

Global Donor Platform
for Rural Development

Formulating and Implementing Sector-wide Approaches in Agriculture and Rural Development:

The National Programme of Agrarian Development (PROAGRI) – Mozambique



Acknowledgements and Disclaimer

This report is the product of a two-week field study on the Mozambican experience with Sector Wide Approaches in the agriculture sector. This is part of a larger study commissioned by the Global Donor Platform for Rural Development.

This report was written by Lídia Cabral, of the Overseas Development Institute in London, Animesh Shrivastava, of the Food and Agriculture Organization, and Cardoso Muendane, of SICS Sarl in Maputo.

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The responsibility for the opinions presented in this report rests exclusively with the authors and should not be attributed to the Global Donor Platform for Rural Development or any of the people consulted in Mozambique.

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List of Acronyms

| | |
|---------|---|
| CDMP | Medium Term Expenditure Framework (Cenário de Despesas de Médio Prazo) |
| CIRESP | Public Sector Reform Interministerial Commission (Comissão Interministerial da Reforma do Sector Público) |
| CFMP | Medium Term Fiscal Framework (Cenário Fiscal de Médio Prazo) |
| DFID | UK Department for International Development |
| ECA | Agricultural Commercialization Strategy (Estratégia de Comercialização Agrícola) |
| ESAN | Food Security and Nutrition Strategy (Estratégia de Segurança Alimentar e Nutrição) |
| FAO | Food and Agriculture Organization |
| GBS | General Budget Support |
| GoM | Government of Mozambique |
| MADER | Ministry of Agriculture and Rural Development (Ministério da Agricultura e Desenvolvimento Rural) |
| MAP | Ministry of Agriculture and Fisheries (Ministério da Agricultura e Pescas) |
| MINAG | Ministry of Agriculture (Ministério da Agricultura) |
| MoU | Memorandum of Understanding |
| MTEF | Medium Term Expenditure Framework |
| ODA | Official Development Assistance |
| ODI | Overseas Development Institute |
| OE | State Budget |
| ORAM | Rural Organization for Mutual Assistance (Organização Rural de Ajuda Mútua) |
| PAAO | Annual Activities and Budget Plan (Plano Anual de Actividades e Orçamento) |
| PAEI | Agrarian Policy and Implementation Strategy (Política Agrária e Estratégia de Implementação) |
| PARPA | Poverty Reduction Action Plan (Plano de Acção para a Redução da Pobreza Absoluta) |
| PEE | Roads Policy and Strategy (Política e Estratégia de Estradas) |
| PES | Economic and Social Plan (Plano Económico e Social) |
| PQG | Five-year Government's Programme (Programa Quinquenal do Governo) |
| PROAGRI | National Programme for Agrarian Development (Programa Nacional de Desenvolvimento Agrário) |
| SBS | Sector Budget Support |
| SWAp | Sector Wide Approach |
| TIA | Agricultural Survey (Trabalho de Inquérito Agrícola) |
| UGC | General Cooperatives Union (União Geral das Cooperativas) |
| UNAC | Peasants National Union (União Nacional dos Camponeses) |
| USAID | United States Agency for International Development |

Map of Mozambique



Farming Systems

- Highland temperate mixed
- Root crop
- Cereal-root crop mixed
- Maize mixed
- Large commercial & smallholder
- Coastal artisanal fishing

Source: FAO, country profiles – <http://www.fao.org/countryprofiles/Maps/MOZ/01/fs/index.html>.

Executive Summary

The Study and its Purpose

This country study is part of a larger study on Sector Wide Approaches (SWAs) in agriculture and rural development commissioned by the Global Donor Platform for Rural Development. The overall purpose of the study is to examine past, present and future roles of agriculture and rural development SWAs within the broader context of changes in development assistance. The study includes three detailed country case-studies and a few additional desk-based studies. The present report corresponds to the case-study on Mozambique's experience with agricultural SWAs which focuses on the National Programme of Agrarian Development, PROAGRI.

Introducing PROAGRI

PROAGRI emerged essentially as an attempt to address the lack of coherence and integration in a context of highly fragmented aid operations in the agriculture sector. The first phase of PROAGRI was launched in 1998 as part of a joint effort by the Government of Mozambique and the main donor agencies working in the agriculture sector. Three strategic objectives were established, for the period 1998-2003 (later to be extended until 2005): (i) to reform and modernise the institutional structure of the public sector interventions in support of the agricultural sector, (ii) to increase agricultural production and productivity and hence improve income and food security for rural households, through better public service delivery and (iii) to protect, conserve, develop and ensure sustainable access and use of natural resources.

Balance of the PROAGRI Experience

As a SWAp, PROAGRI did not benefit from the best initial conditions, i.e. a clear common sector policy framework and a unified programme/expenditure framework (although these were developed over time), or indeed alignment of major stakeholder and resources in the sector. Still, through the concerted action of the ministry of agriculture and a group of donors, PROAGRI was instrumental in revolutionising the nature of the aid relationship, initiating ambitious institutional changes in the ministry, of relevance also to the wider public sector reform process, and pioneering systems and procedures which have later been mainstreamed in other parts of the government.

The common funding mechanism marked an important shift in the interaction between government and donor agencies and one which contributed significantly to enhanced government leadership and streamlining of interventions in the sector. It also worked as a crucial stepping stone into the development of the budget support framework. The funding mechanism is now about to become the first example of sector budget support in Mozambique with a disbursement calendar and financial management perfectly aligned with that of the whole government. In spite of these advances some signs of a weakening coordination platform in the sector are gradually showing. Important donor agencies have withdrawn from the common funding framework and parallel large scale programmes/projects have been popping up.

PROAGRI was undoubtedly successful in improving capacities within the ministry and its subordinate institutions. The improvement of working conditions and planning and management systems at district level is generally thought to have been particularly important to prepare the ministry for a better interface with farmers and other sector operators.

