the Strategic Plan. As yet the concept of such events has not been defined and while a number of workshops have taken place it is not clear whether these are considered by MF to be part of this specific strategic activity. Investor conferences are envisaged as part of the MoUs signed with the provincial government. It is not yet clear what format these will take or who they will seek to attract. Follow up on events such as fairs and workshops are also important and lessons learned and ideas provided based on participant comments should be incorporated into the MF's work plans and used as a basis for planning future events. This is not yet taking place.

In 2011 Malonda sought to strengthen links with the Investment Promotion Centre (CPI) but the Embassy's recommendation against space sharing between MF and CPI resulted in no further action being taken. A memorandum of understanding (MoU) has been drafted but not signed and it is not clear how the activities of the two organizations will be synergized to avoid overlap. CPI reports having nominated a delegate to open their office in Lichinga in the second quarter of 2012, and is keen to discuss ways of working with MF. However, this has not taken place.

Pillar 1 Results Analysis

Pillar	Project Goal	Original Result	Expected Result	Revised Expected Result 2010	October 2012 Result Achieved	Discrepancy Re 2010 Expected Result	MTR Comment	Team
Pillar 1	Promote and facilitate investment in agriculture, forestry, tourism and other targeted sectors.	Support farmers	8.000		1480 farmers were reported by MF as supported	- 6.520 farmers not reached	Only 18% of farmers reported to be supported by the project, and a total of 81.5% did not receive support as expected by the strategic program.	
		Facilitate investment in 3 large enterprises			Three new investments between big and medium ones		Only one investments is considered large enterprise	
		Support 77 small and medium enterprises			Supported 127 small and medium enterprises.	+ 50 SMEs	The result on micro-finance loans belongs under Pillar 3, financial services.	

The purpose of this pillar is to promote and facilitate investment in agriculture, forestry, tourism and other targeted sectors. The main result indicator of Pillar 1 for the period of July

2010 to July 2013 is to support 8.000 farmers and facilitate investment in three large enterprises and 77 small / medium enterprises. 1480 farmers were reported by MF as supported by May 2012, as shown in the results matrix, which establishes a set of six activities indicators under Pillar 1:

- Marketing strategy and communication plan prepared and updated every six months (integrating global dissemination of the results of the database).
- Investors database, functional and updated monthly (investors and other stakeholders).
- Portal and website for investors and partners developed and updated monthly, with 75% rating as useful or very useful by the users.
- Studies and surveys to identify market opportunities, performed in two subsectors per year.
- At least four annual events to disseminate information and investment opportunities.
- 100 new respondents and potential investors directly involved, over three years.

MF's website is a fundamental component of investment promotion activities and will be many investors' first point of contact with Niassa. The site is finalized and available in Portuguese and English and in the future in Chinese. The site is currently being promoted through paid advertising principally using Club of Mozambique. The elaboration and deepening of the English version of the site is also essential. The site would benefit from expert input to ensure that it is both useful and welcoming to investors and easy for the Malonda team to use – it is to be hoped that this will result from the marketing and communications strategies, in the final design stage.

The Review team has been provided by MF with the following graphs of usage of the website, for 2011 and 2012.

Figure 3: Numbers of Visits to the MF website, 2011

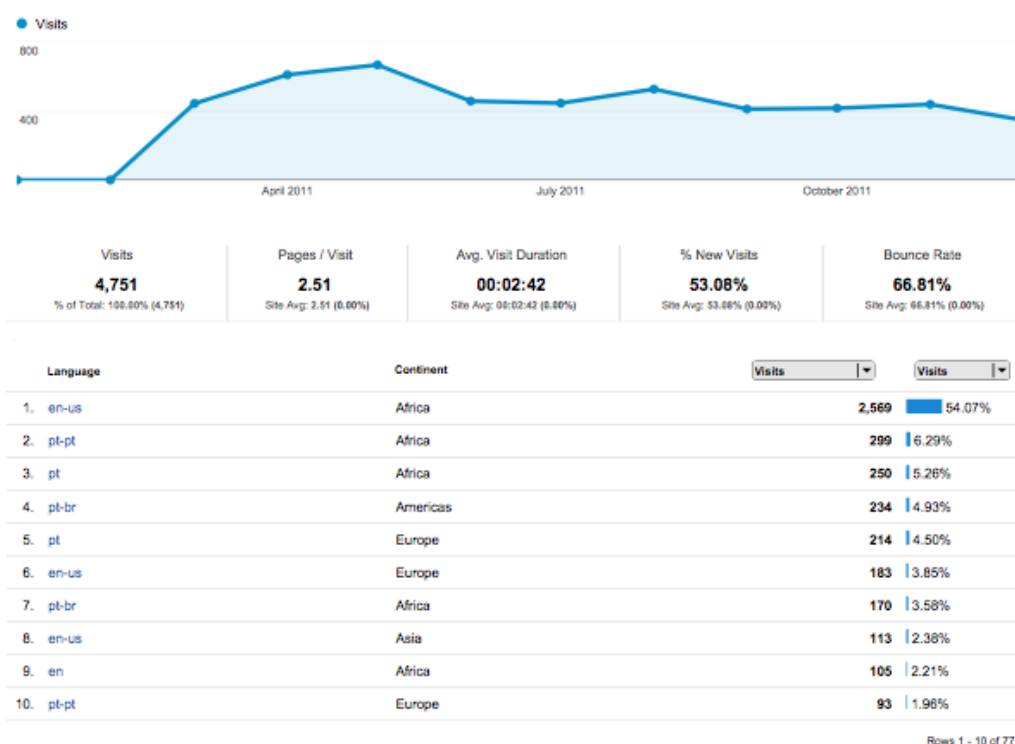
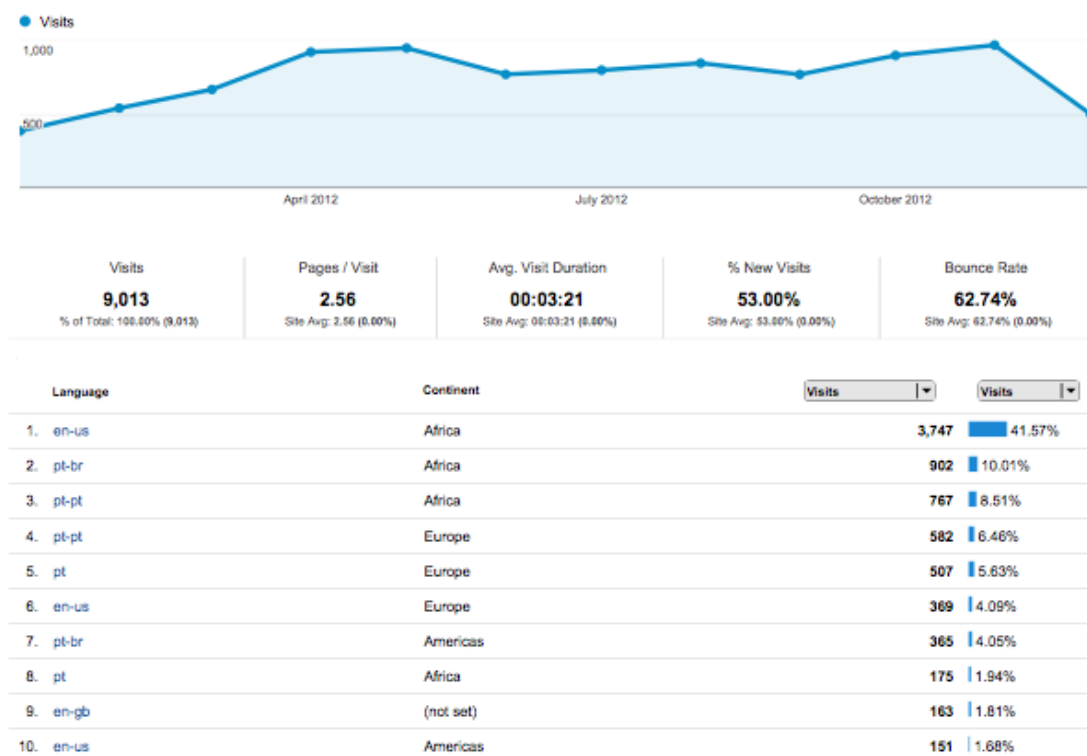


Figure 4: Numbers of Visits to the MF website, 2012



The numbers of visits have increased from 4,700 to 9,000 between 2011 and 2012, but for both years the data show a high “Bounce Rate”, i.e. the percentage of visitors that see only one page during a visit to your site. This may be due to visitors leaving the site from the entrance page in response to site design or usability issues. Also, Google Analytics data for MF website display a high bounce rate if the tracking code has not been added to all of the website’s pages. However, given the short duration of visits this is probably not the case here.

The average number of pages per visit is 2.51 and the average time spent on the site is less than three minutes (00:02:42). This may indicate faults in design and presentation. If all MF webpages contain the tracking code and the bounce rate remains high MF should consider:

- Redesigning the entrance (or landing) pages - it is possible that the web page is data heavy and slow internet connections make the site inaccessible.
- Optimizing those pages so they correlate better with the search terms that bring users to your site, with ads you're running, or with keywords you've purchased.
- Changing the ads or keywords to better reflect page content.

Working with the Provincial Government through MoUs the management team aims to package investor information about the province. The investors’ database was created and is now being updated. The MTR was not able to assess the quality of this database during its visit to Lichinga.

It will be important to develop standardized, professional and accurate information. There continues to be a need to systematize and publicize such information as well as to link with other organizations’ in Mozambique making tools available to investors, thus avoiding

duplication. Recommendations arising from the marketing and communications consultancies, of which the first draft is currently circulating, may feed in to this activity but it should be recognized that this is a fundamental component of Pillar 1, and for the programme as a whole.

The issue of contact information for existing and potential investors, NGOs, service providers and other stakeholders in the province remains problematic. Such information is absolutely fundamental to the work of MF and its collection, management and accessibility must be priorities. Without this information, among other issues, it is not possible to contact investors indicated as having been helped by MF and therefore to assess the experiences of these, or verify the progress against indicators. Partnerships agreements were signed with the Chamber of Commerce Mozambique-Portugal Chamber of Commerce of Kenya and CPI for disclosure of investment opportunities in Niassa. It was agreed with the Local Government the sharing of business plans for 2012 and some joint programming activities on the field.

According to the WRF report (April 2010), community resistance to plantation projects risks opposing central government (during our visit, the Mozambican Prime Minister was in Portugal looking for more investments in the field of large-scale tree monocultures, a strategic government investment policy). Even so, the communities do protest and resist the expansion of plantations: areas with burned pine and eucalyptus trees were evident during our visit, which forces companies to have watchmen guard the plantation areas. According to community members, these were acts of workers as well as community members, discontented with or even angry with the companies. Even though this process is at an early stage, some of the negative impacts, as seen in countries like Brazil, which has decades of experience in dealing with these plantations, are already visible in Mozambique, such as the struggle for land between the companies and the peasant communities, the growing impact on food production and the problems regarding job security¹⁸.

There are also three medium to large new investments in the start-up phase that are supported by Malonda; these are UMOJA and PANNAR, private enterprises dealing with seed production and the supply of agriculture inputs. The Australian Philip Ngorima (banana production) was attracted and supported in 2012, in coordination with the Provincial Directorate of Agriculture he has been allocated an area for his operations and is preparing to commence his activities. In the same period, Malonda via Amoder supported 127 small and medium enterprises.

Pillar 1 Conclusions

- Forestry companies are not able to access sufficient land to continue their planned investments.
- MF has succeeded in facilitating a commercial farming investment at Matama and some support is being provided to agricultural inputs firms and to an Australian banana producer, in coordination with the Provincial Directorate of Agriculture.
- Since agriculture is one of the targeted economic sectors of the strategic plan, along with forestry and tourism, and agricultural input supply, agri-/food-processing and agri-trading are specific focus areas, it clearly behoves MF to further develop its interventions in the sector, which is key to Niassa's economic and social

¹⁸ Pags 22, 23, World Rainforest Movement (April 2010). The Expansion of Tree Monocultures in Mozambique. Impacts on Local Peasant Communities in the Province of Niassa, A field report.

development given the availability of large areas of un/under-utilised land and appropriate climatic conditions for crop production.

- The potential for investment facilitation in the minerals sector (gold and coal) is considered by the provincial government to be significant, though long-term. It is also highly dependent on the two key issues facing all capital-intensive investments: the availability to investors of DUATs and the existence of sound road and rail infrastructure and reliable transportation services, including direct flights to key destinations, especially Maputo.
- Micro-finance loans are included under “investment” which appears to bolster the results under Pillar 1, when in fact micro-finance loans belong under Pillar 3, financial services. Both Pillars are claiming these loans as results, which could be construed as double counting.
- Major new investment in the province is heavily dependent on functioning infrastructure for its link with markets, given its landlocked location.
- While ‘investment and linkage fairs’ is a central activity of Pillar 1 the details of such events have not yet been defined, despite the workshops that have taken place.
- The marketing strategy and communication plan were completed and they are being reviewed for approval.
- The MF web site is operational in English and Portuguese and can be investors’ first point of contact with Niassa.
- The database to facilitate access to data for potential investor is still under development and requires regular updating, validating and content development. MF reports receiving enquiries through the site, but our own research confirms the Sida report (April/May 2012) finding that MF needs to conduct more traffic analysis. It is also important to evaluate the cost effectiveness of advertising the site and improved site management.
- Partnership agreements were signed with the Chamber of Commerce Mozambique-Portugal Chamber of Commerce of Kenya and CPI for disclosure of investment opportunities in Niassa.
- In the same period, Malonda via Amoder supported 127 small and medium enterprises.

4.2. Pillar 2: Facilitate improvements to the business enabling environment***Pillar 2 Results Analysis***

Pillar	Project Goal	Original Expected Result	Revised Expected Result 2010	October 2012 Result Achieved	Discrepancy Re 2010 Expected Result	MTR Team Comment
Pillar 2	Facilitate improvements to the business-enabling environment.	Number of regulations changed/improved				
		Number of amended policies.				Associations for Private Sector Development in Niassa are largely ineffective in advocating for reforms in policies.
		Number of constraints identified partial/fully reduced or removed.				There has been no research and no evidence of constraints to business environment reduced or removed.

Results under this pillar have not been significant, essentially due to the structural nature of most of the constraints to business in Niassa: weak private sector, low investment, difficulties of access to the required land for natural resource based companies, poor transport infrastructure and physical isolation of the state etc.

The 2012 annual report reveals that MF supported business groups/associations training in business management, legalization of some associations and publication of a manual on the prevention / mitigation of conflicts between investors and local communities. The available project documents indicate a need to identify which constraints to private sector development are Province specific and which are national, in order for MF to develop an action plan to deliver results more effectively. Clearly, there is an urgent need in the forestry and agriculture sectors for a simpler, more expeditious system of obtaining and utilising the DUATs that are intended to provide security of tenure to new investors in the natural resource sector. Equally urgent is the need to improve transport links (road, rail and air) to attract and retain investment by reducing the province's isolation and reduce the cost of doing business. There is also likely to be potential to reduce bureaucracy, red tape and corruption through improved public-private dialogue (including civil society organisations) to achieve an overall improvement in Niassa's regulatory environment, thereby enhancing investor interest and the development of new areas of investment. Since the main assets of Niassa are its natural endowments, a key area in this regard is improved land use planning as a basis for the granting of land rights to investors.

Although access to land for development and legalization of land holdings continue to be the most significant issue facing major investors in the province, MF has initiated constructive

moves to correct the situation. MF has requested DUATs for a total of 86.585 hectares (82.585 ha for forest projects and 4.000 hectares for agriculture projects) in order to facilitate the land holding process mainly for the forest companies. The legalization of the right to hold and use land (DUAT) on these plots is underway¹⁹. AC Matama has reported that it is satisfied with the solutions offered by MF with regard to the transfer of DUATs to the company. MF has demonstrated that it can play a key role in helping ensure that potential investors have security of land tenure.

Nonetheless, we cannot dismiss the findings of the Sida periodic report (April/May 2012), which still apply in Niassa, and are a common problem across the country:

“Land and legalization of land holdings continue to be the most significant issues facing major investors in the province The government’s policy on attribution of land continues to be fluid and confusing and to result in aggravation of conflicts due to creation of expectations that cannot be fulfilled, as investors cannot begin operations.....Future investment is conditioned on investors having security of land tenure and clarification of this issue is fundamental to on-going investment in the province.”

With regard to MF, the report records investor concern over Malonda’s role in land holding, which was significant during the previous programme and now requires validated legal clarification. The MTR agrees with the report that Malonda should avoid being perceived as a beneficiary of land entitlements when its declared role is as the investors’ facilitator in the allocation of land holdings.

The same report found that some private sector stakeholders perceive Malonda as a government institution and thus not an interlocutor likely to independently represent their concerns and even that MF is irrelevant to their needs or is an obstruction to their investments. During our own research we also encountered some negative perceptions of MF, whose support for access to land was deemed ineffective.

Progress under Pillar 2 requires that the Province’s private sector organisations such as the *Conselho Empresarial Provincial* strengthen their capacity for advocating reforms of the business environment at provincial and local levels. The weakness of local private sector institutions is a major handicap in that regard and should in our view be addressed through the strengthening of business membership organisations. An opportunity for doing so was identified during this MTR at a meeting with the Association of Cuamba Economic Agents - AGECA, a private business association in Cuamba district, aiming to facilitate improvements in the business-enabling environment. As such, AGECA is a key institution for Pillar 2. However, the association has received no significant support from MF and despite having been formed in 1997 AGECA still does not have an office of its own. As an example of the challenges faced by such local organisations we cite some of AGECA’s experiences:

- Members do not pay their association fees;
- There are no organizational guidelines in place;
- AGECA lacks the financial means to carry out its activities;
- AGECA has been unable to obtain support from MF for the formulation of its strategic plan, training in preparing business plans, business management, marketing strategies and other areas of business development.

¹⁹ See MF board response to Sida/2012, monitoring team report.

The MTR can also confirm the conclusion of the Orgut 2012 report that Malonda does not provide research and data on the cost of current infrastructure constraints to business and likely impacts on future investment of lack of road and rail links. A focus on this area would strengthen the hand of the public and private sectors when negotiating or lobbying for the required investments to alleviate the province's isolation.

With regard to building capacity for private sector growth, MF has emphasised generic training in PSD issues, for both businesses and associations.²⁰ In our opinion trainings are more effective if targeting a specific value chain, while drawing on best practice from organisations such as GIZ and USAID (SPEED), which have shown significant demonstrable results in improving the operation of associations and can be further enhanced through focusing on the development of specific value chains with high poverty reduction potential.²¹

Local Government Views on Market Development in Niassa: The Director of SDAE/Mandimba expressed several concerns about weak market development, which is a potential area for intervention:

- Maize produced in Mandimba is sold for processing in Malawi, because there is no local processing or local storage capacity.
- A private investment in a plant for hulling corn collapsed, although local informants believe there is potential for processing of corn and other grains.
- The storage silos in neighbouring Malawi absorb all the excess production of the Mandimba district.
- The NGOs OIKOS introduced rice mills that are currently idle. MF was asked to support their reactivation but has not responded.
- In the district there are 99 registered associations, but only 10 are in operation, with support from GAPI / PROMER (Support Program for Rural Markets) which is strengthening the local associations.
- Other support is being provided by MLT (Mozambique Leaf Tobacco) working with local producers in the value chain promotion of tobacco;

Pillar 2 Conclusions

- MF supported business groups/associations training in business management, legalization of some associations and publication of a manual on the prevention / mitigation of conflicts between investors and local communities.
- In terms of major improvements to the business environment there are no concrete results due to a) the intractable nature of the structural constraints on private sector development in Niassa, in particular access to land and adequate transportation

²⁰ During the year of 2012 the following training courses were provided by MF: Course in Muembe, Capacity Training of the Economic Agents in Cuamba, Course in Mecnhelas, Course on Capacity Building in Nipepe, Course on Capacity Building in Majune, Course on Capacity Building Agents in Sanga, Course on Capacity Building in Chimbonila, Capacity Training of the Agents at AMODER, Training Agents in Lichinga on control of sales.

²¹ Several development agencies including Hanns Seidel Foundation, ACDI/VOCA Kenya and GTZ/PSDA contributed ready-made training products. One example is the 6 day course "Farming as a business" (FaaB), which has been introduced by GTZ and GfA. This course is now attended by about 1200 farmers per year. Contents include, among other things, farm economics, value-adding, group formation, accounting and marketing. The course includes a lesson plan and material for trainers as well as for trainees.

infrastructure b) the absence of appropriate mechanisms for dialogue with the private sector particularly between the provincial CEP (*Conselho Empresarial Provincial* – Provincial Business Council) and CTA (National Confederation of Trade Associations), as well as weak dialogue within the private sector itself²².

- MF has made a considerable effort to facilitate investors' access to DUATs. However, the national administrative process for granting and transferring DUATs needs significant review and improvement before it can respond to the expectations of investors.
- Existence of a poor perception of MF by some major investors, restricting its potential as an investor facilitator.
- Weak synergies with Pillar 1.
- Opportunities for research into infrastructure development not followed through.
- Trainings tend to be too generic and do not focus on concrete constraints in specific value chains.
- Opportunities exist for rural poverty reduction through the development of agricultural market linkages and post-harvest infrastructure development.

4.3. Pillar 3: Facilitate improved supply of financial, legal, accounting and other business services available to businesses

Introduction

This section discusses MF's achievements in the financial and business services sector. Niassa's financial services sector has many points in common with the national financial and business services sector, for which reason we have prepared a background paper on financial services, presented in Annex 6, Background information on Financial Services for Rural Poverty Reduction in Mozambique.

However, the Niassa financial services sector is distinguished by the predominant role played by AMODER over the past 12 years. Since 2000, AMODER has operated a credit fund initially valued at 63million meticaïs provided by Mosagrius / MF and still today a large part of its operations are underpinned by this fund. A full discussion of AMODER is presented in section 4.3.3, below.

Pillar 3 aims to encourage the development in Niassa Province of financial, legal, accounting and other business support services, under somewhat unfavourable conditions for private sector development:²³

- Niassa's poor network of economic and social infrastructure (roads, access to health services, drinking water, long distances to markets, lack of transportation, etc.);
- Production and marketing are constrained by lack of rural infrastructure;
- High levels of illiteracy (54%);
- Poor access to market information;
- Limited access to basic farm implements, improved seeds, fertilizers and pesticides;
- The main activities are based on manual instruments - low / negligible mechanization;
- Low processing or value-added agricultural products;
- Limited access to training and extension services;

• ²² As stated in the Sida report (April/May 2012).

²³ Based on observations from the literature review, stakeholder interviews and the field trips in the districts of Lichinga, Sanga, Mandimba, Cuamba, Metangula and in the Niassa Lake district.

- Weak technical support to agricultural production and marketing;
- Limited access to rural financial services;
- Poor post-harvest management; agro-processing is limited to small mills (corn);
- Poor storage capability of production;
- Limited access to rural financial services.

Pillar 3 Results Analysis

Under Pillar 3 Malonda is to commission and manage supply and demand studies for particular services. A key area is financial service provision, rated as the second most important business constraint for Mozambique. There are supply gaps for micro-enterprise finance in Lichinga, SME finance in most towns, and rural finance throughout Niassa.

Supply and demand studies will be published and presented to existing/potential service providers. Malonda will assist with further viability studies or facilitate potential investors to visit Niassa.

Village savings and loan schemes that enable community money to be mobilised and on-lent will be promoted through partnerships in forestry areas.

Malonda will support research and analysis into market supply and demand of legal, accounting and other business services for presentation to stakeholders.

Malonda will support training of existing legal and accounting service providers to improve service quality and range. Support will include public sector bodies, such as Balcao Unico and include sensitisation training, supporting translation of key documents into English and so on. The results matrix (2010-2013) is as follows:

Figure 5: Pillar 3 Results matrix

Results Indicators	2010-2012	2010	2011	2012
P3. Three new providers of legal services and accounting established and supported.	2 new providers (Valdo, SGC)	0 (no new provider)	1 Provider - Empresa Valdo in Lichinga	1 new provider - SGC
P3. Three new providers of financial services to medium, small or micro enterprises established and supported	5 new providers	1 new provider in Muidimbe in the district of Murrupula	3 new providers: ADEL and UPCN based in Lichinga and working in all Niassa districts and ADC working in Cuamba	1 new provider working in Lichinga (Adecon)
P3. Fifteen SMEs receiving credit	24 SMEs received credit	7 SMEs received credit (1 in Cuamba and 5 in Lichinga)	Total - 17 SMEs accumulated) 10 SMEs received credit in Cuamba, Mecanheles, Lichinga, Marrupa,	(Total - 24 SMEs accumulated) 7 SMEs received credit – without location information
P3. 90 micro companies with microcredit	651 Micro companies with microcredit	557 Micro companies with credit, 389 in Cuamba, 141 in Gurue and 27 in Lichinga	223 (increase) Micro enterprises with credit Cumulative total: 780 without location information	129 (decrease) Microcompanies with credit, Cumulative total: 651, without location information
P3. Three thousand people in rural areas have access to credit and savings schemes.	3208 = (ASCAS+ CPPM)	557 CPPM – Marrupa, 0 PCR; total 557	562 CPPM – In Mandimba and Marrupa, 761 PCR; Total 1323	1347 CPPM – in Mandimba and Marrupa, 1861 PCR; Total 3208

It can be seen from the above monitoring results matrix that:

- The target of three new providers of legal services and accounting established and supported was not achieved (only two new providers established in Lichinga²⁴).
- The target for new financial providers was three while five were created, namely²⁵: ADEL and UPCN based in Lichinga and working in all Niassa districts and ADC working in Cuamba, one new provider in Muidimbe in the district of Murrupula and one new provider working in Lichinga (Adecon).
- 24 SMEs received credit against the planned 15.
- 651 micro companies benefited for AMODER microcredit, against the planned 90.
- The target for the people with access to savings schemes was exceeded: 3,208 against the planned 3,000 (107%), revealing vitality in the growth of savings and credit groups and Caixa de Poupança Postal de Moçambique SA (CPPM).²⁶

Disbursements:

In 2011 the level of financial execution in the pillar 3, was twenty-eight percent, and in 2012 there was an increase up to 47%, which shows the existing problems in the planning and execution of project activities.²⁷

The description profile of the typical AMODER borrower presented in the Final Report of the Midterm Assessment Survey prepared by Metier (30 October 2012) confirms that MF's main target group (small farmers), as defined in the Strategic Plan (2010-2013) is still excluded from the financial system supported by the program.²⁸

AMODER

AMODER was able to draw on a fund of 63 million MT from MF over the period 2000 to 2007 and introduced three financial products to Niassa: Consortia, Credit and Micro-credits.²⁹ It is perturbing that the value of this fund had shrunk to 43 million MT by 31/06/2012, of which the loan portfolio totalled 35.7 million MT, as follows:

²⁴ Consulting firms Valdo and SGC in Lichinga. In fact there are already two companies, notwithstanding the report 2012 and the results matrices refer to only one, as confirmed later on by the pillar director.

²⁵ The pillar's target is to have established three MFIs by mid-2013.

²⁶ CCPM is a consortium between the Post Office, Malonda Foundation, MCEL and GAPI.

²⁷ 2011: USD213.561 disbursed against the planned budget of USD780.046 and in 2012: USD328.019 disbursed against the planned budget of USD728.083.

²⁸ "... the profile type of the borrower is an individual male with 38 years of age, who can read and concluded EP1, head of a family with 5 members (3 under 18), where 3 people working in family regime (without payment). Usually live in conventional homes themselves covered with zinc sheets, with cement block walls, cement floor and 4 divisions (of which 3 are rooms for sleeping). With piped water outside the home, improved latrine and energy in homes, these families use coal for cooking and take on average 8 minutes fetching water, 21 minutes to the nearest market/store, 27 minutes to the nearest stop of public transport, 19 minutes to the primary school and 28 minutes to the health center. Living in general above the poverty line, each family has bicycle, radio, television, Glacier, iron and cell phone. Additionally, in 10 families: 7 have motorcycle and 2 has sewing machine"

²⁹ In AMODER/Fundação Malonda Programa de Consórcios e Créditos e de Micro-crédito – Proposta de Continuidade (Setembro de 2012), pag.4

- 13 consortia, 30 under regularization, with a value of 20.5 million MT in the portfolio, of which two with warranties or recognized capacity, representing 88% of this value;
- Portfolio of active credits with a value of 6.8 million MT;
- Micro-credit active portfolio with a value of 8.4 million MT;
- Financing the marketing of agricultural products, the main support to agriculture for small farmers in the region, resulted in the purchase and sale of over 135 thousand tons of agricultural products, estimated to have benefited about 31,000 peasant families annually³¹.
- Financing for local entrepreneurs accounted for about 30% of all the values made available.
- About 18% of the funding was directed to women entrepreneurs, a growing trend in recent years.
- In collaboration with the Foundation MUNDUKIDE, and on an experimental basis, about 130 loans to small farmers were made, during the last two years;

AMODER currently operates out of four offices (Lichinga, Cuamba Gurué and Mandimba) being used in the program. Only the Lichinga office is a property of Malonda Foundation. Four operational AMODER antennas are operating in the region (Marrupa, Majune, Maúa and Malema). The normal credit programme is still on-going, but the portion of funds that are allocated to the programme is now being reduced, with an increasing portion allocated to the microcredit programme. Deloitte³² records the 2011 allocations to the normal credit programme as being 1,980,000Mt and the allocation to microcredit as being 8,854,971Mt – though there is some concern about this data as the totals for 2010 are 9,437,000Mt and for microcredit, 11,675,289Mt.

There is reportedly a considerably higher demand for microcredit, and the repayments and the portfolio-at-risk ratios are better. Furthermore, in spite of utilizing a similar portion of resources, the normal credit programme reaches relatively few clients: reportedly 69 loans were disbursed from 2003 to 2011.³³

In contrast, the number of microcredit clients for a similar period was more than ten times greater with the total loans disbursed being 926. In addition, the normal credit programme repayments are not as reliable as those for microcredit, as reflected in the portfolio-at-risk. The AMODER Regional Coordinator, who is based in Cuamba, stated that generally the clients with larger normal loans were the most problematic in terms of timely repayment. While the normal credit programme is less attractive for AMODER than the microcredit programme, it still serves an important function as it provides a larger size of loans for the

³⁰ Consortium Programme: The Consortium programme was designed to promote project financing initiatives that help increase rural household income and reduce poverty by stimulating higher volumes of crop sales through increasing the buying capacity of agricultural commodity traders. Although not explicitly stated, it is understood that the objective was to allow the Malonda Programme through AMODER and traders to attain the goal stated above without exposure to complex financing procedures and conditions that would make it difficult and more costly to borrow, allowing in a way for greater independence and operating autonomy of the traders. Although all potentially viable enterprises in Niassa are eligible for consortium agreements, the great majority of beneficiaries have been engaged in agricultural marketing.

³¹ In AMODER/Fundação Malonda Programa de Consórcios e Créditos e de Micro-crédito – Proposta de Continuidade (Setembro de 2012), pag.5

³² Deloitte February 2012

³³ Deloitte February 2012.

dynamic small traders that have performed well with the microcredits, have grown their businesses, but still cannot access commercial bank credit. It enables them to get larger loans, for more than 50,000Mt, at a lower interest rate (at between 4.5% and 3.75% for the normal credit programme as compared to 5.25% and 4.75% for the microcredit programme) The microcredit programme has been very popular and there is reportedly a growing demand for these trading/working capital loans. From the perspective of Malonda, and in line with the goals of the Strategic Plan, the microcredit loans allow it to reach and benefit a greater number of people in the province – not just the small traders that take the loans, but also the farmers and other people who can sell their produce in a more competitive market and thus be able to achieve higher prices.

The new AMODER operation in Mandimba is a good case in point. In spite of being open for little more than a year, it has already grown its loan portfolio to 147 clients. The average size of loan of 15,000Mt indicates that the bias is towards smaller loans – well below the ceiling of 50,000Mt. There would appear to be potential to expand the microcredit programme beyond the current four centres – Cuamba, Lichinga, Gurue and Mandimba – but due to the small and frequent repayments, AMODER requires that the programme must be run from a centre where there is a commercial bank branch. As the rural branch network of the commercial banks expands, it should be possible for AMODER to further expand operations.³⁴

According to the Sida report (April/May 2012)³⁵, “...AMODER continues to be the dominant player in the provision of financial services to small and medium sized business in Niassa. However, AMODER is not formally part of the responsibility of Pillar 3, and there are no indicators in the Strategic Plan or RBM to assess AMODER’s performance. Informal linkages between AMODER and Malonda are maintained by the Pillar Director.”

AMODER continues to benefit from Malonda funds, even though the Foundation is no longer directly involved in implementation. It is therefore useful to look closely at the AMODER experience, particularly since a proposal has been discussed at the Malonda Board level for AMODER to become a project partner again in 2013. The reasons for the collapse in the value of the Malonda funds destined for financial service provision through AMODER are documented in two studies: Impact Assessment of MF's Financial Service Provision Programmes, Fion De Vletter & Arlete Patel, September 2009 and Deloitte 2012, Análise dos Fundos da AMODER. Our analysis of this 2009 study arrived at the following conclusions:

- The report refers to agricultural marketing as though this was a focus of development efforts but in fact it is about grain traders, who are usually the last people who need access to financial services along the agriculture value chain. They usually provide credit to farmers at the lower stages of the chain. If AMODER were focusing on support to traders the FI would be helping the people who least need it, instead of helping farmers market their crops more profitably.
- The Programme seems to have missed a major opportunity to improve the value chain through financial mechanisms that build trust between producers and traders, so the latter can provide better services to the farmer.

³⁴ Sida periodic report (April/May, 2012)

³⁵ Sida periodic report (April/May 2012, pag.12)

- The intermediary role that Malonda could have played was invaluable. Instead, what they did was strengthened one part of the chain, precisely the one which was already stronger, the trader, facilitating even more access to funds. Of course, the flow of funds surely benefited some farmers as well, but the relative benefit was much bigger for traders than for farmers.
- The key to strengthening market linkages – and hence apply M4P in a practical manner is to create win-win relationships. By supporting just one side of the link and the stronger side in this case, the value chain is weakened, not strengthened.
- AMODER set up in Niassa because there were subsidized funds available and as such is a supply-led programme. It did start out by building understanding of the environment in which it would operate and did not adjust its products and systems to the needs of the market or their clients but in seeking low-hanging fruit tended to distort the market.
- AMODER lacked the medium term funding to work with farmers (short-term 4-6 months is too short for farmers, as the crop cycle takes up most of that period and harvest-time gluts reduce prices below breakeven points and do not recover till several months later. To succeed FI's need close knowledge of the peculiarities of farming, trained staff and knowledge of their clients; infrastructure must allow access to markets.
- The programme, with a high level of subsidies involved, was not sustainable, and AMODER failed to provide services to address the basic financial needs of rural producers. It appears that neither Malonda nor AMODER tried to understand the functioning of the agriculture value chain finance in Niassa and did not develop products to attend the post-harvest handling and storage necessities of producers (rather than those of traders), or to strengthen the links between the different segments of the value chain.

As stated in the report, what is important is that AMODER has built up a major presence in the province and currently is providing loans to some 1,000 clients annually – clients who would not be able to get financing from commercial banks or other financial service institutions.

The Review shares Vlatteer and Patel's assessment that the **Malonda Micro Credit programme** has been very cost effective (operational sustainability almost reached within three years), and has targeted an acceptable number of micro-enterprises in a diverse number of activities in relatively remote rural towns. Despite its lack of experience in microfinance, AMODER has done an admirable job in implementing the MMC although the portfolio at risk is somewhat worrying. We concur that Malonda, and the Embassy, should be looking for ways to enable the AMODER programme to play a pivotal role as a supporting institution under the Pillar 3 assistance to MFIs establishment and operational. A continued close working relationship with PAFR/FARE, and other programmes supporting the establishment of MFIs, will also be important.

Possible financial strategies for MF/AMODER going forward should be based on a specific assessment of the financial viability of the operations to date and should also take into consideration the Sida guidelines for microfinance support comprising:

- Performance evaluation of the program in the last 10 years;
- Ability and experience created by AMODER in terms of management, infrastructure at each location, equipment, etc.;
- Existing conditions for the continuity of business by the current borrowers after the end of the program;
- Demobilization of personnel assigned to the AMODER program;
- Assessment of costs involved;

The Rationale for donor support to microfinance extracted from Sida guidelines states:

“Nevertheless, to provide the desired demonstration effects, it is critical that donor support is designed in such a way that it encourages commercial pricing (i.e. full cost recovery), efficient operations and sound market development, allowing the phasing out of subsidies (grants, technical assistance and soft loans) in a predictable manner.”

Business Services

As stated in the Sida Periodic report (April/May 2012), “while the primary emphasis in this pillar continues to be on improving financial services, as noted in the 2011 monitoring report, there has been some progress made in facilitating improvement in legal and business services, though these continue to receive less attention.”

Improving and developing services requires information about the current status of service provision in the value chain. The question is how the existing public support service providers can be strengthened and their services be directed towards the value chain and its upgrading needs.³⁶

Most business development services (BDS) currently available to Mozambique’s private sector are provided by public-sector institutions or donor-funded programs. Private provision of BDS, particularly for agribusiness and especially in Niassa, is relatively limited. The pillar has used a proven and successful PCR facilitator (Opavela) to train two local service providers (UPCN and ADEL) to create and train PCRs in the province.

The Strategic Plan envisages Pillar 3 improving legal and accounting services, with three lawyers and three accountants establishing themselves in the province. This result has already been partially achieved with two new accounting/consulting firms having been set up in the province (VALTO and SGC). Both companies are able to provide bookkeeping services and some consultancy services. These achievements could make a more direct contribution to the Programme objectives if they were focused on specific value chains, clearly defined target populations with measurable outputs.

The pillar has identified constraints to the establishment of legal practices in the province and has established a partnership with the Mozambican Bar Association to facilitate the raising of the standard of legal advice in the province. Progress has been slow but the strategy may be effective and conducive to raising the level of legal services in Niassa.

Pillar 3’s work in promoting the development of business services overlaps with that of Pillar 2. Working sessions have been held with a range of service providers – AENI, AITHUN,

³⁶ In “ValueLinks Manual The Methodology of Value Chain Promotion”, Reprint of First Revised Edition, January 2008

ASSOTSI, AVICULTORES and AAGECA³⁷, but there have been limited results to date. As in other parts of the RBM, it appears that there is greater emphasis in the Strategic Plan on 'process' – meetings, discussions, presentations, promotion –than on 'results' arising from such processes.