PROAGRI was also an important hub for debate and discussion of fundamental public sector institutional transformations – the first to produce a functional analysis and to introduce the philosophy of paring down state's functions to core public good, demand-driven services and decentralised capacity and resources to provincial and district levels. Progress on these matters has however been inhibited by internal forces offering resistance to change and the slower reforming pace of the government-wide public sector reform process.

The lack of balance between process and results (or means and ends) is one of the most common critiques to PROAGRI. It focused too much on building (planning and financial management) systems and capacity in the ministry and much less on ensuring that this improved capacity actually generated more effective service delivery at the field level. The resulting sense of lack of progress among its final (intended) beneficiaries may be one significant factor in the apparent current weakening of government commitment/resolve to the PROAGRI process. Cynical views suggest

that PROAGRI was good precisely because it did very little and hence avoided government interference in the sector.

The perceived disproportionate emphasis on systems development and capacity building may have resulted from the difficulty to advance in other more sensitive areas and certainly also from design oversight. Insufficient attention to the development of a monitoring framework for measuring the impact of PROAGRI (and associated lack of investment in appropriate data gathering systems and capacities) seems, in retrospect, to be a significant drawback in design. A well-articulated results framework could have proved an important tool to maintain balance, during implementation, between, for example, focus on institutional reform and enhancing efficiency of service delivery, or between focus on recurrent expenses and development investments.

Challenges ahead for PROAGRI

There are a number of outstanding challenges and dilemmas to resolve with regard to PROAGRI's nature and reach and the approach to be taken by Government and its development partners.

1. **Perceptions of PROAGRI – setting the boundaries:** there are different perceptions of what PROAGRI is and this is partly because of the absence of a well-defined framework, which has proved to be a constraint to a fair assessment of the programme's performance. There is an urgent need to define a clear and realistic framework for PROAGRI to avoid future misjudgement and frustration.
2. **Sectoral, sub-sectoral or government-wide support?:** key donors are choosing to support the agriculture sector outside PROAGRI and this raises the question of whether the current scope and agenda for PROAGRI remain valid – does it still make sense to think of PROAGRI as a sector-wide platform of policy dialogue? Or should it concentrate its leverage on some aspects of sectoral policy?
3. **Vertical versus horizontal support:** the recently adopted model for district level development planning and administration raises questions about the direction of focus of donor harmonisation and alignment efforts in the agricultural sector. Which department/entity and at what level of governance (national, provincial, district) should the PROAGRI platform work with to build institutional capacities and align procedures?
4. **Harmonisation and alignment – means versus ends:** donors, as well as Government, need to be careful not to treat harmonisation and alignment as an end in itself. They need to keep asking the question as to whether improvements made in terms of harmonisation and alignment are actually leading to stronger policies and better policy outcomes.
5. **Conditionality and ownership – the need to focus on systems and processes:** linking the SWAp arrangement with policy conditions (as done to some extent through the PROAGRI basic principles) may not only undermine government ownership but also make the arrangement more vulnerable to cyclical political switches. It is better to focus on the process of policy-making and linking the funding arrangement with improvements in that process rather than with the pursuit of specific policies.
6. **The need for resilient and sustained donor commitment:** donors need to stay the course and ensure continued (and predictable) support for the sake of domestically-driven and sustainable developmental processes. This may require, at times, backing policies which may not be aligned with their policy positioning on a given issue (e.g. direct government intervention in input distribution), as long as these policies have been generated through democratically sound policy processes.
7. **Quick-wins versus systemic gains:** there should be a sensible mix of short-term and long-term outputs/outcomes when designing the SWAp. This is because although a long-term programme of reform may be logically consistent and tactically correct, a broad constituency in favour of maintaining the reform momentum also has to be maintained. This is best done by delivering some quick gains within the electoral/political cycle.
8. **Institutional development at sector level and government-wide processes:** although PROAGRI has been an important testing ground for pioneering governance changes, the experience also demonstrated that lack of alignment with general institutional reform processes in the whole of government may constitute a major obstacle to deepen reforms at sector level. Issues pertaining wider public sector governance should be handled at the appropriate level. GBS's Programme Aid Partnership is a suitable channel to conduct dialogue with Government on wider governance issues (such as decentralisation and results-based management).

9. **The attribution problem in assessing performance:** MINAG's new results-oriented approach is a welcome development. However, although the focus on sectoral performance is important to give government's policies a sense of direction and purpose it is crucial to understand in what ways the government's action relates with and influences that performance. In order to do that it is important to distinguish between outputs, outcomes and impact; only the former can be directly imputable to MINAG's policies.
10. **Pre-planned versus demand-driven approaches:** PROAGRI has been criticised for being, to some extent, top-down and supply-driven. To ensure relevance, efficacy and sustainability of institutional reforms and investments, it is important to make these demand-driven and service-oriented. This is particularly important in a sector like agriculture where the government needs to be able to respond to the particular challenges posed by local (and highly diverse) ecosystems and market opportunities.

Implications for Swaps and Harmonisation and Alignment in Agriculture

SWAPs are broadly consistent with mainstream principles of effective aid, as expressed in the 2005 Paris Declaration. SWAPs have generally delivered a more coordinated policy framework, a more complete perspective of resource availability in the sector, less fragmentation of interventions and, undoubtedly, stronger government leadership of the policy process, particularly central level leadership. But to what extent have all these SWAP-attributable outputs contributed to more evidence-based, demand-driven and pro-poor policies or to better financial management, better targeting and more efficient use of resources?