Stakeholders feedback

We summarise below specific findings of the meetings with AMODER clients in Lichinga, Mandimba and Cuamba:³⁸

- Most of the active clients interviewed spoke positively of the MMC and their loans. Almost all interviewees had been clients for more than a year and most had borrowed several successive loans in increasing amounts. AMODER is seen as the only financial institution to which they have easy access, because they cannot meet the requirements of other institutions;
- AMODER credit is invested in informal sector activities revolving around trading of which typical categories include: general shops (including non-perishable foods, batteries, cleaning materials, cosmetic products, etc.); second hand clothing and shoes, electronic goods, retailing of agricultural produce, retail trading in fish (dried, salted and fresh), hardware, bicycle parts, plastic bags, etc. A considerable number of clients are involved in wholesale trading of agricultural produce and fish;
- The credit contributed for the improvement of the AMODER clients' welfare (increase their capacity income and enjoy a better quality of life, better house, child education, social status, etc.).

Constraints:

- Value of credit is reduced for business expansion;
- Customers connected to agricultural marketing say that the value they have access is little considering the characteristics of agricultural marketing;
- They would like to see extended the period of repayment of capital;
- They would like rescheduling facilities of the credit where necessary;
- Have difficulties in providing guarantees for mortgage;
- It is not easy to make the registration of properties;
- The difficulties in licensing their activities prevent becoming formal business entities;
- High transaction costs;
- Overall none of the AMODER clients interviewed main activity is agriculture³⁹;
- Overall AMODER credit beneficiaries are informal market players;
- In Mandimba for example, some stakeholders in agricultural marketing say they have no interest in AMODER credit for not being suitable for the environment in which they operate (cross-border)⁴⁰;

³⁷ AENI – Associação dos Agentes Económicos de Cuamba; AITHUN – Associação da Indústria Hoteleira e Turismo do Niassa; ASSOTSI – Associação dos Operadores e Trabalhadores do Sector Informal; AVICULTORES – Associação dos Produtores de Avícola; AAGECA – Associação dos Agentes Económicos de Cuamba.

• ³⁸ Interviews in: Cuamba with 8 clients; Mandimba with 13 clients; Lichinga (Amoder office) with 17 clients.

³⁹ The MTR has concluded that the joint venture concept was in fact a loan in disguise that mainly favored those already better-off along the value chain – agriculture traders.

- There is no financing scheme for the development of the agricultural value chain, although mentioned in the Strategic Plan (2010-2013) of the MF that the main target group are small farmers⁴¹.

Cuamba Microcrédito: A meeting was held at Cuamba Microcredito with the interim manager (Pauline Nicocho). The institution operates since March 2012 and has only 17 borrowers. The interim manager exhibited the credit management software "Loan Performer" acquired in Maputo; the "Loan Performer", is a package of credit management approved by the Bank of Mozambique.

Community Development Association (ADC): Also in Cuamba, a meeting was held with the ADC microfinance manager (Lucia Baptista Salimo). The ADC was formed in 1999 and operates as a provider of microfinance since 2011, in the context of the Rural Finance Support Program (PAFR / FARE). The loan portfolio of the ADC comprises 290 active clients. The manager pointed out as problems the lack of a software package for the management of credit. The level of bad loans is referred to as being high. She asked for more support from MF.

Local Economic Development Agency (ADEL) Niassa: The ADEL Lichinga office was visited and a meeting held with Rafael Cristiano (technician). ADEL currently is in a phase of financial difficulties for the implementation of its activities. Apparently, institutional coordination with the Provincial Directorate of Planning and Finance is weak. ADEL is one of the supporting institutions linked to the MF Accumulative Savings and Credit Associations (ASCAS) promotion program. MF could play a key role in the Niassa ADEL revitalization.

ASCAS - Promoting community-based savings and lending groups: The Nampula based NGO Ophavela has promoted ASCAs, involving some 50,000 members, mainly in Nampula Province. ASCAs provide an important first step for communities to mobilize savings and generate credits from their own resources. Experience with ASCAs in Sofala and Manica have demonstrated that many ASCA members become excellent clients for formal MFIs. Malonda Foundation adopted its ASCAS program since 2011.

ASCAS: "The promotion of savings and loan schemes in villages and / or rotating savings and credit schemes allows money community to be mobilized and lent to others without the high overhead costs associated with the transaction and formal microfinance providers and banks. This would be done through partnerships with organizations like Progresso or PASC and concentrated in forested areas of Sanga and Lichinga Muembe "- In MF Strategic Plan (2010-2013), p.16 (paragraph 19)". The MF is involved in supporting savings groups and community-based rotating credit associations (PCRs). The program facilitated the establishment of two ASCAS service providers in Lichinga, ADEL and UPCN (Niassa Peasants Associations Union) with the support of Opavela⁴², an NGO experienced in the establishment and formation of savings and credit groups. The ASCAS grew from 30 groups in 2011 to the current 73 (Lichinga 21, Muembe 21, and Sanga 31). The Groups of Lichinga and Muembe

⁴⁰ Meeting held with 13 AMODER credit beneficiaries (21/11/12)

⁴¹ "...the target economic sectors continue to be agriculture, forestry and tourism. Viewing these more holistically as value chains has led Malonda to also target agricultural input supply, agri/food processing and agri-trading" – pag.18 Malonda Strategic Plan (2010-2013). "... "The small farmers also constitute a group not covered by financial services, and the woman entrepreneur represents a small proportion of transactions, though with a growing trend" - In AMODER / Malonda Consortia Program and Credit and Micro -credit - Proposed Continuity (September 2012), p.6.

⁴² An NGO specializing in training and help establish ASCAS savings and credit groups

belong to the network of Provincial Peasants' Union of Niassa (UPCN) and Sanga group belongs to the network of Local Economic Development Agency. The ASCAS daily operations are supported by a credit officer as well as group animators. Each animator covers up to a maximum of 6 ASCAS. Each animator has a bicycle to facilitate their contact with ASCAS. The ASCAS have a maximum of 30 members. The operating cycle lasts between 8-12 months. In the first 2 months the cycle comprises only savings mobilization. Loans start after the third month, in a rotary system, varying the monthly interest rate between 5 and 10%. Two Accumulative Savings and Credit Associations (ASCAS) were visited in the districts of Sanga and Lichinga, where the mission attended two ASCAS workshops. Additionally, it is expected a partnership agreement with the Provincial Delegation of IDPPE⁴³ for the creation of over 12 groups of PCR in the Lake District, where the delegation has already created over 20 groups involving fishing communities.

Specific findings of the meetings with members of the ASCAS in Lichinga and Sanga:

- The members of the visited ASCAS assess the experience as positive as it introduced a savings culture. Before the program they could not make savings;
- In this way ASCAS members (smallholder farmers) got access for the first time to credits through savings made as a group;
- It was possible to watch two members receiving credit (2,500 meticaís), as well as two members doing the refund;
- In general, there are no problems in the repayment of loans;
- According to the members the credits are applied to pay the occasional labour ("ganho-ganho") and other farming and household expenses;
- ASCAS members would like to receive assistance in accessing agricultural inputs such as fertilizers, improved seeds and pesticides, to improve agricultural productivity;
- The prices of fertilizers and pesticides are high, and there is no point of sale close;
- Animal traction could help expand their production areas;
- ASCAS members would like to receive support to implement income generation projects such as poultry.

Pillar 3 Conclusions and Recommendations

- Two new providers of legal services and accounting established and supported were established in Lichinga (against a target of three).
- Five new financial providers were created (against a target of three).
- 24 SMEs received credit against the planned 15.
- 651 micro companies benefited for AMODER microcredit, against the planned 90.
- 3,208 people benefitted from access to savings and loans schemes against the planned 3,000 (107%) revealing vitality in the growth of savings and credit groups and Caixa de Poupança Postal de Moçambique SA (CPPM).
- There is a need to facilitate expansion by the few current providers to other areas of Niassa, and/or attract new serious micro-finance players. Malonda can play a key role in promoting the opportunity by providing credible research and analysis to identified potential micro-finance investors and then facilitate their entry.
- If financially viable, the pilot programme for agricultural lending being implemented in conjunction with Mundukide⁴⁴, should be expanded using part of the funding

⁴³ Institute of Promotion of Small scale Fisheries

⁴⁴ Over the past year AMODER, with funding from Mundukide, has been implementing an agricultural credit programme with 100 clients.

from Malonda which is already in AMODER; a link to technical support currently provided by Mundukide, would be essential⁴⁵.

- In addition to financial services provided by the financial system, other funding modalities coexist with rural finance. These are integrated in the concept of Value Chain Finance, which is not provided by the banking system or microfinance but is contained in Mozambique's Rural Finance Strategy. The system works by analysing the value chain and the linkages between operators in order to structure financing according to their needs. The system allows financing to flow up and down the chain. For example, inputs can be provided to farmers and repaid directly from the sale of the product without having to go through a traditional loans process.
- Numerous financial instruments have been adapted or developed to use in financing value chains. These include various trade finance instruments, warehouse receipts, factoring, etc. and risk mitigation products related to the product such as forward contracts and guarantees.
- Understanding the conditions under which value chain finance works or doesn't work is useful for all stakeholders interested in improving the supply of and access to finance for rural producers, and in our view it fits within the Sida finance guidelines.
- MF would also benefit by developing its partnership with government institutions such as the Rural Finance Support Programme⁴⁶.
- Support and promote the vitality of the private associations like AGECA should be one of the immediate priorities of MF, given the role it can play in revitalizing economic activity in Cuamba district in particular and in Niassa province in general.
- As noted in the report ORGUT (July 2011)⁴⁷ there is therefore an urgent need to improve relations between the program and the private sector and ensure that the program has a genuine understanding of the concerns of the private sector. As stated in the Strategic Plan (2010-2013) Malonda vision is to be an agent of change in a private sector impacting positively on poverty reduction.
- There is room for MF to explore partnerships with programs such as PROMER, and other local, provincial and national, in an effective way. During the mission we found no evidence that this is happening right now in an effective manner.
- The MF could help in the identification of adequate software package for the management of credit that continues to be done via a precarious EXCEL spread sheet.
- The Cuamba Microcredit in Cuamba works with the "Loan Performer", which is a package of credit management approved by the Bank of Mozambique.
- The MF could support the introduction of this package in the local financial institutions as a way to professionalize the management of credit.

⁴⁵ Sida report (April/May, 2012)

⁴⁶ The goal of the programme is to stimulate economic growth and contribute to poverty reduction by improving the livelihoods of rural households and boosting the viability of enterprises in rural areas of Mozambique. Specifically, the programme improves sustainable access to appropriate financial services for individuals, groups and enterprises in rural areas, while at the same time creating a conducive institutional and policy environment to support the long-term sustainability and diffusion of rural financial services. Funds and technical assistance are made available to help financial institutions penetrate rural areas and extend financial services to these remote parts. At the same time the programme helps organize smallholders, artisanal fishers and other poor people in remote rural communities into self-managed financial associations to facilitate improved management of their own economic resources.

⁴⁷ Pag. 9, paragraph 23

- A priority action is to find ways to support small traders / processors and suppliers of inputs for agriculture and forestry⁴⁸;
- The Farmers Home can be an effective solution for supporting small farmers in the provision of agriculture inputs;
- The focus on training local service providers, who may be stakeholders (NGOs, individuals, consulting firms, etc.) can be a starting point for the gradual growth of the supply of business development services and local business, selecting in each area or zone of intervention value chains with the greatest potential;
- The ASCAs in Mozambique are proving, albeit slowly, to be a sustainable and efficient means of disbursing credit in rural areas. MF must give an increased attention to the expansion of the ASCAS.
- MF should seek to improve the quantity, quality and appropriateness of business development services available to the target value chains and the agribusiness sector in Niassa. Current best practice in this area includes: (i) developing value-chain- focused, private sector-run agribusiness service clusters; (ii) rolling out and expanding farmer-owned service centers; (iii) building the capacity of service providers in the target value chains. Up to now, MF has only limited experience in these areas and could benefit considerably from developing relevant capacity.

4.4. Pillar 4: Facilitate improved community-investor relationships

Introduction

Pillar 4 focuses on “facilitating improved community-investor relationships in the province.” The purpose of this pillar is:

- Facilitate conflict resolution through mediation services of conflicts of interest
- Facilitate partnerships between investors, communities, government and key stakeholders, and
- Facilitate the identification of sensitive issues that need to be addressed through objective and independent research, including the use of the Community Development Fund (CDF) to support programs.

⁴⁸ The target group consists of the most disadvantaged communities, but economically active, including small farmers, women's groups, farmers / traders, small traders / processors and suppliers of inputs for agriculture and forestry In MF Strategic Plan (2010 -2013) - section 10 of the executive summary.

Pillar	Project Goal	Original Expected Result	Revised Expected Result 2010	October 2012 Result Achieved	Discrepancy Re 2010 Expected Result	MTR Comment	Team
Pillar 4	Facilitating improved community-investor relationships in the province.	6 major conflicts resolved	4 major conflicts resolved	4 conflicts resolved	- 2 major conflicts	This indicator is not technically relevant from the point of view of strategic outcomes. The number of conflicts resolved is not adequate indicator as no one can ensure predictability of conflicts that may arise throughout the period of project implementation.	
		30 Significant mediations	13 significant mediations	7 significant mediations	- 17 significant mediations	The number of significant mediations performed as result indicators is not adequate for a dynamic environment where one cannot ensure predictability of conflicts.	
		Continued investment by forestry companies		Only 1 new forest investor, and 2 new investments in agriculture.	Was not set any quantitative indicator.	No reports of an increase in new areas of investment by forestry companies. The reduction of the number of workers in forestry enterprises is due to lack of access to new DUATs. During the period only 3 new investments were registered and two of them are not operating yet.	

Since MF was established in 2005, conflict management and resolution is an on-going challenge. The issue mainly arises from the uncertainty of land rights that are a concern for both communities and businesses.

Some studies on Niassa reported the existence of conflicts between communities and economic interests⁴⁹. Insecurity and uncertainty over land ownership have been the root

⁴⁹ Åkesson et. al. (2008); PEM Consult (2011). An evaluation team consisting of technical staff from DNTF (Direcção Nacional de Terras e Florestas), DPA (Direcção Provincial de Agricultura) and IIAM (Instituto de Investigação Agrária de Moçambique) pointed out the existence of various conflicts in Niassa.

cause of such conflicts. Currently other types of conflicts have emerged in various communities, largely associated with:⁵⁰

- The presence of forestry companies, and errors or failures in communication during the consultation phase;
- The absence of mechanisms for monitoring agreements in connection with the right of land use and benefit by forest companies;
- Lack of transparency in implementing social responsibility initiatives generally derived from the absence of written agreements;
- Problems arising from employment relationships.

There is a perception that the problems associated with community/investor conflicts are the result of the consultation process initiated by MF.⁵¹ Åkesson et al. (2008:24) highlights Malonda's failure to conduct adequate consultation processes with the community, due to its limited openness to participation on the one hand, and the absence of representative community leaders recognized directly by communities.⁵²

Thus, while communities do not feel secure about their rights and investors fear for the sustainability of their investments, there will be serious risks of conflicts likely to derail investment and slow the development of rural and poor populations.

Before the entry into operation of the current MF program 2010-2013, the organization has introduced mechanisms for improving relations between communities and investors, by creating Committees for Management of Natural Resources (CCGRN); Councils for Management of Natural Resource (COGEP); and Community Development Fund (CDF). These mechanisms are a useful legacy from the earlier phase of MF for facilitating conflict management and mediation⁵³.

In fact, all the mechanisms in the framework of conflict management were created before the phase 2010-2013, and particularly in 2009. The COGEPs were established in areas where MF had direct activities (planting of Mussa), or where it acted as a partner of some forestry companies, such as in Sanga with Chikweti and Muembe with New Forest. They are not instruments originated in this new phase of the MF. The COGEPs act as an agency that intermediate and advocate communities interests in the areas affected by investment projects. They have the role to facilitate dialogue and partnerships between communities and investors/government; management of Community Development Funds; mediation in resolving conflicts between investors and communities; advocate in favour to protection for the welfare of local communities in the context of access to land. The COGEPs have been instrumental in the dialogue between the parties directly involved with the forestry

⁵⁰ Åkesson & Nilsson (2006); Åkesson et. al. 2008. A PEM Consult (2011) points out the existence of different types of conflicts. Confirmed in interviews with the Provincial Director of Agriculture, COGEP of Chimbunila.

⁵¹ Both the report by Åkesson et al. (2008) and PEM Consult Report (2011), as well as the evaluation report made by the multi-sectoral team composed by technical staff from DNTF/DPA & IIAM cited by PEM Consult lead to this conclusion.

⁵² See Åkesson et al. (2008:26), they indicate the case of a community in Majune where a Sultan from the Yao community conducted the consultation process, in the year 2004/2005, while the area under negotiation belongs to a Makua community.

⁵³ See the recommendations from the MF final report 2010: "Continuar a monitorar a aplicação do Fundo de Desenvolvimento Comunitário, juntamente com as empresas. Continuar a estabelecer mais parcerias com as organizações da sociedade civil na área do desenvolvimento comunitário e na área de prevenção, mitigação e resolução dos conflitos de terras."

companies as well as the management of the Community Development Funds; and in some way were instrumental in setting priorities in relation to the type of social support initiatives by companies.

MF has at times found it difficult to work with COGEPs, in part due to problems of interpretation around the facilitation approach, when faced with the lack of service providers with the skills to work directly on issues about conflict management and resolution. The COGEPs were and remain relevant for maintaining good relationships between investors and communities as well as participation in the local development process. However, expertise is needed in MF to work with COGEPs in order to strengthen the capacity and skills in local development and conflict management issues, drawing on capabilities both within and outside the Province.

Support for Local Development

Niassa receives direct support from two donors in support of local development and promotion of good governance, including Sweden and Ireland, which focus on institution strengthening. The Law on Local Organs of State (Law 8/2003) allowed power transfer to district governments, in addition, has enabled the creation of community consultation institutions (Consultative Council Committees) with responsibilities in decision-making processes.

Results Analysis

Under this pillar the program focuses on four types of interventions:

- i) Planning by companies in conjunction with communities;
- ii) Planning by communities in view of the presence of investment companies;
- iii) Management of community development funds (CDFs) and
- iv) Resolution of conflicts.

The objectives and nature of interventions chosen by MF are well aligned to the strategic perspective that MF has pledged to follow in implementing its program, focused on the M4P approach. This approach is based on the principle that the investments and activities carried out by the program are to benefit the poor in surrounding communities.

The main result indicators of Pillar 4 for the period of July 2010 to July 2013 are as follows:

- Four major conflicts resolved;
- 13 significant mediations;
- Continued investment by forestry companies.

The results matrix establishes a set of six activities under Pillar 4. Each activity presents indicators that refer to the deliverables to be achieved.

Taking into account MF's facilitating role it was planned throughout the period of project implementation the establishment of partnerships around major investments in the industries of forestry, tourism and agriculture, among key stakeholders, including communities, investors, civil society organizations (CSO), local advisory councils (CCL) and others. Currently, the most significant projects are all operating in the forestry sector. A total of six companies are operating in the province of Niassa. MF facilitated the creation of three Councils for Natural Resource Management Councils (COGEPs) in three districts, Muembe, Sanga and Chimbunila.

The COGEPs were created with a view to establishing a framework for linkage between large companies operating in the forestry sector and local communities. Generally, each COGEP consists of members representing all Community-based Natural Resource Management Committees (CCGRN) created in the district.

The review found that no partnership was established between different stakeholders and forestry companies. A strategic partnership was proposed with key provincial government institutions, non-governmental organizations (NGOs), MF and others, but this did not progress. The Director⁵⁴ of Pillar 4 explained that this was due to lack of trust between communities and companies, which has constrained the development of partnerships, on the one hand, and the barriers faced by MF itself in its effort to intervene directly to support the process, as result of its new approach based on facilitation in a context characterized by the absence of service providers with the capacity to provide the necessary support and lack of capacity inside MF.

The results matrix provided also for the establishment of agreements between communities through COGEPs and companies in defining action plans that would be reviewed annually. This process also included the creation of Community Development Funds (CDFs) managed by COGEP for the benefit of communities in areas surrounded by forest investment projects. It was not possible to find evidence of the existence of action plans on the use of CDFs or other actions under corporate social responsibility. It is also true that companies have adopted their own criteria to fund the CDF, that are not consistent with each other, and that, in some cases, compliance has been severely detrimental to communities due to lack of regular fund allocation⁵⁵. The members of the community committees did not always understand the criteria used for fund allocation.

To illustrate the above, the Review team found that the COGEP of Ndamo-Jeto, Chimbunilla district received the CDF fund only once, i.e. in 2010, and community members suspect that firms have been offering to traditional leaders the money that would be allocated to the CDF as a way of gaining their sympathy in the event of possible outbreak of conflict with communities.⁵⁶ The COGEP of Chadjila Chetu in Malulu, Sanga district, received the fund for the first and last time in 2010, delivered by Green Resource, which was used appropriately to benefit community, with the construction of a facility for the assembly of two mills and another infrastructure yet to be completed, that will serve as an office for local farmers.⁵⁷ The review team found a different situation in Muembe where the fund has been distributed among community members individually and without warranty for its return.⁵⁸

⁵⁴Interview in Lichinga, November 22, 2012.

⁵⁵This situation was also observed in the study conducted by PEM Consult (2008). ICT Engineer Nelson Jackson pointed out that a lack of a regular payment of the amount set forth in commitments to the communities has been a strong source of community disappointment. He also indicated the fact that not all companies use the same payment mechanism to communities, e.g. such as Florestas de Massangulo.

⁵⁶Interview with representatives of COGEP in Chimbunilla, November 21, 2012.

⁵⁷Interview with representatives of COGEP Chadjila Chetu in Malulu, Sanga, held on November 23, 2012.

⁵⁸Interview with representatives of COGEP in Ngadinje, administrative post of Chiconono, District of Muembe, held on 20/11/2012. Fund beneficiaries interviewed in the joint meeting with COGEP members said that they would not return the money received allegedly because it was not sufficient to ensure the implementation of the business they pretended to set up.

The COGEP of Ngadinje in the Administrative Post of Chiconono, Muembe District has since 2010 regularly received money through the CDF delivered by the company New Forest.

The way that each COGEP manages CDF funds has negative or positive implications both for the beneficiary communities and funding companies. Indeed, CDF fund management by the COGEP can contribute to improving the living conditions of communities and enable the maintenance of balance in relationships or be the focus of conflict within communities and between them and investors.

In order to have a thorough understanding of the key issues of concern to communities, Malonda program included conducting research on issues already identified in a seminar jointly organized by universities based in Niassa, including the Pedagogic University (UP), Catholic University of Mozambique (UCM), and Unilurio. The issues identified as relevant for further development and determination of priority actions to consider annually, included: right of land use, food security, community woodlots, etc. Despite the choice made by academic institutions to conduct research, no work has yet been done, and therefore, no product related to both activities in the plan of implementation of the 2010-2013 program was achieved.⁵⁹

Over the two years of project implementation the program's priority under Pillar 4 consisted in the resolution of conflicts through mediation services. The indicators proposed to measure this activity were mentioned and discussed above. However, it is worth mentioning that right from the beginning the program has not established a formal contract agreement with conflict mediation services.

Therefore, conflict resolution often depended on the ability of companies to negotiate with traditional authorities and community, as well as with community committees or participatory natural resource management councils.

The monitoring reports of Malonda program do not present data on the progress with respect to conflict resolution. And the problem is in part linked to flaws in the definition of indicators. When comparing the first half of 2012 and year 2011 in the matrix document, it appears that the measurement of performance results for the indicator would be observed from the outcomes coming with the report of Métier (2012), which seems clearly that it does not address the situation of conflict between communities and investors.

Some studies have reported the existence of conflicts between communities and economic interests⁶⁰. Insecurity and uncertainty over land ownership have been the root cause of such conflicts. Åkesson et al., pointed problems with the consultation process focused on the sultans, queens, kinglets, in the absence of representatives from the grassroots community, which triggered the emergence of conflicts. Examples of this are: Cavago and Miala (Sanga); Nzizi (Muembe); Mapaco, Mussa and Colongo (Lichinga); Mecucue and Mbandece (Lago); Luambala (Majune).

⁵⁹ The MF narrative report for the 2012, Pp. 20, states that the activities envisaged for this purpose will be planned for 2013.

⁶⁰ Åkesson et. al. (2008); PEM Consult (2011). An evaluation team consisting of technical staff from DNTF (Direcção Nacional de Terras e Florestas), DPA (Direcção Provincial de Agricultura) and IIAM (Instituto de Investigação Agrária de Moçambique) pointed out the existence of various conflicts in Niassa.

PEM Consult reported acts of violence in Licole, Sanga district in 2011, which culminated in the destruction of 600,000 pine plants in an area of 12 ha, due to occupation of the area that the community considered to have been invaded by companies (PEM Consult, 2011:13). In Micucue, Manyamba in Lago District and Miala in Sanga District communities expressed frustration due to non-fulfilment of promises made by companies (PEM Consult, 2011:12). The conflict in Mussa, which is already old, still prevails. Since Malonda abandoned the old approach of intervention the COGEP of Chimbunila that used to receive funds from Malonda, is not being provided any more by Florestas do Planalto, the company that is exploring the land in Mussa.

Pillar 4 Conclusions

- MF's has not fully succeeded in building COGEP members' capacity in the management of CDFs or in linking with other organizations to establish partnerships to support communities in defining action plans regarding the management and use of available resources under CDF.
- MF played very little role in the empowerment of local community structures (community committees and councils), and did not work enough to induce a better way of managing conflicts and resources available under CDF.
- There is asymmetric information regarding responsibility and criteria used by companies to allocate funds to the CDF, in addition to the irregular fund allocation from part of the companies operating in the area.
- Consultations promoted by forestry companies with traditional or religious leaders individually and not open to communities have almost always resulted in the loss of trust of communities in their local leaders, conflicts, and breach of agreements regarding the use and enjoyment of land.
- The absence of written agreements between companies and communities has created expectations and misunderstandings on both sides, making companies more vulnerable to the wrath of communities.
- The uncertainty about the right of use and enjoyment of land by companies is a factor that does not offer them enough assurance to develop further their investments.
- Thorough knowledge of traditional and social structure of communities is crucial both to the consultation process and future recognition by local communities, as well as the consequent durability of agreements required for the exploitation of the areas covered by investment projects in forestry areas.
- The confusing role played by Malonda has put local communities in situations of uncertainty about the outcome of negotiation processes. In fact, Malonda has been seen often as an investor in some cases and a facilitator in others, or even acting a representative of the government. In practical terms, this mix of roles has weakened the negotiating position of communities with investors, particularly with Malonda.
- Åkesson, Gunilla et al. advocate that the solution to the problems of land conflict and the concerns raised by the communities should go through: i) safeguard land for communities taking into account the practice of crop rotation system, and ii) mitigating the social and economic impact through adoption of alternative strategies to improve income of local communities.
- MF's inadequate role in building COGEP members' capacities in the management of CDFs, as well as in establishing linkage with other organizations to establish partnerships to support communities in defining action plans regarding the management and use of available resources under CDF.

- MF played very little role in the empowerment of local community structures (community committees and councils), and did not work enough to induce a better way of managing conflicts and resources available under CDF.
- There is asymmetric information regarding responsibility and criteria used by companies to allocate funds to the CDF, in addition to the irregular fund allocation from part of the companies operating in the area.
- Knowledge of COGEPs about practices and procedures used for CDF allocation and management in other districts found to be successful stories compared with their own has generated frustrations that need to be managed in order to avoid possible conflicts.

5. Conclusions

This section is divided into two parts: first we present a condensed version of the conclusions from Sections 3 and 4, respectively the Programme Assessment and the Pillar Results, while in the second part we present our assessment of the programme from the perspective of the evaluation questions as set out in the terms of reference. These reflect the usual evaluation criteria of effectiveness, efficiency, impacts, sustainability and relevance.

5.1. Conclusions from the Programme Assessment

Strategy:

- MF's strategic plan does not provide a clear indication of the location and socio-economic characteristics of its target households nor how the figure of 20,000 beneficiaries was arrived at. Similarly, it provides insufficient guidance on how the target of 80 new investments and 8,500 beneficiaries was set and in which particular sectors, since several different target groups are named as constituting the "economically active poor" of the province.
- The lack of sectoral or geographic focus renders resource targeting and impact assessment more difficult, especially since the means of verification of results rely on secondary sources, the accuracy of which cannot be independently determined.
- There is a clear need for detailed assessment of poverty-reduction potential and analysis of economic growth opportunities. The Programme faces today many difficulties as a result of targets set without supporting analysis too early in the new programme's cycle.
- Greater clarity is required regarding the practical application of the Strategic Plan and its implications for each stakeholder group is required.
- It would be advisable to review the strategic plan to identify other outcome indicators that are similarly aligned with its overall goal for poverty reduction and susceptible to objective verification.

Stakeholder perceptions:

- There continues to be a significant divergence between what the programme believes the private sector needs and wants and what the private sector itself requires.

Programme Management:

- While the MF Board of Directors has full responsibility for the management of the MF, the Fiscal Committee has fiduciary responsibilities that are intended to keep the Board in check. There is some evidence of the Board tending to overstep its mandate and undermine the authority of the Fiscal Committee.

- According to its statutes, the Board is to refrain from “interference” in operational matters. However its frequent detailed recommendations to the Director are in fact precise instructions on actions to be undertaken, and may constrain accountability.
- It appears from the minutes of Board meetings that little attention is given to the strategic direction of the programme, even though the periodic monitoring missions are concerned that insufficient progress is being made.

Crosscutting Aspects:

- Despite MF potential for ensuring incorporation of such crossing dimensions as gender equality / women empowerment, youth empowerment, environment and HIV, there is no evidence of such an approach either in practice or in project documents. Curiously, when discussing crosscutting issues with project management, poverty reduction was raised as a crosscutting activity, when in fact it is the core on which all activities are supposed to be based.
- In Niassa, as elsewhere in the region, traditional structures tend to reduce female participation in business activities and economic decisions within the household or business unit. Nonetheless, a gender-aware approach was dropped from the programme’s strategic plan in 2010, thus depriving the programme of the valuable opportunities for poverty reduction and income generation in the province that greater women empowerment would have brought with it.

Programme monitoring:

- MF has had numerous evaluations and monitoring reports: Orgut, Metier, Deloitte, financial reviews and now the MTR, as well as internal quarterly and annual narrative reports, yet it still faces considerable strategic and operational challenges, indicating a lack of clear decision-making regarding the correction of observed weaknesses.
- The dedicated M&E function has not been utilised effectively as a management tool, despite its ability to articulate a useful analysis of the programme’s shortcomings, as demonstrated in the 2012 annual report.

5.2. Conclusions from the Pillar Analysis

Pillar 1:

- MF has succeeded in facilitating a commercial farming investment at Matama and MF records providing some support to agricultural inputs firms and to an Australian banana producer, in coordination with the Provincial Directorate of Agriculture
- The MF web site is operational in English and Portuguese and can be investors’ first point of contact with Niassa. Progress has been slow in preparing the ‘Investment and linkage fairs’ that are a central activity of Pillar 1.
- Agriculture has the strongest potential for economic growth and investment in Niassa.
- The potential for investment facilitation in the minerals sector (gold and coal) appears considerable, if long-term.
- Micro-finance loans are included under “investment” which appears to bolster the results under Pillar 1, when in fact micro-finance loans belong under Pillar 3, financial services.
- Forestry companies are not able to access sufficient land to continue their planned investments
- Major new investment in the province is heavily dependent on functioning infrastructure for its link with markets, given its landlocked location.

Pillar 2:

- Few concrete results have so far been achieved under Pillar 2 due to the abundance of structural constraints on private sector development in Niassa. As a result, MF has been unable to play a useful role in improving access to land for forestry companies.
- Opportunities for research into infrastructure development are not followed through.
- Opportunities exist for rural poverty reduction through the development of agricultural market linkages and post-harvest infrastructure development.
- The existence of a poor perception of MF by some major investors restricts its potential as an investor facilitator.
- The synergies between Pillar 2 – Business Environment and Pillar 1, Investment Promotion – are not systematic, despite the complementarity of their activities.
- Trainings tend to be too generic and do not focus on concrete constraints in specific value chains.

Pillar 3:

- Through its original financial contribution to AMODER, Malonda has helped provide Niassa with a significant player in the financial services sector, supporting three useful and interesting 'micro-finance' initiatives targeting rural savings, micro-enterprises and SMEs
- On the other hand Malonda is associated with AMODER's poor record on credit recovery, from which it must dissociate itself by encouraging AMODER to follow best practice and discontinue its support to high-risk large loan clients.
- AMODER's lending portfolio is focused on traders and market intermediaries, and the loans are almost exclusively to finance trading operations.
- MF can help AMODER explore the viability of the expansion of the pilot programme for agricultural lending, using part of the funding from Malonda which is already in AMODER;
- The ASCAs in Mozambique are proving, albeit slowly, to be a sustainable and efficient means of disbursing credit in rural areas. MF must give an increased attention to the expansion of the ASCAs as they provide an important first step for communities to mobilize savings and generate credits from their own resources
- Malonda can play a key role in promoting expansion of financial service providers developing credible research and analysis to potential micro-finance investors and then facilitate their entry.
- The pilot programme for agricultural lending being implemented in conjunction with Mundukide should be closely monitored for possible MF support
- MF can benefit from studying the concept of Value Chain Finance, which is contained in Mozambique's Rural Finance Strategy.
- MF would also benefit by developing its partnership with government institutions such as the Rural Finance Support Programme.
- Support and promote the vitality of the private associations like AGECA should be one of the immediate priorities of MF, given the role they can play in revitalizing economic activity in Niassa province.
- There is an urgent need to improve relations between the program and the private sector to ensure MF has a genuine understanding of the concerns of the private sector.
- The MF could provide service providers such as AMODER with practical help in the identification of adequate software package for the management of credit.
- A priority action is to find ways to support small traders / processors and suppliers of inputs for agriculture and forestry;

- The Farmers Home can be an effective solution for supporting small farmers in the provision of agriculture inputs;
- The focus on training local service providers, who may be stakeholders (NGOs, individuals, consulting firms, etc.) can be a starting point for the gradual growth of the supply of business development services and local business, selecting in each area or zone of intervention value chains with the greatest potential;
- MF should seek to improve the quantity, quality and appropriateness of business development services available to the target value chains and the agribusiness sector in Niassa. Current best practice in this area includes: (i) developing value-chain- focused, private sector-run agribusiness service clusters; (ii) rolling out and expanding farmer-owned service centres; (iii) building the capacity of service providers in the target value chains. Up to now, MF has only limited experience in these areas and could benefit considerably from developing relevant capacity.

Pillar 4:

- MF needs to review its strategy regarding COGEP CDF capacity and improve links with other organizations to support communities in the management and use of available resources
- MF has played only a small role in the empowerment of local community structures (community committees and councils) or in managing conflicts and resources available under CDF.
- There is asymmetric information regarding responsibility and criteria used by companies to allocate funds to the CDF, in addition to the irregular fund allocation from part of the companies operating in the area.
- The absence of written agreements between companies and communities has created expectations and misunderstandings on both sides, making companies more vulnerable to the wrath of communities.
- The uncertainty over companies' land rights hinders further investment.
- Thorough knowledge of traditional and social structure of communities is crucial both to the consultation process and future recognition by local communities, as well as the consequent durability of agreements required for the exploitation of the areas covered by investment projects in forestry areas.
- Malonda has played different roles with local communities – investor, facilitator in or even government representative – which creates uncertainty during negotiations.

5.3. Programme Assessment

Effectiveness (outputs to outcomes)

There is little evidence of MF having been an effective market development facilitator that has benefitted the poor. The focus has been more on the relatively better off in the Province: grain traders and forestry employees. So far, Malonda has not delivered any significant concrete benefits to its target beneficiaries - poor, marginalised and vulnerable people, particularly those in rural areas of Niassa. One possible exception is the focus of MF on savings and loan schemes, which is rapidly expanding and could provide Malonda with a platform for a more pro-poor approach.

Annex 4 shows clearly how many of the Programme activities have not been carried out, against those that have (13:9, i.e. the degree of execution is 40%), which partly explains why targets have not been met (lack of focus of activities on the strategic goals is the other major factor behind the weak performance).

The principal results under each pillar are summarised in the following table:

Table 5: MF Key Results, 2010-2012

Pillar 1: Investment Promotion	Pillar 2: Enabling Environment	Pillar 3: Financial and Business Services	Pillar 4: Community Relations
- MF has helped the commercial farming company AC Matama commence operations with 450 ha under soya cultivation in 2012, targeting 2000 ha in 2016. So far 95 jobs have been created, growing to 165 in 4 years' time. - MF is supporting two agricultural inputs firms and an Australian banana producer, in coordination with the Provincial Directorate of Agriculture. - MF is established as investors' first point of contact in Niassa. - MF's website is operational in English and Portuguese.	- MF has not instituted any significant improvements to the business environment - MF supported business groups/associations training in business management, legalization of some associations and publication of a manual on the prevention / mitigation of conflicts between investors and local communities.	- MF supported two new providers of legal services and accounting in Lichinga (against a target of three). - MF supported five new financial providers to become established in Niassa (against a target of three). 24 SMEs received credit against the planned 15. 651 micro companies benefited for AMODER microcredit, against the planned 90. 3,208 people benefitted from access to savings and loans schemes against the planned 3,000 (107%) revealing vitality in the growth of savings and credit groups and Caixa de Poupança Postal de Moçambique SA (CPPM). - AMODER financed grain traders in the purchase and sale of a reported 135 thousand tons of agricultural products, affecting some 31,000 peasant families annually.	- Uncertain progress due to - Limited success in building COGEP members' capacity in the management of CDFs and improving the management and use of available resources under CDF. - Limited role of MF in the empowerment of local community structures and the management of conflicts.

This summary is derived from the detailed assessment of each pillar and the analysis of results against targets for 2011 and 2012 as set out in Annex 1.

Regarding the level of activities implemented compared to those planned, the table below shows that in 2011 only 11 out of 24 planned activities (45%) were actually carried out, while in 2012 the rate of implementation rose to 68%.⁶¹

Table 6: Level of activities, 2011 - 2012

Pillar	2011 Activities		2012 Activities	
	No. Planned	No. Carried Out	No. Planned	No. Carried Out
1	7	3	7	7
2	5	1	6	4
3	6	3	6	3
4	6	4	6	3
Total for MF	24	11	25	17
Avg Rate of Implementation	45%		68%	

⁶¹ 2010 is not included in this analysis as the Programme only became fully active in mid 2011, after the move to Lichinga and the recruitment of many new staff.

However, the rate of implementation does not correlate with the results achieved in terms of beneficiaries. Pillar 3, with the highest number of results has an average rate of implementation of only 50% over the two years. It also positively impacted the highest number of beneficiaries. Pillar 1 with a 100% implementation in 2012 has directly impacted only the 95 employees of a new commercial farm but has not significantly increased private investment province-wide. Pillars 2 and 4 have little to show for their efforts in terms of impact on intended beneficiaries.

Efficiency

A standard methodology for estimating the efficiency of a development programme is to measure the benefits generated against the programme costs. However, in the case of this MTR we are restricted in terms of available time and cannot conduct such a detailed analysis. An indication of MF's cost-effectiveness can be obtained by comparing the expenditure of Swedish aid to Malonda over the review period with the more tangible impacts achieved.