We still know little about the connection between the SWAP and performance of the agricultural sector. However, the imperfect understanding of the causality link between SWAP inputs/outputs and outcomes (at policy/institutional level) and impacts (on the ground) cannot and should not, however, be used as argument for discontinuing SWAPs. There is, yet, a case for asking to what extent SWAPs and associated aid effectiveness principles are instrumental to the pursuit of improved wellbeing, social justice and resource sustainability in the rural economy? A number of issues require careful consideration in addressing this crucial question.

- (i) Harmonisation and alignment are not ends in themselves and there needs to be a discussion of how much harmonisation and alignment is feasible and advantageous in a sector like agriculture; this is largely because:
- (ii) Agro-ecological systems are highly diverse and heterogeneous and so are the numerous players intervening in agriculture and other rural sectors.
- (iii) Results-based management is important but challenging in a sector where sector performance is determined by a number of factors, many of which are beyond control of ministries of agriculture.
- (iv) Ownership needs to be defined carefully in a sector where there is little agreement on the roles of and scope for the state and where most of the activity happens beyond the sphere of influence of state actors.
- (v) Many of the challenges facing agriculture and the rural economy entail long-term solutions and providing these requires focus, continuity and resilience from both governments and donors.

There is still scope for SWAPs and SWAP-like arrangements (i.e. platforms for policy and financial management coordination at sector level) and they are not, in principle, incompatible with GBS or standalone projects. Different aid approaches and instruments are suitable to different purposes, as long as certain good practice principles (namely, respect for domestic institutions and systems, transparency, predictability) are observed and that past mistakes (such as the use of parallel decision-making and management structures when working with government) are not repeated. Whatever the mechanisms, governments and donors need to be pragmatic, focused on the objectives they want to pursue, and be ready for compromise and for accepting that the policies and strategies that look right on paper might not be politically feasible in the particular context.

1. Introduction

1.1 Background

This country study is part of a larger study on Sector-wide Approaches (SWAs) in agriculture and rural development commissioned by the Global Donor Platform for Rural Development.

SWAs had their peak in the late 1990s. They were then widely perceived as the ultimate approach to provide financial support to public sector agencies struggling with highly fragmented donor-funded initiatives, severe lack of coordination and coherence between interventions and very poor capacity and ownership of the development process. SWAs initially targeted social sectors in highly aid dependent low income countries. They have since expanded to other sectors, namely agriculture, and to less aid depended and middle income countries. However, the future of the approach is gradually starting to be questioned as other forms of engagement with national governments and resource-constrained sectors emerge and SWAp experiences fail to provide convincing evidence that the approach contributes to sounder and more effective policies and better efficiency in the use of public resources.

The overall purpose of the study is to examine past, present and future roles of agriculture and rural development (A&RD) SWAs within the broader context of changes in development assistance. The specific objectives of the study are: (i) to establish whether, and in what ways, A&RD SWAs are delivering against their stated goals; and (ii) to identify critical lessons about the way in which development assistance currently supports the A&RD sector and what can be done differently to enhance the contribution of A&RD to long term growth and poverty reduction.

This study comprises three phases. Phase 1 consisted of a desk review aimed at scoping out the global context for the move to SWAs in A&RD, reviewing lessons learned from the existing literature on the challenges SWAs are seeking to address and their performance record, and elaborating the preliminary conceptual framework with a view to guiding subsequent phases. Phase 2, in which the present study is included, consists of country studies aimed at examining in detail the challenges and opportunities of implementing SWAs in A&RD and to draw lessons from a number of country field and desk studies. Phase 3 will be a synthesis phase aimed at summarising the main issues from the first and second phases focused on key aspects of the analytical framework and recommendations for development agencies, practitioners and policy makers.

1.2 Definition, Scope and Methods

The study uses the following definition of SWAp: “a process in which funding for the sector – whether internal or from donors – supports a single policy and expenditure programme, under government leadership, and adopting common approaches across the sector. It is generally accompanied by efforts to strengthen government procedures for disbursement and accountability” (ECDPM 2002, based on Foster et al. 2000).

Drawing from this definition it is generally accepted that a SWAp has amongst its main intermediate objectives: (i) broadening ownership by partner government over decision making with respect to sector policy, strategies and resource allocation; (ii) improving coordination amongst all relevant policy stakeholders in the sector; (iii) increasing coherence between sectoral policy, spending and results by unifying expenditure programming and management regardless of the sources of funding; and (iv) minimising transaction costs associated with the provision of external financing. These are expected to contribute, ultimately, to the production of sounder policies, more effective policy-making and service delivery mechanisms and more efficient use of public resources.

But under what circumstances are SWAs likely to be successful in reaching these objectives? Foster (2000) suggests six pre-conditions: (i) public expenditure is a major feature of the sector; (ii) donor contribution is large enough for its coordination to be a significant problem; (iii) there is basic agreement on strategy between government and donors; (iv) there is a supportive macro-fiscal environment; (v) institutional relationships between key stakeholders are manageable; and (vi) incentives (of key players) are compatible with SWAp objectives. Some of these pre-conditions are unlikely to be found, at least entirely, in the agriculture sector (Foster et al. 2000). For example, key policies, investments and services in agriculture are not under the control of a single line ministry but spread across different sectoral agencies. Also, the degree of contestation on stakeholder roles and policies is high, making any attempt to coordinate government and donor policies a very challenging task.