The amounts transferred total approximately USD3.6M, distributed as follows:

- 2010: USD 860,000
- 2011: USD 1,240,000
- 2012: USD 1,500,000

The tangible benefits generated from this expenditure consistent mainly of the following: The provision of credit to grain traders, who are thus able to purchase crops from farmers for re-sale to local or district wholesale markets. It is not possible to establish if MF credits displaced other sources of finance, whether the prices paid to the farmers were more favourable than in the absence of the MF-supported credit or whether the traders passed on any other benefits to the farmers as a result of the MF support. This could only be established through a field survey designed for the purpose. Against these possible benefits, it would be prudent to offset at least part of the losses incurred by AMODER since they were provided with the 63M Mt grant from Mozagrius in 2002.

By comparison the benefits from the development of the savings and loan scheme in certain districts of the province would appear to be more concrete, and could be taken at face value. However, the amounts are low (on average 10,600 Mt)⁶² and are mainly of value in stimulating financial literacy and creating a savings culture that in the long run will create a market for other financial products, thus stimulating the financial services sector and enabling private sector growth at the grass roots.

Regarding the start-up of a highly mechanised commercial farm that has taken over land partially cultivated by smallholders from local communities, its main benefit is in employment generation from the annual soy crops, which will be sold for poultry feed, possibly outside the province. Local residents will see few benefits, as even when fully operational, the farm is not generating a large number of jobs. Only when agricultural development occurs on a large scale and involves large numbers of economic operators, as could be envisaged under a value chain development programme on a well established staple crop such as maize, beans or cassava, or a low investment smallholder cash-crop such

⁶² AMODER / FUNDAÇÃO MALONDA, Programa de Consórcios e Créditos e de Micro-crédito, Proposta de Continuidade.

as potato or small-scale poultry, can agricultural investments be expected to generate significant poverty reduction effects.

It is apparent from the above discussion that the concrete benefits from the MF programme are slight in comparison with the expenditure to date. This is emphasised by the high annual cost of MF employees that project literature records as USD46,000. In terms of actual wages (which excludes social costs) annual bill in 2011 was USD 864,468, which equates to USD 38,000 per staff member. Apart from the apparently low cost effectiveness of this expenditure, it behoves Sida to ensure that MF salary levels are in line with current practice within provincial development agencies in Mozambique. It would also be wise to link them to individual performance in order to optimise value for money and management efficiency. On the other hand, it should be recognized that the programme is not over equipped for the tasks it is expected to carry out, even if its ability to do so has so far proved unsatisfactory for the reasons we have amply demonstrated relating to its strategic focus⁶³.

MF has a total of 23 employees (19 in Lichinga and 4 in Maputo), as follows:

Administration	Support Staff	Technical staff (all levels)	Finance and accounting	Total
2	5	12	4	23

Other costs that MF has to bear are the Management Board and the Fiscal Committee, which added during 2011 approximately another USD 100,000 per year. However, the elimination of Board salaries in 2012 has reduced this outgoing considerably and the projected figure for 2012 (1st semester) is now USD 46,000. While this may mean a reduction in the level of effort board members in particular are willing to dedicate to MF business, it establishes an important principle i.e. that service on the board is essentially a recognition of a member's standing in society and sense of social responsibility rather than a source of income.

Regarding the efficiency of MF's internal mechanisms for delivering results (e.g. the role of founders, board, management and operations), the Review found that under Malonda's current governance structure its Management Board plays a strong executive role that may be limiting the autonomy of the Executive Director. On the other hand, the Board's current management role does ensure that decisions are taken collectively and avoids the risks of any excesses in the exercise of authority by the Director (although in our view these are not significant).

The Review sees the need for a clearer dividing line between day-to-day management decisions by the Executive Director and strategic direction from the board. One option would be to strengthen the project steering committee (consultative council) by inviting recognised experts in poverty reduction to join the core members in bi-annual meetings to review strategy and discuss new approaches and underlying issues regarding the Programme. The Management Board would then have a clearer monitoring role with more extensive use of an enhanced M&E system, which would also strengthen the Executive

⁶³ The MTR team has reservations concerning the professional profile of some members of the MF team in terms of years of experience in rural development programmes, experience with farmer organizations, capacity building of community based organizations, market linkages and value chain development. This is one of the factors behind MF's difficulties in formulating and implementing a viable strategic plan.

Director's capacity for correcting any deviations in strategy and addressing major constraints encountered during implementation.

Examples of such underlying issues and constraints are outlined below:

- MF has a tendency toward the literal interpretation of the Strategic Plan often to the extent of disregarding its overall goals and target groups.
- The Programme has not established mechanisms (such as effective stakeholder consultations in target areas and subsectors) to ensure it is demand-led and outcome oriented.
- The four project pillars, instead of supporting each other and delivering synergies whereby the whole is greater than the sum of its parts, have become silos disconnected from each other and with little or no links to external sources of knowledge or information, such as effective market linkage or M4P programmes in the country or the region, of which there are many examples.
- There is a symbiotic relationship between MF and some cash-poor provincial government departments (e.g. Commerce and Tourism) that frequently rely on MF for financial assistance for the organisation of workshops, publicity material or logistical support. This tends to obscure MF's private-sector orientation and gives the programme a public-sector veneer that can inhibit both large and micro firms from associating with MF, due to a poor perception of government's ability to deliver useful support.
- Sida has adopted a leading supervisory role of MF and funds frequent, successive evaluations and reviews of its affairs, presumably due to concern over MF's progress since 2010. These consultancies do not appear to have led to corrections in implementation, as demonstrated by the lack of fulfilment by April 2012 of the 10 recommendations that ORGUT had put forward in April 2011.

Impact

- During the review period we did not find significant impact from MF's promotional/facilitative activities that have led to changes further down the results chain. This is mainly because the programme has not specifically sought to achieve improved conditions and higher incomes for their target group, the rural poor. It has tended to focus on better-off members of the communities where the interventions were located.
- There is little hard evidence of MF having helped mitigate the negative impact of the recent downsizing of the forestry industry's expansion plans. Since 2010, the start of the current MF programme, the forestry sector has shed >1000 jobs as it has rolled back its plans for new plantings due to lack of access to additional areas of land. Malonda has not been able to break the deadlock over access to more land, despite helping obtain promises of a solution from the national Ministry of Agriculture, which is testimony of the intractable nature of the DUAT process.
- Regarding increased food insecurity, MF is not supporting household-level staple food production / nutrition, despite the potential for introduction of higher yielding varieties of maize and beans and edible cassava, of which mosaic-resistant sweet varieties are available in Malawi or in Nampula. It also has no environmental programme, despite the risks posed by plantation forestry and by slash and burn agriculture, especially given the undulating topography with its inherent propensity to erosion from heavy rains and uncontrolled run-off.
- AMODER has been an effective facilitator of credit services in Niassa, and is now a driving force behind micro-credit services with increasing numbers of clients.

However, AMODER's acceptance of low repayment rates has weakened the credit culture in the affected communities and may prove to be a difficult legacy to recover from.

- A positive effect of Malonda has been that investors still have in MF a first port of call in Niassa, whereby MF can act as a go-between in their relations with government and communities. In MF Niassa has an institution identified with private sector development and economic growth, even if it achieves very little at present, and the Foundation can still claim some residual credibility from its more active role during the forestry investment period.

Sustainability of the MF Programme Results

- The MF strategic plan and annual programmes do not make specific provision for the sustainability of its results or for an exit strategy for the institution, despite being active in the renewable natural resource sector characterised by long production cycles.
- Some sustainability of financial services is visible in the savings and loans operations and in AMODER's growing microcredit activities.
- Regarding institutional capacity building, MF has been slow to respond to local demand for business training within rural communities and the MSME sector.
- In the absence of a major strategy review, it appears unlikely that the activities of MF during the review period will leave behind any lasting results outside the few new investments and sustainable financial services. Therefore a strategic review is called for, as a matter of urgency.

Sociedade de Malonda

- The activation of Sociedade de Malonda is another means of providing some sustainability to the Sida-funded development efforts in and has already been proposed by the Board. The Review shares its recommendations, which foresee SdeM taking over assets from MF and starting operations as a private company with some state and donor participation dedicated to the promotion of investment in Niassa. The proposed areas of activity are: agriculture, tourism, forestry, transportation and communications, business and legal consultancy, commercial agencies and mineral exploration. We explore the implications of such a move in Annex 6.

Relevance

- MF's facilitative approach under the 2010-2013 Strategic Plan, with its focus on improved market functions, is highly relevant to the achievement of the desired "self-sustaining broad impact on economic development" in Niassa Province. Unfortunately it has not been implemented correctly. Through adequate use of M4P, MF can make significant contributions to strengthening market linkages and environmental sustainability along key value chains, both in commodities (e.g. basic food crops, charcoal, fisheries) and in services (e.g. logistics, business services, tourism), while addressing Province specific business environment constraints.

5.4. Strategy Recommendations

1. The Strategy of Poverty Reduction should be retained and defined more precisely through close stakeholder consultations, productive sector data collection and analysis, to focus on the higher impact / sustainability options for intervention

2. The objectives (number of investments facilitated, number of families benefitted, credits provided, conflicts mediated, etc.) need to change to, for example, number of farmers with improved access to agricultural inputs, credit, supply contracts, storage; number of MSMEs trained in and applying improved business practices, accessing credit and servicing credit agreements, numbers of service providers working with target beneficiaries.
3. The structure by pillars needs revising. Two would be sufficient: Private sector development (includes investment and BizEnv) and Value chain Development. Management would ensure close links and synergies between them to ensure complementarity.
4. Gender equality / women empowerment, as well as youth empowerment and HIV need to be incorporated into both a revised strategic plan and the operational programming, with specific targets set and progress monitored.
5. Environmental analysis of major investments benefitting from MF support should be introduced and the environmental dimensions of poverty reduction should be explicitly considered in the revised strategy.
6. M4P should be at the core of MF's strategy and implementation plan. MF should start by identifying specific economic sub-sectors with high poverty reduction and MSME development potential (e.g. farming, tourism, business and pro-poor financial services). Next it should focus all Programme efforts on moving the target sectors forward through stronger market linkages, higher profitability and competitiveness. With such an approach, a rural development programme could generate significant sustainable development in Niassa.
7. At present, Niassa is marginalised from the mainstream of pro-poor development initiatives in Mozambique and in the region and has much to learn in the area of M4P, value chain development, market linkages, private MSME development and best practice in micro-credit and rural financial services.
8. There are many examples of successful programmes in Mozambique and in the region from which Malonda can benefit in terms of experiences and lessons learned which would prepare any successor programme to face up to the challenges of Niassa. We quote below some of the more relevant examples:
 - PAMA (Programme to support Agricultural Markets), an initiative from the Government of Mozambique financed by FIDA and government itself to support smallholder agriculture sector (provinces of Niassa, Nampula and Cabo Delgado). The initiatives supported by the project include the development of groups/associations for smallholder farmers, development of rural traders, small scale processing, and dissemination of marketing information, diversification of goods and development of rural roads;
 - P4P – Purchase for Progress programme/WFP, spread along the Central Provinces of Tete, Manica, Zambézia and Sofala, and the northern province of Nampula. P4P has managed to establish direct contracting services with Farmer Organization (FOs) and medium trader;
 - Market-led Smallholder Development project, financed by IDA with operations in the districts of Morrumbala/Zambezia, Mopeia/Zambezia, Mutarara/Tete, Chemba and Maringue/Sofala);
 - PRODEZA – Zambezia Rural Development Support Programme, financed by FINIDA;
 - USAID AgriFUTURO programme (Beira and Nacala corridors) with the objective of increase Mozambique's private-sector competitiveness by strengthening targeted agricultural value chains. The project focuses on value chain development as a means of creating incentives to improve the

enabling environment, expand and strengthen business development services, build linkages between agribusinesses and financial services providers, and increase and strengthen public/private partnerships;

- Market-led Smallholder Development project, financed by IDA with operations in the districts of Morrumbala/Zambezia, Mopeia/Zambezia, Mutarara/Tete, Chemba and Maringue/Sofala).

5.5. Swedish Engagement in Niassa

1. MF outputs over the review period have been lower than expected and could cause concern over the viability of continued Swedish support to the sustainable development of Niassa province. However, the MTR considers that Sida's determination and commitment over the past 12 years has built a foundation upon which to build a more solid structure. With a new and clearer approach to private sector development Sida could see greater success than MF achieved in its current implementation period.
2. We recommend that Sida support a process of inclusive, broad based market strengthening development under M4P. This could generate benefits in job creation and economic growth that MF 2010-2013 has so far failed to achieve. Through such an M4P programme, the Niassa economy would become more dynamic, resilient and investment-friendly, since M4P necessarily involves concrete improvements to the business environment. New investment would find Niassa more hospitable with its own successful M4P programme in place than without such a process.
3. Such a Programme can incorporate and consolidate any achievements of MF so far and generate a sustainable stream of benefits for the future, provided a sufficiently long-term commitment is assured (5-7 years).
4. A new Programme may benefit from starting with a clean slate not associated with the current Malonda so as to enjoy greater freedom of manoeuvre when creating new alliances. Such a programme could put in place a more inclusive rural financial system targeted to small farmers and rural entrepreneurs that supports the development of selected value chains with high poverty reduction potential.
5. A prompt decision is required on the future of MF and in the view of the Review team the main options are:
 - A. *Continued support for poverty reduction in Niassa, either:*
 - i. Immediately commence a process of reorientation of MF toward its strategic poverty reduction goal and target population and continue to support MF for another 2 years after June 2013 with an option for another tranche of funding thereafter (this would involve re-branding MF); or
 - ii. Start now to wind down MF and close it at the end of the current funding cycle (June 2013) in order to commence preparation of a completely new M4P / rural development programme in Niassa, probably from 2014 onwards. Possible programme vehicles could be i) a tender for a contract with a service provider or consortium through a design and operate arrangement, ii) separate design phase and implementation tenders, iii) a directly managed Sida programme through a different Mozambican agency from MF.
 - B. *Withdraw by June 2013 from Niassa and from investment-based private sector development and reorient Sida's PSD strategy toward a national M4P-based rural development programme that selects intervention zones on the basis of explicit criteria linked to the required conditions for successful implementation; this option does not preclude activities in Niassa.*

- C. *In parallel with either of the above Options, activate Sociedade Malonda as a Niassa-based, profit-making Private Public Partnership for investment facilitation, which would absorb the commercial assets of MF, including land entitlements, real estate property and company shares. Under Options A(ii) and B, both of which involve closing MF, MF's equipment, furnishings and vehicles could also be transferred to Sociedade Malonda as a capital contribution.*⁶⁴
6. For Sida to start afresh in Niassa would require either liquidating the assets of MF and absorbing them back into the Sida fund or recycling the proceeds for new development activities in Niassa, such as the new M4P Programme, another development-oriented organisation such as a Provincial government department, development agency or community-based NGO. Another option could be to activate Sociedade Malonda and for it to resume the initial role of MF as Niassa's partner to investors.
 7. Each of these options is fraught with risk, but the one that would require the most careful consideration would be the reactivation of Sociedade Malonda, despite the apparent convenience of the legal framework it provides for liquidated assets from MF and an outlet for the initial investment made by Sida in the company (the USD450,000 + interest that is currently dormant). On the other hand, it does provide a platform for continued support to medium and large-scale investment in Niassa and can be made to work as a commercial company. Sida would need to assess whether it wants to be part of a commercial operation, even in the guise of a PPP. Annex 5 contains an assessment of the viability of such a venture.
 8. The Review team has made initial enquiries at IGEPE, MF's Mozambican founder organisation, whether such a role for Sociedade Malonda could be of interest, even though the matter lies outside the MTR remit. The prospect of such a venture raises many questions regarding its commercial viability and sustainability as, once embarked upon, the venture could not be easily suspended or annulled. Also, strong commitment to such a solution would be required from national and provincial government and above all private investors in Niassa, current or potential, through capitalisation of the company and the purchase of shares in Sociedade Malonda.
 9. The Review believes that Sociedade Malonda could provide the Embassy with a mechanism to promote investment in the province that could complement an M4P programme specifically focused on generating long-term benefits for the poor but that excludes investment-promotion.
 10. A re-capitalised and business-oriented Sociedade Malonda with active IGEPE and private investor involvement and explicit endorsement from relevant Mozambican MDA's could be effective in tackling the issue of access to land and if successful would attract new large-scale investors in farming, forestry, mining, tourism, commerce and financial and business services. It can also be an effective lobby for faster progress on infrastructure development (e.g. a paved road link to Cuamba or a rail link to ports).
 11. To make a convincing business case for such a company would be a separate exercise from the Mid Term Review and might involve protracted discussions within Sida and the government and the investment community. The value added from such a process is a matter for Sida to decide.

⁶⁴ If the Sociedade Malonda were not adopted, these moveable assets could be donated to development organisations in the province, both government and community or civil society based.

Annexes

Annex 1: Time line: Private sector development program in Niassa, Malonda

Agreement period	Main actions
Agreement 2000-2002 Approx 13 MSEK	Pilot phase Malonda Program, one of four components of the PROANI program. The program implemented by a Joint Executive Committee (JEC)
Agreement 2003-2007 75 MSEK	First implementation phase, new agreement. Malonda Foundation established in 2006 During this phase, shift in strategic focus, more oriented towards land based investments (forestry)
Agreement 2007-2008 6 MSEK (plus additional 22,5 MSEK not spent from earlier agreement phase)	New support External review of first implementation phase Evaluation of the Malonda Program in 2007/08
1 st extension for the year of 2009, a no cost extension	Extension of the agreement to allow for development of new approach/strategic plan Sida and MF signing of the Guiding Principles for future support to the Malonda Foundation First version of Strategic Plan submitted to Sida in Aug 2009 Appraisal (Sida HQ and Embassy) of Strategic Plan in Sept 2009 System based audit carried out, action plan developed and monitored
2 nd extension 2010-Jan-June Additional funds 9 484 254 SEK	Second extension of the agreement up to 30 June 2010 to allow for finalisation of strategic plan and implementation of audit recommendations
Total agreed funds to MF 2000-2010: 103 484 254 SEK	
Proposed new program June 2010 —July 2013 proposed budget 61 MSEK	Ongoing assessment of new support

Annex 2: Documents consulted

Initial Document List

1. Amoder Final Report 05.10.09
2. Relatório Final Do Programa 2007 – 2010
3. Audited financial statement at the end of December 2011
4. Relatório 2011 Revisto
5. Comparison of finances of both Amoder and Minuta
6. Relatório Amoder vs Minuta revista 06Mar2012
7. Final report of bank account of the project 2007 to 2010
8. Relatório Final Reconciliação Bancárias Versão
9. Inventory Report Deloitte
10. Relatório Final Inventário
11. RELATÓRIO NARRATIVO DE ACTIVIDADES - JANEIRO A DEZEMBRO DE 2011
12. ORGUT: Consultoria para a monitoria do programa de desenvolvimento do sector privado, Malonda, na província do Niassa, Moçambique Relatório Periódico Final , Julho de 2011
13. Strategic Plan for Malonda Programme June 2010-June 2013
14. Matriz de Monitoria Baseada em Resultados
15. Malonda 2010-2013
16. Avaliação da Viabilidade da Legalização da SdM Junho de 2012

Other Documents consulted

- Åkesson, Gunilla & Nilsson, Anders (2006). "National Governance and Local Chieftaincy". A Multi-level Power Assessment of Mozambique from Niassa's Perspective. December, 2006
- Conselho de Ministros. Estatutos da Fundação Malonda. Versão aprovada pelo Conselho de Ministros no dia 25 de Janeiro de 2005.
- Deloitte (2012) Análise dos Fundos da AMODER. Relatório da Auditoria aos Contratos de Créditos, Microcréditos e Consórcios da AMODER em 30/06/2011 – vs Minuta. Fevereiro de 2012.
- Deloitte (2012). Caracterização das Contas Bancárias da Fundação e Sociedade Malonda. 23 de Janeiro de 2012.
- Deloitte (2012). Demonstrações Financeiras Auditadas: Para o Exercício findo em 31 de Dezembro de 2011. Maputo, 26 de Março de 2012.
- Deloitte (2012). Relatório sobre o Inventário e Procurement de 2010 da Fundação Malonda. Versão final comentada. 8 de Fevereiro de 2012.
- Government Offices of Sweden (2008). Strategy for Development Cooperation with Mozambique – September 2008 – December 2012.
- Hedqvist, Anna Liljelund (2010). Assessment of Continued Support to Private Sector Development in Niassa, Malonda Program, July 2010-June 2013. 1 July, 2010.
- World Rainforest Movement (April 2010). The Expansion of Tree Monocultures in Mozambique. Impacts on Local Peasant Communities in the Province of Niassa, A field report,
- MARP (2010). Relatório de Revisão do País. Julho de 2010.
- Métier (2010). Relatório Final do Inquérito de Base. Dezembro de 2010.
- Métier (2012). Relatório Final do inquérito de Avaliação de Meio Termo. 30 de Outubro de 2012.
- ORGUT (2011). Relatório Periódico Final de Maio – Junho 2011. Consultoria para a Monitoria do Programa de Desenvolvimento do Sector Privado, Malonda, na Província do Niassa, Moçambique. Julho de 2011.

- ORGUT (2012). Avaliação da Viabilidade da Legalização da SdM. Junho de 2012.
- ORGUT (2012). Periodic Report – April to May 2012.
- SAL (2008). Evaluation of the Malonda Programme 2003-2007 and Appraisal of the Malonda Strategic Plan 2008-2013. Final Report. 28 May 2008.
- Sida (2010). Assessment of Continued Support to Private Sector Development in Niassa, Malonda Program, July 2010 – June 2013.
- Vletter, Fion de & Patel, Arlete (2009). Impact Assessment of Malonda Foundation's Financial Service Provision Programmes. September 2009.

Malonda Foundation Documents

- Aplicação das Recomendações da Monitoria Externa ORGUT/HJP/ASDI, de Julho de 2011.
- Dez Recomendações Específicas de ORGUT 2011 – 2012 para a Fundação Malonda.
- Estratégia de Marketing – Versão Minuta: Promoção e Atração de Investimento para a Província do Niassa 2012 – 2017.
- Financial Report for Malonda Programa, from January to June 2010.
- Fundação Malonda (2012). Viabilidade da Operacionalização da Sociedade Malonda. Resposta do Conselho de Administração da Fundação Malonda aos Instituidores ASDI/IGEPE. Lichinga, 11 de Setembro de 2012.
- Matriz de Monitoria Baseada em Resultados, Malonda 2010 – 2013
- Matriz de Recomendações ORGUT 2011 – 2012.
- Matriz de Resultados Comparados Centrados nos Indicadores de Resultados.
- Notas Explicativas da matriz de Resultados do Plano Estratégico 2010 – 2013.
- Orçamento 2011 da Fundação Malonda. Fevereiro de 2011.
- Plano de Acção para 2011
- Plano de Comunicação para a Fundação Malonda
- Plano Estratégico para o Programa Malonda Junho 2010 – Junho 2013.
- Plano Operacional e Orçamento do Pilar 1 – Semestre 2 de 2012
- Plano Operacional e Orçamento do Pilar 2 – Semestre 2 de 2012
- Plano Operacional e Orçamento do Pilar 3 – Semestre 2 de 2012
- Plano Operacional e Orçamento do Pilar 4 – Semestre 2 de 2012
- Relatório Final do Programa, Julho de 2007 a Julho de 2010.
- Relatório Financeiro da Fundação Malonda, de Janeiro a Julho de 2012
- Relatório Financeiro da Fundação Malonda, de Julho a Dezembro de 2010.
- Relatório Narrativo de Actividades 2010.
- Relatório Narrativo de Actividades, de Janeiro a Dezembro de 2011.
- Relatório Narrativo Semestre 1 de 2012.
- Reprogramação das Actividades Não Realizadas no Semestre 1 de 2012

Annex 3: Schedule of Visits and Persons Interviewed**A. Fieldwork in Niassa 15 to 27 November 2012**

Local	Dia/hora		Actividade	Resp.	Observ.
Lichinga	15/11 (5ªF)	11.30	Chegada no Aeroporto	DAF	Lichinga
		12.00	Check-in	DAF	Hotel Girassol
		12.00 - 13.00	Almoço		
		14.00-15:00	Reunião com a MF	DE	Sala de reuniões da MF
	16/11 (6ªF)	Por definir junto dos grupos alvo	DPA, DPTur, DPComércio, DPPF, Beneficiários de AMODER no Mercado, AMODER, ADEL, UPCN, FAN, AENI	P1, 2, 3	O horário é flexível de acordo com a disponibilidade das empresas e avaliadores
	17/11 Sábado	Ao critério dos avaliadores	Revisão documental	Avaliadores/M&A	Em Lichinga e de acordo com o local e horário da equipa de avaliação
	18/11 Domingo	Ao critério dos avaliadores	Revisão documental		
	19/11 (2ªF)	Por definir junto dos grupos alvo	Encontro Empresas Florestais: Chikwet, Green Resource, FdN, FdP, NFC, Representante do Monte Mosale, ASSOTSI, Associação dos transportadores do Niassa, associação de Avicultores, AAGICON	P1, 2 e 3	O horário é flexível de acordo com a disponibilidade das empresas e avaliadores
Mandimba	20/11 (3ªF)	9:00	Encontro com Agentes Económicos	P2	Mandimba
Cuamba		14:30	Encontro com AGECA	P3	Cuamba
		15:15	Encontro com AMODER	P3	
		16:00	Encontro com a Export Marketing	P3	
Chimbunila	21/11 (4ªF)	7:30	Partida para Chimbunila		
		8:00	Visita a Matama	P1	Matama
		8:30	Entrevista a membros das comunidades circunvizinhas de Matama	P4	Matama
		10:00	Encontro com o Governo do distrito	DE	Chimbunila
		10:30	Encontro com COGEP-Ndamo Jetu	P4	Mussa
		11:30	Visita ao Centro de Saúde de Mapako	P4	Acção de R. Social da FdN
		11:50	Partida para Muembe	P4	
		13:00	Encontro de cortesia com	P3	Escritório

Mid Term Review of the Malonda Program (July 2010-June 2013): January 2013

			o Governo do distrito		respectivo
Muembe		14:00	Encontro com Sultão Ntamila e líderes comunitários	P4	
		14:45	Encontro com COGEP Ngadiinje	P4	
		16:00	Encontro com Beneficiários dos FDC's	P4	
		16:30	Visita a Escola de Ligogolo (Responsabilidade social)	P4	
		17:00	Regresso a Lichinga	P4	
Lichinga	22/11 (5ªF)	8:00	IBIS	P2/P4	Nos respectivos escritórios
		9:45	CPS		Inicialmente esta data estava marcada para Majune, no entanto, não será possível visitar o acampamento. Cabe a equipa de avaliadores a decisão final
		10:15	BAU		
		11:00	CCS		
		14:00	CEP		
		15:00	UCA		
		16:00	ITC		
		16:30	ROAD'S		
		17:15	AITHUN		
Sanga	23/11 (6ªF)		Partida para Sanga		
		8:00	Encontro com PCR's Malica	P3	Malica
		8:45	Encontro com PCR Licole	P3	Licole
		10:00	Encontro com o Governo do distrito	P4	Malulu
		10:30	Encontro com Beneficiários do apoio em técnicas em agricultura de conservação	P4	
		11:00	Encontro com COGEP Chajila Chetu	P4	
		11:30	Encontro com Agentes Económicos	P2	
		12:00	Visita a sala TIC	P4	Malulu (R. Social da Green Resource)
		13:00	Partida para Lago	P1/4	
		14:30	Chegada no Lago	DE	Malulu
Lago		Toda tarde	Discussão de dados e produção do relatório preliminar	P4/P2	Mbuna Bay Lodge

	24 e 25/11	Todo o dia	Discussão de dados e produção do relatório preliminar	Avaliadores	Mbuna Bay Lodge
	25/11	15:00h	Partida para Lichinga		Lago
Lichinga	26/11	09:00-12:00	Realização da Mesa Redonda de divulgação dos resultados preliminares do estudo	DE	Lichinga
	27/11	09:40	Check-in	DAF	
		10:30	Partida para aeroporto		
		11:00	Despedida com DE da MF	DE	

B. List of Persons Interviewed

Name	Organisation	Position	Place	Date
John Mkumbila	New Forest	Oficial Comunitário	Muembe	20, Nov./12
Razak Salvador Malate	Monte Mosale	Representante	Lichinga	19, Nov./12
Irvine Kanyemba	Florestas do Niassa	Director	Lichinga	19, Nov./12
Emilio Muampezaro	ROADS	Oficial de Monitoria	Lichinga	22, Nov./12
Nelson Jackson	ITC	Oficial de Programa	Lichinga	21, Nov./12
Rodolfo Beasley	Florestas do Planalto	Gerente de Projecto	Lichinga	19, Nov./12
Johannes Potgiester	Florestas do Planalto		Lichinga	19, Nov./12
Manuel Vene	Centro de Pesq. Social	Coordenador de Projecto	Lichinga	19, Nov./12
Oscar Daniel	Centro de Pesq. Social	Oficial de Projecto	Lichinga	19, Nov./12
Rosa Abel	Centro de Pesq. Social	Contabilista	Lichinga	19, Nov./12
Jesse Albino	Centro de Pesq. Social	Oficial de Campo	Lichinga	19, Nov./12
Francisco Tábua	Concern International	Oficial de Programa	Lichinga	22, Nov./12
Manirambona Consolate	Concer International	Gestora de Programa	Lichinga	22, Nov./12
Crisaldo Jorge	Ibis – COCIM	Coordenador	Lichinga	22, Nov./12
Simão Capinga	Ibis – COCIM	Oficial de Programa	Lichinga	22, Nov./12
Gun Lindberg	CCS	Coordenadora	Lichinga	22, Nov./12
Eusébio Maurício Tumuitikile	Dir. Prov. da Agricultura	Director	Lichinga	16, Nov./12
Horácio Linaula	Dir. Prov. de Indústria e Comércio	Director	Lichinga	16, Nov./12

Mid Term Review of the Malonda Program (July 2010-June 2013): January 2013

Feliciano Faduco Dembele	Dir. Prov. do Plano e Finanças	Director	Lichinga	16, Nov./12
Angelo Maine	Dir. Prov. do Turismo	Técnico	Lichinga	16, Nov./12
Celestino Tomás	Dir. Prov. do Turismo	Técnico	Lichinga	16, Nov./12
Edite Faquirá	Dir. Prov. do Turismo	Técnica	Lichinga	16, Nov./12
Ivan Santos	ADEL	Director de Projecto	Lichinga	16, Nov./12
Hélder Andrade	Fundação Malonda	Director do Pilar 1	Lichinga	16, Nov./12
Apolinário Panguene	IGEPE	Presidente do Cons. Adm.	Maputo	28, Nov./12
Hermógenes Canote Mário	IGEPE	Chefe de Dep. Cont. Part.	Maputo	28, Nov./12
Rajabo Cimalawooga	Fundação Malonda	Director Pilar 4	Lichinga	23, Nov./12
Tito Gouveia	Fundação Malonda	Director Pilar 3	Lichinga	23, Nov./12

Name	Organisation	Position	Place	Date
Samuel Assane	COGEP	Secretário	Chiconono, Muembe	20, Nov./12
Paulino Sabito Adimo	COGEP	Presidente da Assembleia	Chiconono, Muembe	20, Nov./12
António Sumane	COGEP	Tesoureiro	Chiconono, Muembe	20, Nov./12
João Ailo Kawasaki	COGEP	Secretário da Mesa	Chiconono, Muembe	20, Nov./12
Sabite Amisse	COGEP	Conselheiro do Régulo	Chiconono, Muembe	20, Nov./12
Costa Mauride	COGEP	Conselheiro do Régulo	Chiconono, Muembe	20, Nov./12
Armando Assane	Comunidade	Beneficiário do FDC	Chiconono, Muembe	20, Nov./12
Isabel Cassimo	Comunidade	Beneficiário do FDC	Chiconono, Muembe	20, Nov./12
Agostinho Artur	Comunidade	Beneficiário do FDC	Chiconono, Muembe	20, Nov./12

Name	Organisation	Position	Place	Date
Justino Izequiel Guamba	COGEP Ndamo-Jeto, Chimbunila	Representante do Governo no COGEP	Chimbunila, Lichinga	21, Nov./12
Samuel Buana	COGEP Ndamo-Jeto, Chimbunila	Secretário	Chimbunila, Lichinga	21, Nov./12
Paulo Amoge	COGEP Ndamo-Jeto, Chimbunila	Presidente da Assembleia	Chimbunila, Lichinga	21, Nov./12

Mid Term Review of the Malonda Program (July 2010-June 2013): January 2013

Manuel Binal	COGEP Ndamo-Jeto, Chimbunila	Presidente do Conselho de Direcção	Chimbunila, Lichinga	21, Nov./12
Idrisse Assane	COGEP Ndamo-Jeto, Chimbunila	Vice-Presidente da Assembleia	Chimbunila, Lichinga	21, Nov./12
Saine Azide	COGEP Ndamo-Jeto, Chimbunila	Membro	Chimbunila, Lichinga	21, Nov./12
Palmira Carlos	COGEP Ndamo-Jeto Chimbunila	Membro	Chimbunila, Lichinga	21, Nov./12

Name	Organisation	Position	Place	Date
Assamo Nkawanganya	COGEP Chadjila Chetu	Presidente	Sanga, Niassa	23, Nov./12
Feliciano Hemdy Assumane	COGEP Chadjila Chetu	Tesoureiro	Sanga, Niassa	23, Nov./12
José Elias Guza	COGEP Chadjila Chetu	Secretário	Sanga, Niassa	23, Nov./12
Mustafa Omar Achimo	COGEP Chadjila Chetu	Membro	Sanga, Niassa	23, Nov./12
Jorge Assane	COGEP Chadjila Chetu	Membro	Sanga, Niassa	23, Nov./12
Glória Rafael	COGEP Chadjila Chetu	Membro	Sanga, Niassa	23, Nov./12
Assane Nthindo	COGEP Chadjila Chetu	Membro	Sanga, Niassa	23, Nov./12
Mussa Assumane	COGEP Chadjila Chetu	Membro	Sanga, Niassa	23, Nov./12

Workshop of preliminary results – MF Office, Lichinga

Name	Organisation	Position	Place	Date
Paula Ruth	BAU	Director Executiva	Lichinga	26, Nov./12
Rodolfo Beasley	Florestas do Planalto S.A.	Gerente de Projecto	Lichinga	26, Nov./12
João Juvêncio Muchanga	Dir. Prov. Turismo	Director Provincial	Lichinga	26, Nov./12
Celestino Kuntuela	Fundação Malonda	PCA	Lichinga	26, Nov./12
Feliciano F.	Dir. Prov. Plano e Finanças	Director Provincial	Lichinga	26, Nov./12
Tito Gouveia	Fundação Malonda	Director do Pilar 3	Lichinga	26, Nov./12
Kiss Kilamuina	Fundação Malonda	Monitoria & Avaliação	Lichinga	26, Nov./12
Jafar Furcane	Fundação Malonda	Oficial do Pilar 2	Lichinga	26, Nov./12
Fernando Marrime	Fundação Malonda		Lichinga	26, Nov./12
Vladimiro Bacar	Fundação Malonda	Jusísta	Lichinga	26,

Mid Term Review of the Malonda Program (July 2010-June 2013): January 2013

				Nov./12
Victor Jone Sevene	Dir. Prov. de Agricultura	SPER	Lichinga	26, Nov./12
Paulino Imede	UCA	Coordenador da UCA	Lichinga	26, Nov./12
Graciano Sayal	Green Resource	Gestor Florestal	Lichinga	26, Nov./12
Gilberto Medeiros	AMODER	Representante	Lichinga	26, Nov./12
Cristiano E. Rafael	ADEL	Supervisor	Lichinga	26, Nov./12
Francisco Pangaya	Fundação Malonda	Director Executivo	Lichinga	26, Nov./12
Rajabo Cimalawoonga	Fundação Malonda	Director do Pilar 4	Lichinga	26, Nov./12
Fátima Aquimo	Fundação Malonda	Assistente Administrativa	Lichinga	26, Nov./12

Annex 4: Results Matrix, 2011 & 2012

MATRIZ'DE'RESULTADOS'2011'CENTRADOS'NOS'INDICADORES'DE'RESULTADOS'			
Área de Actividade	Indicador de resultados	Resultados Alcançados até a Dezembro de 2011	Avaliação
PILAR 1: Promoção do Investimento	INDICADOR GERAL: 4.000 Camponeses apoiados, 30 PMEs apoiados, 1 GEs apoiados		
1.0 Desenhar estratégia de marketing para atrair investidores para o Niassa	Estratégia de Marketing desenhada e monitorada semestralmente	Elaborados os ToRs dos Objectivos de Marketing;	Não Realizada
1.1 Construir uma base de dados dos investidores existentes e potenciais e outras categorias de intervenientes de investimento interessados	Base de dados de investidores e outros intervenientes operacional e actualizada pelo menos um mês (Ferramenta para FM)	Base de dados não existente	Não Realizada
1.2 Criar um plano de comunicação proactivo para disponibilização da informação	Plano de comunicação criado e actualizado semestralmente (no nível geral. Base de dados fazendo parte do plano geral de comunicação)	Elaborados os ToRs para consultoria de plano de comunicação.	Não Realizada
1.3 Criar um portal/website para investidores de negócios com informação e ligações adequadas	Portal e website operacionais e actualizados pelo menos mensalmente, com 75 % de utilizadores a classificarem-no como útil ou muito útil; (mostra onde é que os investidores poderão estar anualmente)	1. Concluido Portal/website com informação sobre algumas oportunidades de investimento no Niassa 2. Em processo a identificação das potencialidades e informação necessaria para investidores existentes e potenciais na area de turismo, obras publicas e agricultura. Identificada potencialidade das nascentes no distrito de Massangulo. Assinado contrato de prestação de serviço com Club of Mozambique (fornecedor de informação) 3. Publicadas experiencias dos investidores (Agricultura e Floresta) no jornal Faisca	Realizada
1.4 Gerir a investigação de oportunidades de investimento seleccionadas/sectoriais	Estudos de investigação concluídos em pelo menos 2 subsectores/ano		Não Realizada

Mid Term Review of the Malonda Program (July 2010-June 2013): Final Report: January 2013