Phase 1 of this study identified five inter-related themes and a number of accompanying questions to help under-

standing SWAp experiences in the agriculture sector and assessing whether they have been successful in attaining their original objectives:

- (i) Harmonization and alignment:** To what extent have SWAps identified clear and feasible mechanisms for increasing harmonization and alignment? How effectively is the SWAp focusing attention on A&RD issues in the wider policy and budgeting arena (e.g. MTEFs, PRSs) or is the causality the reverse? How does a sector presence add value in the context of General Budget Support? How far have SWAps mobilized additional resources for A&RD?
- (ii) Policy co-ordination and planning:** Does the scope of the SWAp determine how issues of policy coherence and coordination are tackled? Where do SWAps feature in relation to other public sector planning and management instruments such as Poverty Reduction Strategies (PRSs) and Medium Term Expenditure Frameworks (MTEFs)? Have SWAps helped to address the challenges (and sometimes discontinuities) of policy content? Have they helped to facilitate innovative ways around problems of policy co-ordination and planning?
- (iii) Institutional capacity and government leadership:** To what extent have governments assumed effective leadership in the SWAp processes? How have SWAps addressed the roles and responsibilities of central and local institutions? How have SWAps tackled the challenge of decentralization? Are Ministries of Agriculture the appropriate location for a SWAp?
- (iv) Public financial management and service delivery:** How do SWAps achieve a balance between a focus on direct service delivery in A&RD sectors, joining up with service delivery in related sectors and creating the necessary conditions for long run growth? How do SWAps address the role of local governments, civil society organizations and private sector agencies in improving service delivery? Have SWAps helped to get at the challenges of different service delivery approaches? Are SWAps improving the quality of public expenditure in the sector? Have they helped to facilitate innovative practices in public financial management and service delivery? How does public financial management reform and managing for results across governments fit with the SWAp approach?
- (v) Private sector interface:** In what ways have SWAps successfully build synergy with the resources and efforts of private sector actors and institutions? Are clear mechanisms for interaction and partnership with the private sector in place and put into practice? How do SWAps balance the need for more effective public action for the poor with the need to create an enabling environment for private sector investment?

This country study draws on reviews of literature and two weeks of field work in Mozambique in trying to address some of these questions. Work in the field consisted of individual semi-structured interviews with key informants and a consultation workshop with representations from various stakeholders in the sector.¹

The team producing this study comprised a researcher from the Overseas Development Institute, acting as team co-ordinator, a senior adviser from the Food and Agriculture Organisation and a local consultant.

1.3. Limitations of the Study

The main limitation of this study is that it did not undertake field visits outside Maputo. This was essentially due to limited time availability and resource constraints. Instead, and in addition to individual interviews with key informants, a half-day workshop was organised which brought together the relevant institutions and experts based in the capital city, government representatives from neighbouring provinces, as well as representatives from the non-governmental sector (including one farmers union). Notwithstanding, the authors acknowledge that the limited gathering of local perceptions (particularly those of farmers) is an important shortcoming of this study.

The scope of the study did not allow for a detailed investigation of policy outcomes and impacts to be undertaken. On this matter, the study relied mainly on stakeholder perceptions and secondary sources, including the final evaluation of PROAGRI I which was carried out at the same time as the present study.

Finally, there are issues of relevance to the discussion on SWAps which have not been covered (or at least have not been analysed in detail) by this study. Some of these include: (i) the problem of off-budget expenditure and the definition of boundaries for public expenditure in the agriculture sector (e.g. what part of the services provided by NGOs

¹ A brief summary of the workshop and the list of participants are provided in annex.

should account for public sector services?), (ii) the interaction between government agencies whose actions are of relevance to the agriculture sector (including the Ministry of Industry and Trade, the Ministry of Civil Works and the Ministry of the Environment, amongst other), (iii) the interaction between donors working inside and outside the agriculture sector, and (iv) technical assistance and donor harmonisation in this regard. These important issues will hopefully be taken up by future studies.

1.4. Report Structure

This report is structured into six chapters. After this introduction, chapter 2 provides an overview of the performance of the sector, policy framework, institutional players and sources of funding and public expenditure. Chapter 3 describes PROAGRI's evolution, since its official launching in 1998 until today, and analyses the programme's main achievements and failures. Chapter 4 assesses the extent to which PROAGRI as a SWAp has contributed to enhancing harmonisation and alignment in the aid relationship, policy coordination, coherence and accountability, institutional structures and government leadership, public expenditure and service delivery, and the interface with the private sector. Chapter 5 discusses the future of SWAps in the emerging aid system. Chapter 6 concludes with a summary of the analysis and emerging issues and some recommendations on how to move forward in supporting the agriculture sector.

2. The Agriculture Sector in Mozambique

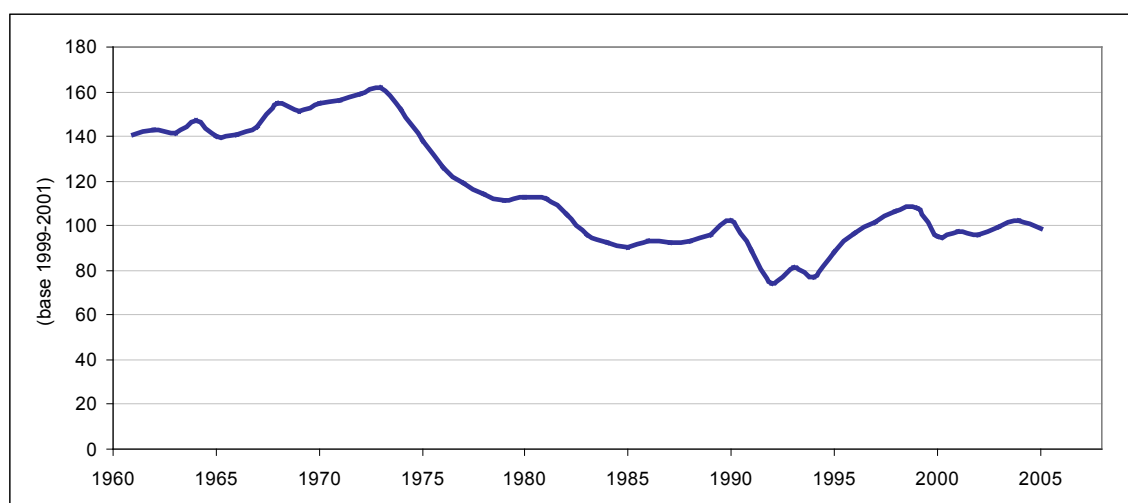
This chapter provides a snapshot of the agriculture sector in Mozambique. It illustrates its progressive recovery, after more than two decades of war, and the many challenges that still exist and constrain the development of the sector. Various policies have been designed to address these challenges although a lack of clarity of priorities is often found; this results, to some extent, from overlaps in policy substance and mandates of the different institutional players populating the sector. The ministry of agriculture is a central player and, between 1999 and 2005, it had mobilised USD 200 million of aid to support the sector's development programme, PROAGRI. PROAGRI's external resources have funded, between 1999 and 2005, 50% of total (on-budget) public expenditure in agriculture, which currently accounts for 4% of overall public spending.