1.5 Divulgar informação sobre oportunidades de investimento e conferências de investidores através do website.	Pelo menos 4 eventos de divulgação/ano;	1. Memos de entendimento por assinar (CCMP,CPI) 2. Promessa de trabalhar em colaboração em função da disponibilidade do Governo Provincial. 3. Participação na FACIM	Realizada
1.6 Dinamizar os investidores individuais para que investiguem, negoceiem e façam investimentos	30 inquéritos a potenciais investidores (existentes e potenciais) contactados em 2011	1 investidor atraído (UPM)	Realizada
PILAR 2: Ambiente de Negócios Favorável			
2.1 Facilitar a formação e o apoio a grupos/associações de negócios e as melhorias na sua capacidade de advocacia e participação	Apoiada a formação de 30 novos grupos/associações de negócios	1. Alistadas as necessidades de algumas Associações estudadas 2. Facilitada a formação e legalização de 3 associações em Mecanhelas (2 associações de pescadores e 1 de comerciantes de pescado) 3. Facilitado o contacto entre WWF(provedor de serviço) e os pescadores de Mecanhelas	Realizada
2.2 Investigar e identificar constrangimentos-chave para investidores existentes e novos	Concluída a revisão anual dos constrangimentos-chave		Não Realizada
2.3 Identificar melhorias específicas que possam ser feitas em colaboração com os principais intervenientes públicos e privados	Fazer propostas de melhorias para remover os constrangimentos		Não Realizada
2.4 Facilitar a advocacia feita pelos grupos/associações de negócios junto dos governantes a nível provincial e nacional para melhorar o ambiente favorável (regulamentos, infra-estruturas)	Facilitadas 2 principais oportunidades de advocacia/fóruns de diálogo com autoridades políticas		Não Realizada
2.5 Monitorar e publicar indicadores-chave para o Niassa, como por exemplo o tempo e custo de estabelecer um novo negócio, custos de transporte, etc., com comparações nacionais e provinciais adequadas	Publicação anual de 6 indicadores-chave de promoção do ambiente de negócios		Não Realizada
PILAR 3: Serviços Financeiros, Legais e de Negócios	INDICADOR GERAL: 2 Novos fornecedores de serviços para médias, pequenas ou microempresas, 6 novos PMEs recebem crédito, 35 novos Microempresas recebem crédito, 1.500 pessoas rurais têm acesso a poupanças e crédito 2 Novos fornecedores de serviços legais, contabilísticos		

3.1 Monitorar a prestação actual de serviços financeiros, legais e outros serviços comerciais (tipo, qualidade, custos)	Concluído e publicado estudo sobre a prestação de serviços financeiros, legais e outros do ponto de vista da oferta	Elaborados ToR	Não Realizada
3.2 Identificar a procura de serviços financeiros, legais e outros serviços comerciais (tipo, qualidade, custo)	Concluído o estudo sobre a prestação de serviços financeiros, legais e outros do ponto de vista da procura	Elaborados ToR	Não Realizada
3.3 Facilitar a entrada de potenciais provedores de serviços financeiros incluindo os existentes na melhoria dos seus serviços.	Numero de potenciais provedores de serviços que entraram em Niassa e de provedores existentes que melhoraram os seus serviços.	5 novas entradas de provedores de serviços : Mundukide , ADC, ADEL e UPCN, e Vaito Consultores e Auditores) 3 melhorias de prestação de serviço (MUNDUKIDE, ADEL e UPCN)	Realizada
3.4 Criar pacotes e promover oportunidades de investimento para os investidores	Pacotes de investimento desenvolvidos e promovidos	Identificados os pacotes de Investimento	Realizada
3.5 Facilitar o investimento por parte de provedores de serviços existentes e novos	10 apresentações sobre oportunidades de investimentos (individuais/grupo) 2 estudos de viabilidades co-financiados	2 apresentações sobre oportunidades (2 apresentações na FACIM 2011)	Realizada
3.6 Monitorar e publicar o uso e a satisfação dos serviços financeiros, legais e outros serviços comerciais perante os investidores	Publicação anual do resultado de inquéritos sobre o grau de utilização e satisfação pelos investidores em relação aos serviços financeiros e legais	Elaborados ToR	Não Realizada
PILAR 4: Serviços Relacionados com Comunidade/Investidores			
INDICADOR GERAL: 13 mediações, 2 conflitos resolvidos e Continuação do investimento por empresas florestais			
4.1 Facilitar a formação de uma parceria de intervenientes principais (representantes comunitários, investidores, OSCs/ONGs relevantes, CCDs/CCPs)	Formadas parcerias comunidade-investidor	Formadas 3 parcerias comunidade-investidor : facilitada a formação de 3 COGEPs (Conselho de gestão participativa de Recursos Naturais) em 3 distritos	Realizada
4.2 Facilitar a identificação e definição de prioridades para as questões que precisam de ser abordadas (direitos de uso da terra, segurança alimentar, parcelas comunitárias de floresta)	Questões definidas e com prioridades, pelo menos anualmente	Realizado 1 encontro com Oficiais comunitários das empresas florestais para remover mal-entendidos sobre assuntos sensíveis	Não Realizada

Mid Term Review of the Malonda Program (July 2010-June 2013): Final Report: January 2013

4.3 Apoiar investigação objectiva/independente e análise destas questões	Investigação concluída em pelo menos 2 questões principais	Investigação concluída em 1 (uma) questão "Resolução de Conflitos de terras "	Realizada
4.4 Facilitar a discussão, acordo e planificação de actividades com base na investigação, incluindo o uso de FDCs para apoiar programas	Acordo alcançado e plano de actividades desenvolvido e actualizado anualmente em relação às questões identificadas	1. Elaborados ToRs para adequação dos modelos de FDC.	Não Realizada
4.5 Registrar e monitorar actividades acordadas e progressos feitos	Monitoria do progresso do plano de actividades pelo menos trimestralmente, com indicação dos progressos obtidos	Monitoradas todas as actividades do Pilar 4	Realizada
4.6 Facilitar a resolução de conflitos através de serviços de mediação (conflitos de interesse).	13 casos considerados pelo serviço de mediação (conflito de interesse), dos quais 7 completos	1. 3 conflitos resolvidos 2. Obtido mecanismo de resolução de conflitos	Realizada

Legenda:

1. ADC - Agência de Desenvolvimento Comunitário
2. ADEL -Agência de Desenvolvimento Local
3. AGECA - Associação para o Desenvolvimento da Comunidade
4. AENI - Associação de Empreiteiros de Niassa
5. AIHTUN - Associação da Indústria Hoteleira e Turismo do Niassa
6. ASSOTSI - Associação de Operadores de Trabalhadores Informais de Lichinga
7. CASCOM- Empresa de Consultoria
8. CCS -Centro Cooperativo Sueco
9. CEP - Conselho Empresarial Provincial
10. CGCs - Comité de Gestão Comunitárias
11. COGEPs - Conselho de Gestão Participativa dos Recursos Naturais.
11. CPI - Centro de Promoção de Investimento
12. DPA - Direcção Provincial da Agricultura
13. DPIC - Direcção Provincial de Industria e Comércio
14. DPT - Direcção Provincial de Turismo
15. DUAT - Direito de Uso e Aproveitamento da Terra

**Grao de
Execucao Global**

40.9%

16. ESTAMOS -Organização Comunitária
17. FDC - Fundo de Desenvolvimento Comunitário
18. IDPPE - Instituto de Desenvolvimento de Pesca de Pequena Escala
19. IPEME - Instituto de Promoção de Pequenas e Médias Empresas
20. NF - New Forest
21. ONGs - Organizações Não Governamentais
22. OSC - Organizações da Sociedade Civil
23. PACDE -MESE- Programa de Apoio de Competitividade do Sector Empresarial
24. PASC - Programa de Apoio a Sociedade Civil
25. PCRs- Poupança e Créditos Rotativos
26. PME - Pequenas e Médias Empresas

ANEXO 1, 2012		
Matriz De Resultados Comparados Centrados Nos Indicadores De Resultados, Dezembro 2012		
Área de Actividade	Indicador de resultados	Avaliação de resultados 2º Semestre/Anual
PILAR 1: Promoção do Investimento	INDICADOR GERAL: 4.000 Camponeses apoiados, 30 PMEs apoiados, 1 GEs apoiados	
1.0 Desenhar estratégia de marketing para atrair investidores para o Niassa	Estratégia de Marketing desenhada e monitorada semestralmente	RESULTADO ATINGIDO NO PRIMEIRO SEMESTRE
1.1 Construir uma base de dados dos investidores existentes e potenciais e outras categorias de intervenientes de investimento interessados	Base de dados de investidores e outros intervenientes operacional e actualizada pelo menos um mês (Ferramenta para FM)	REALIZADO. ACTIVIDADE DE REGIME CONTINUA
1.2 Criar um plano de comunicação proactivo para disponibilização da informação	Plano de comunicação criado e actualizado semestralmente (no nível geral. Base de dados fazendo parte do plano geral de comunicação)	RESULTADO ATINGIDO NO PRIMEIRO SEMESTRE
1.3 Criar um portal/website para investidores de negócios com informação e ligações adequadas	Portal e website operacionais e actualizados pelo menos mensalmente, com 75 % de utilizadores a classificarem-no como útil ou muito útil; (mostra onde é que os investidores poderão estar anualmente)	REALIZADO. ACTIVIDADE DE REGIME CONTINUA
1.4 Gerir a investigação de oportunidades de investimento seleccionadas/sectoriais	Estudos de investigação concluídos em pelo menos 2 subsectores/ano	REALIZADO. ACTIVIDADE DE REGIME CONTINUO
1.5 Divulgar informação sobre oportunidades de investimento e conferências de investidores através do website.	Pelo menos 4 eventos de divulgação/ano;	REALIZADO. ACTIVIDADE DE REGIME CONTINUO
1.6 Dinamizar os investidores individuais para que investiguem, negociem e façam investimentos	30 inquéritos a potenciais investidores (existentes e potenciais) contactados em 2011	RESULTADO ATINGIDO NO PRIMEIRO SEMESTRE
PILAR 2: Ambiente de Negócios Favorável	INDICADOR GERAL: 2 Regulamentos ou políticas alterados, 2 constrangimentos removidos ou reduzidos	
2.1 Facilitar a formação e o apoio a grupos/associações de negócios e as melhorias na sua capacidade de advocacia e participação	Apoiada a formação de 30 novos grupos/associações de negócios	RESULTADO ATINGIDO NO PRIMEIRO SEMESTRE

2.2 Investigar e identificar constrangimentos-chave para investidores existentes e novos	Concluída a revisão anual dos constrangimentos-chave	REALIZADA (Por fazer dia 16 de dez)
2.3 Identificar melhorias específicas que possam ser feitas em colaboração com os principais intervenientes públicos e privados	Fazer propostas de melhorias para remover os constrangimentos	RESULTADO ATINGIDO NO PRIMEIRO SEMESTRE
2.4 Facilitar a advocacia feita pelos grupos/associações de negócios junto dos governantes a nível provincial e nacional para melhorar o ambiente favorável (regulamentos, infra-estruturas)	Facilitadas 2 principais oportunidades de advocacia/fóruns de diálogo com autoridades políticas	REALIZADO
2.5 Monitorar e publicar indicadores-chave para o Niassa, como por exemplo o tempo e custo de estabelecer um novo negócio, custos de transporte, etc., com comparações nacionais e provinciais adequadas	Publicação anual de 6 indicadores-chave de promoção do ambiente de negócios	NÃO REALIZADO
2.6 Monitorar e levantar questões de incumprimento por parte de instituições privadas e públicas	Casos de não cumprimento levantados juntos das autoridades competentes.	NÃO REALIZADO (Existe dúvida da realização, Com que competência a FM pode controlar as instituições públicas e as privadas)
PILAR 3: Serviços Financeiros, Legais e de Negócios	INDICADOR GERAL: 2 Novos fornecedores de serviços para médias, pequenas ou microempresas, 6 novos PMEs recebem crédito, 35 novas Microempresas recebem crédito, 1.500 pessoas rurais têm acesso a poupanças e crédito 2 Novos fornecedores de serviços legais, contabilísticos	
3.1 Monitorar a prestação actual de serviços financeiros, legais e outros serviços comerciais (tipo, qualidade, custos)	Concluído e publicado estudo sobre a prestação de serviços financeiros, legais e outros do ponto de vista da oferta	NÃO REALIZADO
3.2 Identificar a procura de serviços financeiros, legais e outros serviços comerciais (tipo, qualidade, custo)	Concluído o estudo sobre a prestação de serviços financeiros, legais e outros do ponto de vista da procura	NÃO REALIZADA
3.3 Facilitar a entrada de potenciais provedores de serviços financeiros incluindo os existentes na melhoria dos seus serviços.	Numero de potenciais provedores de serviços que entraram em Niassa e de provedores existentes que melhoraram os seus serviços.	REALIZADO

3.4 Criar pacotes e promover oportunidades de investimento para os investidores	Pacotes de investimento desenvolvidos e promovidos	REALIZADO
3.5 Facilitar o investimento por parte de provedores de serviços existentes e novos	10 apresentações sobre oportunidades de investimentos (individuais/grupo) 2 estudos de viabilidades co-financiados	REALIZADO
3.6 Monitorar e publicar o uso e a satisfação dos serviços financeiros, legais e outros serviços comerciais perante os investidores	Publicação anual do resultado de inquéritos sobre o grau de utilização e satisfação pelos investidores em relação aos serviços financeiros e legais	NÃO REALIZADO
PILAR 4: Serviços Relacionados com Comunidade/Investidores	INDICADOR GERAL: 13 mediações, 2 conflitos resolvidos e Continuação do investimento por empresas florestais	
4.1 Facilitar a formação de uma parceria de intervenientes principais (representantes comunitários, investidores, OSCs/ONGs relevantes, CCDs/CCPs)	Formadas parcerias comunidade-investidor	NÃO REALIZADO
4.2 Facilitar a identificação e definição de prioridades para as questões que precisam de ser abordadas (direitos de uso da terra, segurança alimentar, parcelas comunitárias de floresta)	Questões definidas e com prioridades, pelo menos anualmente	RESULTADO ATINGIDO NO PRIMEIRO SEMESTRE
4.3 Apoiar investigação objectiva/independente e análise destas questões	Investigação concluída em pelo menos 2 questões principais	NÃO REALIZADO
4.4 Facilitar a discussão, acordo e planificação de actividades com base na investigação, incluindo o uso de FDCs para apoiar programas	Acordo alcançado e plano de actividades desenvolvido e actualizado anualmente em relação às questões identificadas	NÃO REALIZADO
4.5 Registar e monitorar actividades acordadas e progressos feitos	Monitoria do progresso do plano de actividades pelo menos trimestralmente, com indicação dos progressos obtidos	REALIZADO. ACTIVIDADES DE REGIME CONTINUO
4.6 Facilitar a resolução de conflitos através de serviços de mediação (conflitos de interesse).	13 casos considerados pelo serviço de mediação (conflito de interesse), dos quais 7 completos	REALIZADO

Annex 5 Terms of reference

Terms of reference/Requirements specification – Mid Term Review of the Malonda Program July 2010 – June 2013

1 BACKGROUND

1.1 Information about the Embassy

The current agriculture/private sector development portfolio consists of the following programs that are agreed to or in the process of being agreed:

- Support to the national agricultural development program 2009-2010, Proagri, ended December 2010
- Support to Moz-SAKSS, 2008-2011 of a total of 22.5 MSEK , ending 2012.
- Support to the private sector development program, Malonda, in the Niassa province, 2010-2013, a total of 61 MSEK, out of which 24.5 MSEK have been disbursed.
- Support to a cluster of civil society organisations working in the area of Natural Resources. Program managed by Swedish Cooperative Centre (SCC). Total budget 48 MSEK 2011-2015
- Support to Local Economic Development, ProDEL, in three provinces in Mozambique, co-financed with the European commission. A total of 45 MSEK 2012-2015, will start during the second half of 2012.
- Loan guarantees to promote agricultural development to medium size farmers, jointly with USAID, started September 2011.
- Support to community land rights through the Iniciativa para Terras Comunitárias (ITC), a contribution of 32 MSEK 2011-2014.

1.2 Project description, Malonda 2010-2013

Sweden has supported private sector development in Niassa since the early 2000 through the so called Malonda program with a total amount of approximately 124 MSEK where Sweden is the only financier to date. Initially, the support to Malonda formed part of the integrated provincial support program, Proani, as the private sector development component. The Swedish focus on the Niassa province was based on the isolated situation of the province in terms of economic development and high number of people living in poverty among the population.

The Malonda Foundation (MF) was set up in 2006 and has played an important role in the province, most prominently to attract foreign investments in forestry plantations. The program was evaluated in 2009 which led to a reorientation of MF's role and changed its operations from direct market interventions to facilitation of business development and improvement of the private sector environment in Niassa. The substantial investment facilitated by MF is in forestry and has led to 5 international investors now to be present in the province, 5323 jobs created and 13 545 ha planted forest to date. A new Strategic Plan (SP) was developed in 2010 based on the Making Markets Working for the Poor (M4P) approach. Activities in the SP are centred around four main pillars; Promote and facilitate investments; Improve business enabling environment; Improve financial and business service supply; and Improve community investor relations. The expected results at the end of the program are 24% increase in incomes for 20,000 households and at least 80 SME investments facilitated. The overall goal of the program is: Poverty in the Niassa Province is reduced through increased incomes. The objective: A sustained increase in investment in targeted sectors. The different pillar results are; pillar 1: Promote and facilitate investment in agriculture, forestry, tourism and other targeted sectors; pillar 2: Facilitate improvements to the business enabling environment; pillar 3: Facilitate improved supply of financial, legal,

accounting and other business services available to businesses; and pillar 4: Facilitate improved community-investor relationships.

2 Scope of assignment

2.1 General information

In the agreement with MF it is stated that a Mid Term Review (MTR) of the program will be carried out that will be the basis for the decision to extend the program in line with the option in the agreement, up to June 2015. The current agreement with MF end in June 2013. The purpose of the mid-term review of the MF program is to consider the continuation of the program up to June 2015 in accordance with the option for prolongation in the agreement.

It is envisaged that the process of the review itself will contribute to learning on results related to private sector development and to engage stakeholders involved in private sector development in a dialogue on what are the drivers and the constraints behind economic growth in the province. The MTR is viewed as an opportunity to learn and to engage in a dialogue with actors on overall goals on what type of facilitation and needs there are in order to develop the private sector further and how to work with the government on these issues. The findings of the MTR will be used as a basis for Sida's decision to extend the agreement with MF for two additional year, as per the option in the agreement.

2.2 Scope of work

The specific objectives of the MTR are to establish if results have been achieved according to the agreed objectives of the program (based on the agreed RAF Results Assessment Framework) and assess the effectiveness and efficiency of MF's organisational set up in order to reach the objectives in the strategic plan. In the case where results have not been achieved, the MTR will assess the reasons for this.

The MTR shall summarise the lessons learned from the implementation and the process of the MTR should be used as an opportunity for stakeholders to learn from the experiences of the implementation of the MF program.

The MTR will also provide recommendations for how alternative support to private sector development in the province could be designed, including innovative approaches and partnerships, where the experiences from the , MF, should be taken into consideration. The future oriented recommendations should be based on an analysis of the role of key players in the area of private sector development, such as the role of government, businesses, CSOs and interest.

2.2.1 Review questions

The following questions will be the main questions to be answered by the review. The consultant/s are, however, free to make minor adjustments to the questions if necessary as well as to come up with any additional questions that are necessary to respond to the overall review objective.

- Assess the output (and if possible outcome) results of the program (RAF) as of June 2012.
- Assess the results achieved under each pillar
- Assess the efficiency of MF's organisational set-up in delivering results (relationships between the founders, board, management and operations).
- Assess the MF monitoring and evaluation (M&E) capacity in practice and assess if they have acted on results information.

- Have the promotional/facilitative activities carried out by MF so far (outputs) led to any changes further down the results chain and led to improved conditions/increased income (outcomes) for their target group?
- Has MF succeeded in playing its role as a market development facilitator to promote changes in the market that benefits the poor, in line with the M4P approach, and as described in their strategic plan, taking into consideration the private sector development policies in Niassa?
- How has MF worked to mitigate the possible negative impacts of the private sector development promoted or facilitated by MF such as increased food insecurity, environmental concerns or not up to standard labour conditions?
- What are the most important positive/negative effects of what MF has achieved and the way MF has worked, intended and unintended (long term and short term)?
- How has MF worked with the cross-cutting issues and what are the results?
- What is the cost-efficiency of the MF program in relation to achievements?
- How will the results achieved under the MF program be sustained after the end of the external support?