2.1. Agriculture Sector Performance and Challenges

Agriculture is central to the Mozambican economy and the country has a huge agricultural potential, with an estimated 36 million hectares of arable land of which only 10% are in productive use (SADC 2006). According to the most recent household survey, about 64% of Mozambicans live in rural areas and agriculture alone employs just above 80% of total workforce and about 93% of rural workforce (INE 2004). Agriculture value added represents about 22% of GDP (WDI 2006).

Mozambican agriculture was severely hit by more than two decades of war. Since the 1992 Peace Settlement the sector has been undergoing noticeable recovery, although there is still a long way to go before pre-Independence per capita production levels are reached (Figure 1).

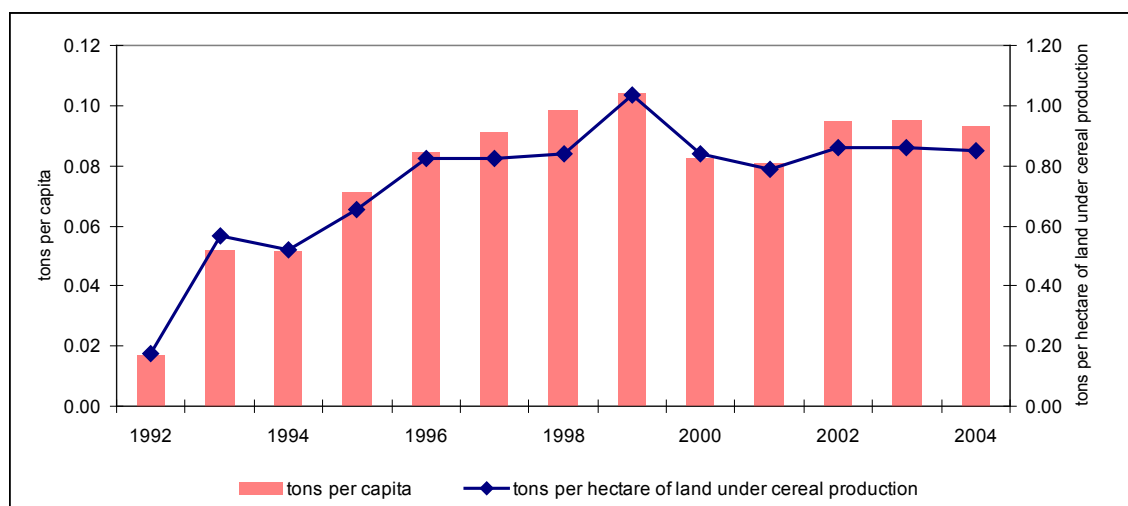
Figure 1. Gross agricultural production index per capita, 1961-2005



Source: FAOSTAT 2006.

Between 1994 and 2004, agriculture grew at an average annual rate of 5.9%, a rate lower than the economy's average (8.0%) and significantly lower than the industry sector's average (15.8%), but higher than the SSA average (3.8%) and the annual growth rate of most countries in the Southern Africa region (WDI 2006). In 1996, cereal production per capita reached pre-war records (0.08 tons per capita) and cereal yield had jumped from 0.18, in 1992, to 0.82 tons per hectare (Figure 2). Since then, overall agricultural growth and productivity have stabilised, although different crops have been experiencing varying performance.

Figure 2. Cereal production per capita and per hectare, 1992–2004

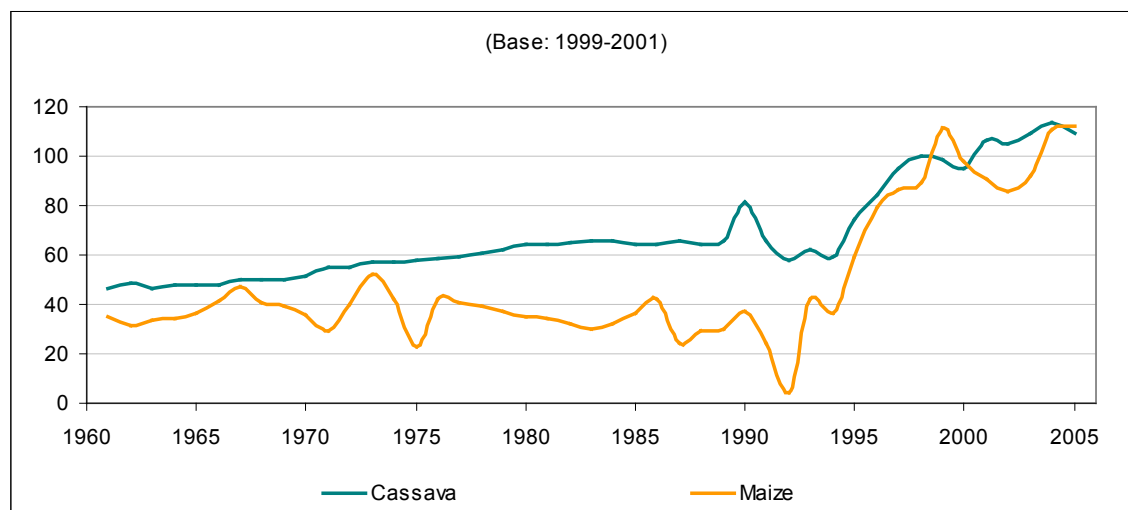


Source: World Development Indicators 2006.

Main agricultural crops in Mozambique include cassava (6,635 thousand tons, in the 2005/06 agricultural season), maize (1,382 thousand tons) and beans (201 thousand tons), in the food crop category, and sugarcane (2,246 thousand tons), cashew nuts (104 thousand tons), cotton seed (78 thousand tons) and tobacco (65 thousand tons), in the cash crop category (MINAG 2006a).² Cashew nuts, cotton and sugar are also the country’s traditional export crops.

Cassava production had a constant but slow growth over many years. Its smooth growth trend was disrupted in the last years of the civil war, and from 1995 cassava production entered a new growth trajectory (Figure 3). Over the same period, maize production shows greater volatility as well as vulnerability to political circumstances and natural disasters; a sharp decline was recorded at Independence (in 1975), followed by a long period of low or negative growth during the 16 years of civil war. After 1992, maize production was significantly boosted and its positive growth trend was only disturbed by the 2000/01 floods.

Figure 3. Net production index for cassava and maize, 1961–2005



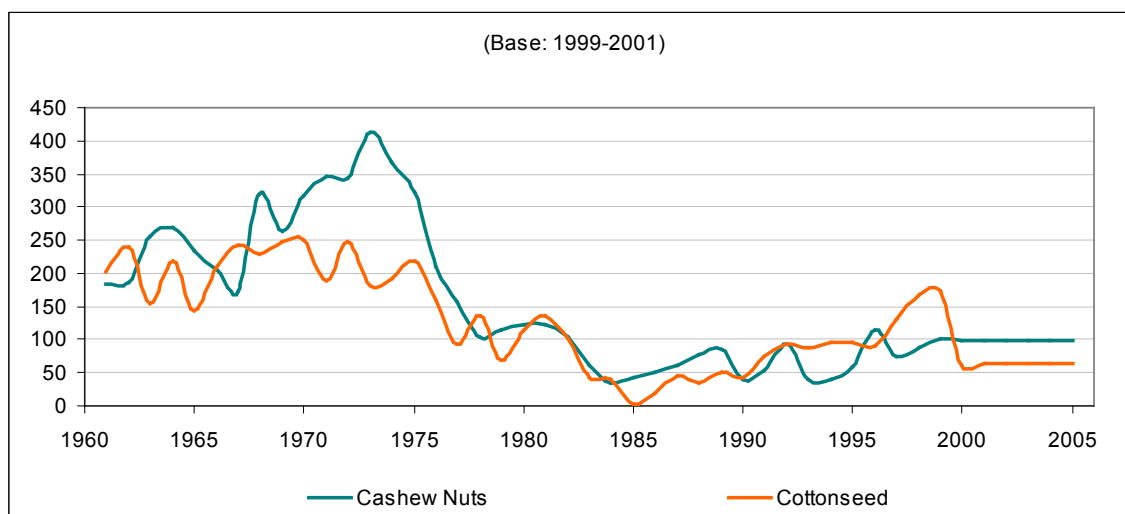
Source: FAOSTAT 2006.

Cashew nuts and cottonseed reached the highest production level in the late years of the colonial rule and have since declined significantly, having plummeted between 1984 and 1986 (Figure 4). Since then, growth in production has been slow although these crops still constitute a large share of commercial agricultural production – in 2003/04 cotton production represented one third of the production of major marketed crops, and cashew nuts about 29% (IMF 2005). The recent revival of cashew nuts production and processing industry, after a crisis which resulted from the liberalisation of the sector in the early 1990s, is beginning to bear fruit; exports of processed cashew nuts rose from US\$ 1.7 to US\$ 8.4 million between 2005 and 2006 (Standard Bank Economics Group, 2007). Tea and tobacco leaves

² The distinction between food and cash crops is not always straightforward though – crops that are, in general, used for subsistence can, in some areas and some parts of year, be produced for marketing purposes and vice-versa.

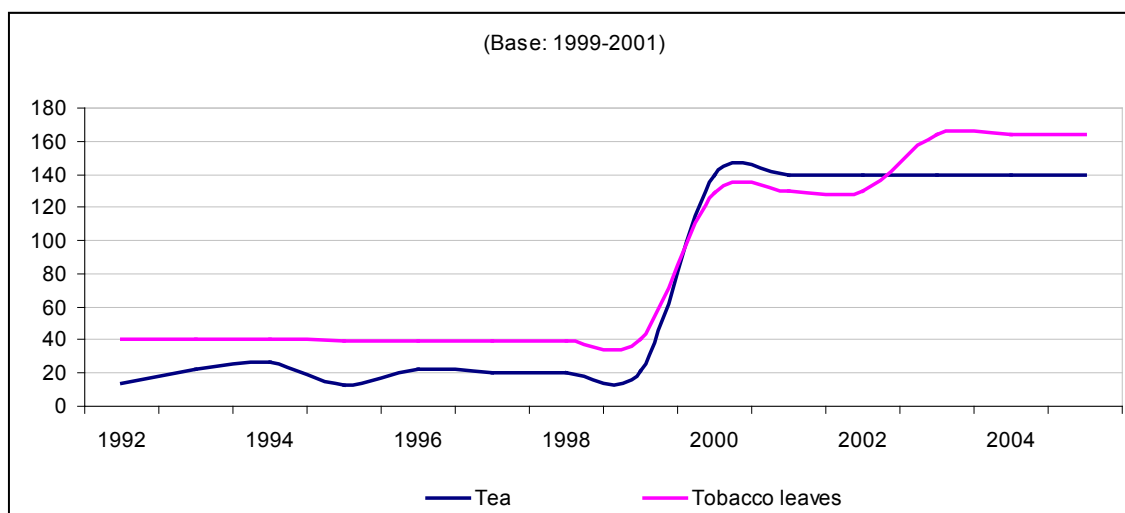
have been displaying particularly good performance over the last few years (Figure 5); tobacco exports, for example, surged from US\$ 11.7 million in 2005 to US\$ 37.2 million in 2006 (ibid).