Future oriented recommendations:

- Assess the relevance of the current program objectives and set up given the changing context of the private sector in the province.
- Give an overview of the current relevant market players in the province (such as local and central government, CSOs, universities/training institutions, membership organisations, farmer associations, private sector actors) and their function and capacity in the market system.
- Assess alternative ways to reach the overall goals of the program, i.e. to promote private sector development that benefits the poor, taking into consideration the lessons learned from MF.
- Further explore the opportunities for the Embassy to engage with investors (present or potential) in the province to promote long-term benefits for the poor as a consequence of the investment.

2.3 Budget and profile of the consultant/s

The team will be comprised of two international consultants (Category I) and one local consultant (Category I or II). The consultant/s shall have experience from private sector development, preferably from working with the Making Markets work for the poor (M4P) approach, rural development, gender and evaluations. Knowledge of Portuguese is a requirement.

The tentative time plan is as follows:

Time for preparation total 10+ 3 days:

Time in Mozambique, total 15 days:

2.4 Schedule

The estimated time for the review is 25 days with a preparatory phase focusing on review of documentation and reports and a second phase involving a trip to Mozambique for consultation with stakeholders.

The assignment is planned to start in mid-October and be finished by 30 November 2012.

2.5 Reporting and documentation

There shall be an inception report and a final report. The reports shall be written in Portuguese and English and no more than 10 pages for the inception report and 30 pages for the final report, with annexes as required.

Annex 6: Development Options for Sociedade Malonda

The development of the Sociedade de Malonda as proposed by the Board is *a priori* a viable option for ensuring sustainability and continuity to Sida investments in Niassa's own sustainable economic growth, as well as helping cut rural poverty. Such a venture could be designed to generate new investment that it could legitimately and transparently share among its stakeholders, be they the state, private shareholders or development partners. It would also serve as an opportunity for an impact investment oriented PPP in which Sida and other partners (e.g. the AGRA-based AECF⁶⁵) could play a useful role.

The Board's proposals for SdeM propose an activated SdeM take over the physical and financial assets of MF, which would become solely a development programme. SdeM would operate as a private company dedicated to the promotion of investment in Niassa, although with some state and donor participation. The proposed areas of activity are: agriculture, tourism, forestry, transportation and communications, business and legal consultancy, commercial agencies and mineral exploration.

Orgut reviewed this proposal in its June 2012 report, "Avaliação da Viabilidade da Legalização da Sociedade de Malonda (SdeM)". The report reveals a degree of concern by Sida and the board regarding the sustainability of Malonda Foundation. Orgut assesses the Board's proposal for SdeM to become a profit-making vehicle that would generate revenue for Malonda Foundation's development assistance work that could potentially provide MF with some autonomy from donor contributions.

Several sources of revenue are discussed:

- A donor-funded investment fund that would presumably generate dividend returns for SdeM; it is even suggested that shares in future businesses could be used as collateral for loans to new ventures, a leveraging mechanism not without its own risks
- Investment in capital equipment (trucks etc.) for leasing to forestry companies and other Niassa investors
- Investment in agricultural production and service provision to investors
- Negotiation (and on-lending) of concessionary loan funds.

Each of these options pre-supposes a certain type of business model, from which detailed business plans and cash flows would need to be developed, once the market demand for each type of capital investment and for each type of service has been objectively assessed, along with all foreseeable risks. Once a thorough understanding of the Niassa market for such services and the prospect of the major subsectors and commodities have been achieved every specific venture would then need to be subjected to close scrutiny and its financial and commercial feasibility clearly established.

The report gives considerable attention to the value of the assets of MF and to their disposal, in order to release MF from its commercial activities. This is undoubtedly a desirable outcome, but to do so in order to capitalise SdeM without a clear commercial purpose or market in mind is not prudent. Furthermore, considerable doubt surrounds the commercial value of Malonda's supposed assets, particularly the legality of its claims to land

1.1. ⁶⁵ Africa Enterprise Challenge Fund (AECF), www.aecfafrica.org/

rights (DUATs)⁶⁶ and the actual commercial value of the used agricultural machinery it owns outright.

In order for the concept of SdeM to progress beyond the Board's proposal and Orgut's initial assessment a market analysis is required. The destination of the assets from MF is a secondary consideration and should not constrain the structure, finances and operation of SdeM; otherwise its commercial sustainability could be compromised. Also, SdeM cannot be burdened with Mozagrus' and Malonda's past but should be given a fresh start as a demand-driven service provider for investors that offers value for money in terms of access to reliable professional services and to government services in terms of guarantees, incentives and access to land.

In order to develop a viable business model Orgut proposes two useful courses of action:

- Reduce overhead and running costs to the minimum
- Reduce the costs of services to ensure a high level of competitiveness in order to gain market share
- Build on MF's experience and market linkages in the services sector to design a package of services and delivery mechanisms that ensure a sustainable competitive advantage with respect to other Niassa suppliers.

SdeM could in that way become the partner of choice for investors in Niassa, providing in-depth knowledge of the province's private and public sector structure and capabilities, its natural resource assets their commercial potential and current level of development, and offering specialised fee-based services to investors in optimising their investments by: 1) facilitating their establishment in the province vis-à-vis government and private sector organisations, including legal, financial and business service providers, some of which can be provided in-house; 2) assisting with land use rights processes, given the preferential access to the national authorities that IGEPE as a founder can help facilitate ; 3) advising on community relations, drawing on many years of experience in the field.

The MTR team welcomes Orgut's clear stance on the legality of the land rights claimed by MF⁶⁷. It also considers the Board's initial proposal and its detailed response of 11/09/2012 very valuable contributions to a crucial debate over the validity and value of MF's assets. It would certainly seem appropriate for Orgut and the Board to settle any disputed issues as soon as possible, since major discrepancies of interpretation as well as of fact are evident from the Board response.

A first step on the road to SdeM establishment, from which any extension to MF would also benefit, is to clarify MF's land use rights and to facilitate the correct transfer of land rights to the intended owners. Our discussions with the IGEPE Chairman and staff on 28/11/12 indicated that if "MF land" reverted to the state, IGEPE could ensure that new DUATs were

⁶⁶ Orgut June 2012: under national Land law and regulations "provisional prior authorisations" for usufruct rights such as those issued in the past to Malonda can expire and will revert automatically to the state along with any improvements made to the land. Malonda did not file the correct paperwork in time to prevent this process from taking place and therefore cannot assume all its ownership rights are still in place.

⁶⁷ "Não cremos que a atual abordagem em termos de terra possa resultar na geração de proventos significativos para a MF, nem acreditamos que tecnicamente as autorizações provisórias expiradas possam ser transferidas para a SdM e dali avançarem para outros investidores. Do nosso ponto de vista esta abordagem pode infringir tanto o texto como o espírito da Constituição e da Lei de Terras, expondo os investidores, a MF e a SdM a riscos consideráveis e desnecessários."

allocated to the intended users provided their development project generated an optimum return. SdeM, with its strong presence in Niassa and with IGEPE on its board, could help ensure the development was commercially sound and socially sustainable, charging a commercial fee for its service.

There is also the question of MF's proposal to obtain *free carry shares* from assisted businesses that have part foreign ownership as a way of fulfilling the legally required quota of Mozambican held shares in new investments. This could be a mechanism for SdeM to generate revenue on a medium to long-term basis, provided the investment is profitable and SdeM's shares are not excessively diluted as new shares are issued by the companies concerned. Apparently some foreign owned companies would be prepared to cede 10% of shares on a free carry basis to MF, so presumably SdeM could benefit in MF's place.

Regarding the merely financial viability of SdeM at its launch it would appear that some of the report's assumptions on revenue from existing assets such as building and equipment - as per the table below, may themselves be optimistic. Therefore, we have prepared a table from the Orgut figures with an additional column discounting rental and other revenue by a factor of 40%. This may be unduly harsh, but further research could quickly establish a more accurate figure.

Annual Revenue Projections for SdM (ORGUT June 2012):

Item	Amount in USD	
	Orgut 2012	MTR
Bank interest	30000	18000
Buildings rent	96000	57600
Equipment Rent	60000	36000
Other revenue	20000	12000
TOTAL	206000	123600

On the plus side, SdeM as a service provider will clearly generate revenue from its clients. We make no firm assumptions at this stage but it should be possible for a competent commercially-oriented team of business service providers to generate at least the technical staff's salary costs each year (see the table below).

Regarding Orgut's cost assumptions, these appear excessive for a start-up service provider, and tend to reflect the carry-over from the more generous financial resources of MF. For instance only one "gestor" from the table below should be needed at the start - others could be hired on an ad hoc basis if the assignment promised to yield a profit. This would reduce staff salaries, overheads and office space requirements. The Secretary could double as a receptionist /administrative assistant and bookkeeper, saving at least 6000 USD per month.

SdeM Salary Cost Estimates (Orgut / MTR)

Personnel	Monthly salary USD	Annual Salary USD (MTR)
Director	5000	60000
Gestor	2500	30000
Gestor	2500	0
Gestor	2500	0
Accountant	1500	18000
Secretary	500	0
Receptionist	500	0
Driver	300	3600

Cleaner	300	3600
---------	-----	------

Salaries Subtotal	15.600 is reduced to 9.600	115200
Annual costs for a board of directors, fiscal council and audits		10000
Contingencies 10%		12500
Total		137700

Item	ORGUT original estimate USD/mth	MTR estimate USD/mth	MTR cost USD p.a.
Salaries	15600	9600	137700
Office rental	2000	1000	36000
Electricity	300	150	5400
Security	500	300	9600
ICT	600	200	9600
Office Materials	300	200	6000
Insurance	100	100	2400
Other costs	200	100	3600
TOTAL	19600	11650	210300

Given a discounted annual revenue of USD 123,600 and direct costs of USD 210,300 SdeM would have a target for additional revenue generation of USD 86,700 in the first year. A substantial part of that figure could come from routine service provision to clients in the forestry sector or earnings from special assignments. If such earnings could be achieved within the first 6-9 months of operation, SdeM could break even in its first year. A fall back position could be a loan guarantee from Sida to ensure full operation even in the case of weaker than expected revenue generation.

An option that merits consideration is offering shares in SdeM stock to private companies with an interest in Niassa particularly or Mozambique more generally, either its overall development or some specific sector. These private investors could include commercial and development banks, telecoms operators, infrastructure builders and operators, agricultural, forestry, mining and tourism companies, etc. An asset to SdeM in such a commercialisation process is the role that IGEPE can play as the state partner, which could facilitate access to certain rights and privileges such as land or tax concessions while reducing the risk of bureaucratic bottlenecks hampering development of the company. This would effectively convert SdeM into a public private partnership with benefits to both sides. It would also provide Sida Mozambique with useful experience in the operation of such partnerships or PPPs.

Annex 7: Financial Services for Rural Poverty Reduction in Mozambique

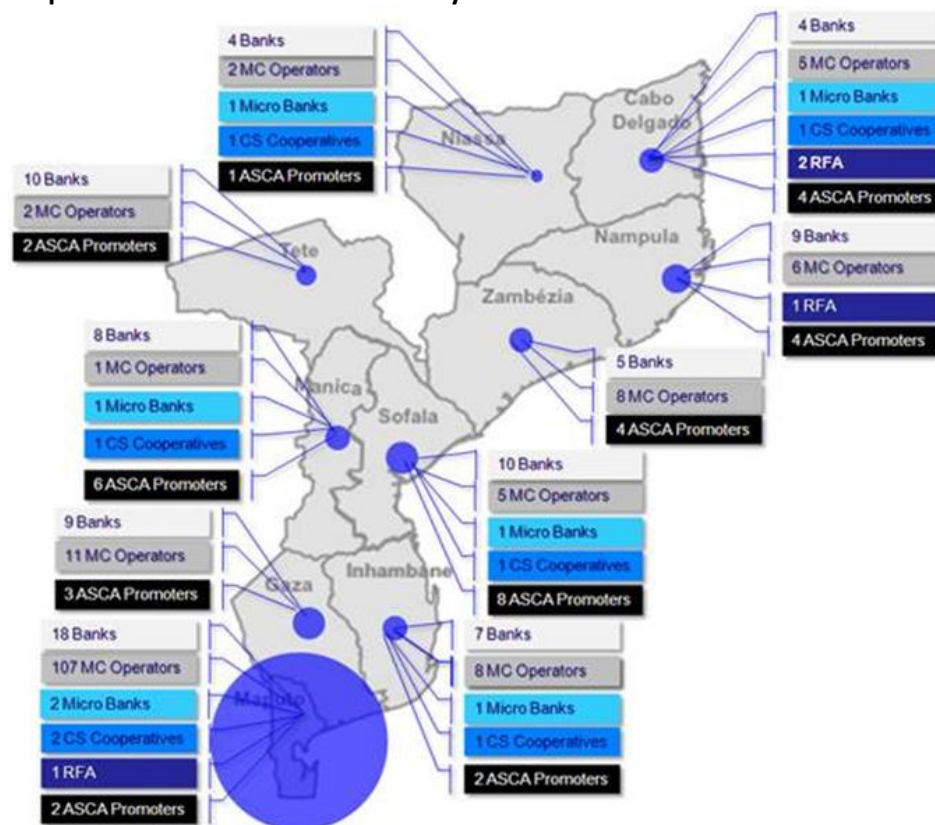
Financial access can be critical to reducing hunger and poverty in three ways. First, financial access for agricultural value chain development is needed throughout the value chain to achieve broad-based economic growth that raises incomes for low-income households. Second, diversification out of agriculture is a hallmark of economic growth, but rural entrepreneurs require financial access in order to invest in non-farm enterprises (NFEs). Third, at the household level, access to financial services (including savings and other non-credit products) enables rural households to meet both regular and unexpected consumption and social demands, such as food, school fees, health care, and funeral expenses, without having to divert financing from investment opportunities. Given the fungibility of money, these three areas are closely interlinked⁶⁸.

High transaction costs explain the absence of credit services in the rural areas of Mozambique (Arndt et al., 2010), which suffer from extreme poverty and are excluded from credit systems (2008, only 2.6 per cent of the households living in the rural areas received credit compared to 2.9 per cent in 2002).. The agricultural sector accounts for 32% of the economy while employing over 75% of workers in the country, hence improving agriculture finance is one of the most pressing needs in the country: Mozambique has the lowest level of financial inclusion in Africa: 78% of the total population.

In recent years, there have been many initiatives to improve rural finance. One of the is the Rural Finance Strategy (RFS), seeking equal access to credit for rural individuals, groups and micro, small and medium enterprises (MSMEs), especially women and the poor. The RFS puts a lot of emphasis on informal groups, mainly ASCAs as well as in the organization of value-chain focused associations. This initiative comes to add forces to other policies aimed to improve rural productivity and fight against poverty, namely the Strategic Plan for Agricultural Development 2010-2019 (PEDSA), and the Poverty Reduction Action Plan (PARP) 2011-2014.

⁶⁸ See RURAL AND AGRICULTURAL FINANCE: TAKING STOCK OF FIVE YEARS OF INNOVATIONS – USAID (December 2011)

Map of Financial Service Providers by Province



The figure above shows the map of the distribution of financial services in Mozambique by province, which are unevenly distributed across the country, being concentrated in large urban zones, mainly Maputo and Matola, but also Beira.

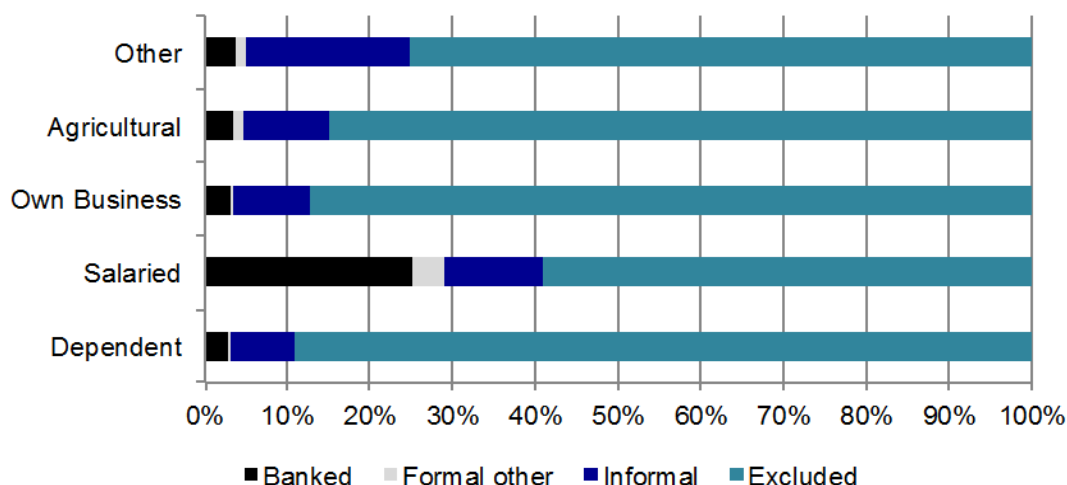
From the perspective of the supply side, the main points to be highlighted are:

- Of the country's 462 commercial bank branches, 111 are in rural areas (4 in Niassa), with only a few banks offering special financial services for agriculture, including lines of credit.
- Cell phone based financial services or mobile money is being developed and launched by multiple private-sector companies – it's probably the most important innovation to expanding the coverage of formal financial services throughout the country.
- Credit cooperatives are active in rural and agricultural markets, though their outreach and information about their activities is limited.
- Most of MFIs still offer strictly credit services, which limits greatly their potential outreach and impact on rural areas
- Low management capacity and low repayment rates are the main constraints faced by Government funds supply credit.
- Despite the relative success of some ASCAs, the model is limited by its short savings and credit cycles, lack of professional management capacity and the informality of its organization.
- Commercial advances/contract farming is increasingly a form of credit for farmers. The challenges related to the practice include weak contract enforcement mechanisms, risks associated with fixing prices before harvest, the delay of funds for initial payments and side selling by producers.

- Financial sector infrastructure includes a developed national payment system and electronic network. A credit bureau exists for commercial banks, but one for microfinance operators is not yet in place.

In terms of demand of financial services, most inhabitants in rural areas reported being totally excluded, as Figure below shows. The only group with a relative good level of access is salaried workers, with 25% of them being banked and another 12% accessing informal services.

Rural access strand by level of income



The analysis of information shows that, from the perspective of the demand of financial services, the main factors constraining access are (a) the lack of appropriate information about the availability, terms and conditions of credit and deposit services; (b) high transaction costs incurred by potential depositors, which reduce the net return on their savings interest earnings; (c) the elevated risks faced by farmers, who tend to be more vulnerable than other borrowers; and (d) lack of financial literacy and technical skills.



Mid Term Review of the Malonda Program July 2010-June 2013

This Mid Term Review (MTR) of the Malonda Foundation (MF) examines its progress in executing its 2010-2013 strategic plan over the period July 2010 to October 2012. The purpose of the review is to contribute to an understanding of MF's results in private sector development and to the engagement of stakeholders in a dialogue on what are the drivers and the constraints behind economic growth in the province and the role that facilitation by MF can play in further developing the private sector in conjunction with government. The findings of the MTR will be used as a basis for Sida's decision on whether to extend its agreement with MF beyond June 2013.

SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

Address: S-105 25 Stockholm, Sweden. Office: Valhallavägen 199, Stockholm

Telephone: +46 (0)8-698 50 00. Telefax: +46 (0)8-20 88 64

E-mail: info@sida.se. Homepage: <http://www.sida.se>