Figure 4. Net production index for cashew nuts and cottonseed, 1961-2005



Source: FAOSTAT 2006.

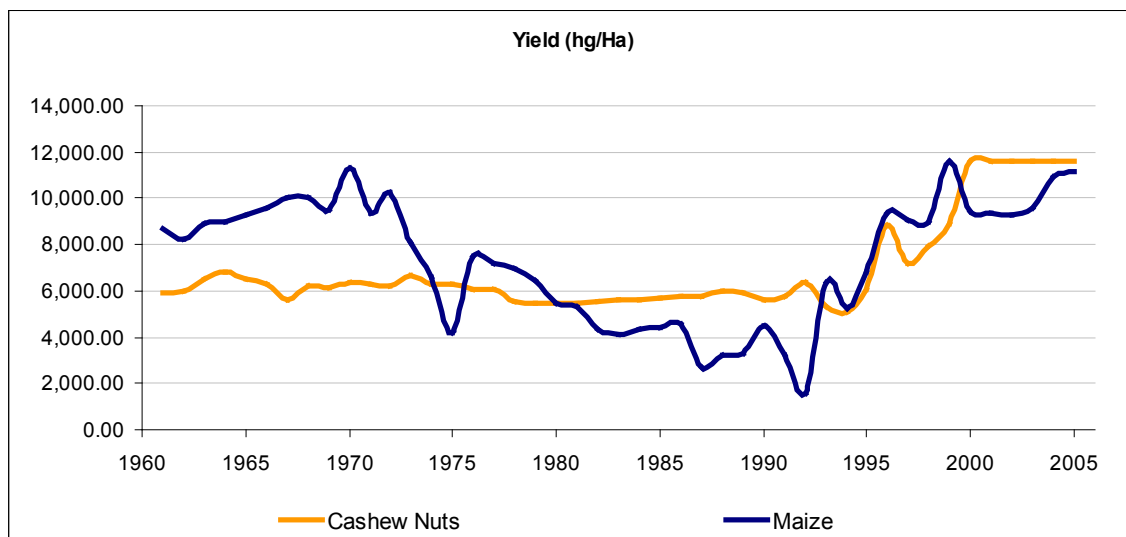
Figure 5. Net production index for tea and tobacco leaves, 1992-2005



Source: FAOSTAT 2006.

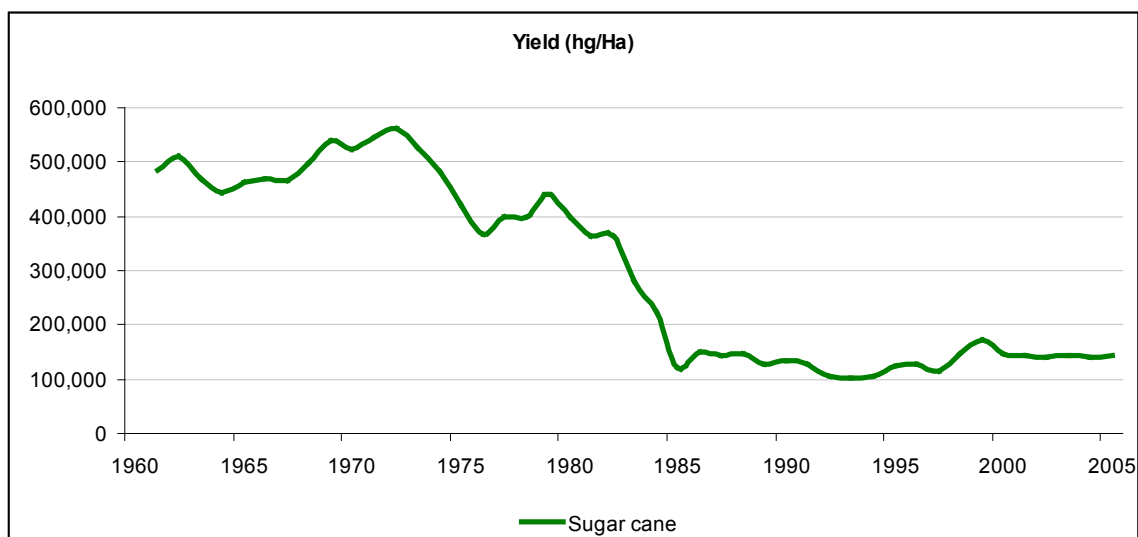
Yield per hectare is low for both cash and food crops and improvements have been severely affected by two decades of war. Pre-Independence levels are now progressively being recovered, with some crops are doing better (Figure 6) than others (Figure 7). The average yield per hectare in Mozambique for maize, one of the main cereals produced in the country and in the region, is approximately 0.9 tons/ha, way below regional averages (Figure 8); the world average yield for maize is nearly 4.5 tons/ha and the average for European countries is 8-9 tons/ha, although some countries have registered yields of more than 15 tons/ha.

Figure 6. Yield for cashew nuts and maize production, 1961-2005



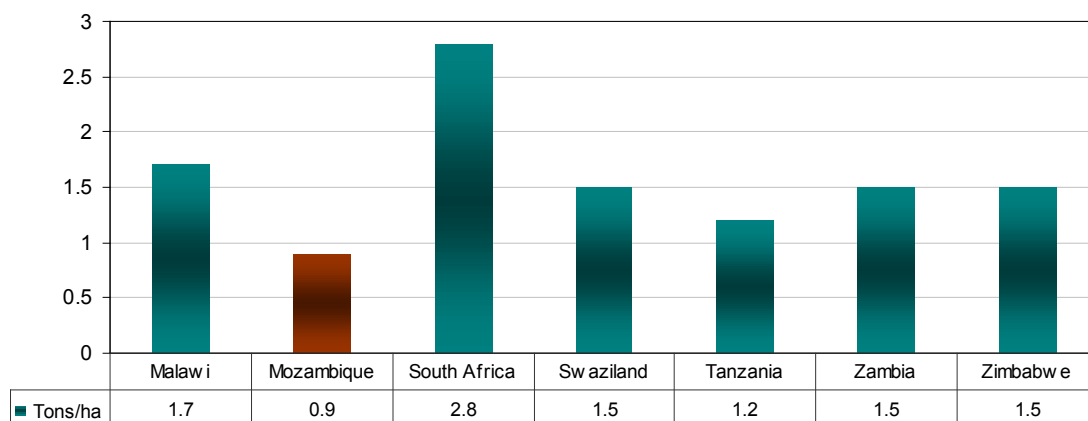
Source: FAOSTAT 2006.

Figure 7. Yield for sugar cane, 1961-2005



Source: FAOSTAT 2006.

Figure 8. Yield for maize in selected SADC countries, 2005



Source: authors calculations based on FAOSTAT 2006.

One of the factors contributing to low agricultural yields in Mozambique is the low level of agricultural input use.³ According to the 2005 agricultural survey (TIA) only 4% of small and medium size farms use fertiliser (MINAG 2006a). Limited access to technology and extension services also constraints productivity improvements. In 2005, and over the 12-month period, only 15% of small and medium size farms have received extension advice and only 6% used irrigation technology (ibid). A recent World Bank study on extension emphasises the limited and uneven coverage of extension services, which only reach a minority of the population: there is an average of 1.3 extension agents per 10,000 inhabitants and only about 6% of the rural population lives in a village with an extension office (World Bank 2005a). The study also demonstrates that extension coverage is lower in the poorest geographical areas.

Smallholder agriculture dominates Mozambican agrarian landscape. About 99.6% of agricultural households, the so-called family sector, farm in small size plots⁴ which cover about 95% of total farmed area in the country. Smallholders practice essentially subsistence agriculture, with maize and cassava being the main crops produced. Smallholder productivity is very low, largely because their access to improved seed, fertilisers and technology is constrained by their thin financial capital endowments and limited access to financial services (either because these services do not exist or because smallholders' lack of collateral excludes them from having access to them) – only 4% of farmers have access to credit (TIA 2005). Furthermore, and in addition to limited extension coverage, the input distribution network is poorly developed in Mozambique – it is concentrated around urban areas and in large production zones and it targets mainly the large commercial farming sector, which occupies less than 1% of the total cultivated area in the country.

Poverty in Mozambique is still mainly a rural phenomenon. Poverty incidence is greater in rural (55%) than in urban areas (51%), although there has been a relatively faster decrease in rural poverty between 1996/97 and 2002/03.⁵ Yet food security remains a major challenge. A third of the population in Mozambique is highly vulnerable to food insecurity. The main constraint here is access to food, rather than absolute food availability, because of lack of infrastructures, poorly developed markets and the high level of income poverty. Chronic malnutrition, as result from food insecurity and poor access to health services, is also alarmingly high in Mozambique and represents a major developmental challenge for the country. Although poverty has declined significantly over the last decade, chronic malnutrition has not (IDS 1997 and 2003). About 46% of children under 5 years of age and living in rural areas are stunted and in some provinces this rate rises above 60% (SETSAN 2006).

Hence, the overall performance of the sector is, at best, mixed. Some crops have recently experienced high rates of production growth and productivity has been slowly improving. Yet, more than half of the rural population remains poor and food security and malnutrition are severe problems. Furthermore, there are still major bottlenecks for agricultural development in Mozambique including (MINAG 2006b): the poor development of rural infrastructures (including storage, irrigation and transportation systems), the limited access to information, and imperfect distribution across the value chain, the weak and limited supply of extension services and appropriate technology, the underdevelopment of local inputs and outputs markets, the absence of formal financial services (credit and insurance schemes), vulnerability to crop disease and natural disasters, and a weak regulatory framework. The combination of these bottlenecks produces high transaction costs and uncertainty and, consequently, a high level of risk in the agricultural productive activity all across the value chain. Such harsh conditions make it difficult for smallholders to step up subsistence mode and for the commercial sector to emerge and develop in a sustainable manner.

2.2. Institutional Players

The Ministry of Agriculture (MINAG) is mandated with directing, planning and implementing government policies in matters related to land, agriculture, livestock, forestry, wildlife and irrigation.⁶ Its current organisational structure was approved in 2005 following a process of institutional reform of the ministry and prompted by the change in government. MINAG's central structure currently comprises, in addition to a number of ministerial support departments, seven national directorates (agrarian services, extension, land and forestry, veterinary services, human resources, planning and finance and administration) six subordinate institutions (covering areas such as research, commercial agriculture support services, land management and registry, and support to specific commodities – cashew and cotton) and the Agrarian Development Fund under its tutelage (Figure 10). There are also 10 provincial

³ The so-called family sector, in reality, hardly uses agricultural inputs and the commercial sector uses them irregularly and in quantities below the recommended by the Mozambican Agricultural Research Institute (IIAM).

⁴ Small farms have less than 10 hectares.

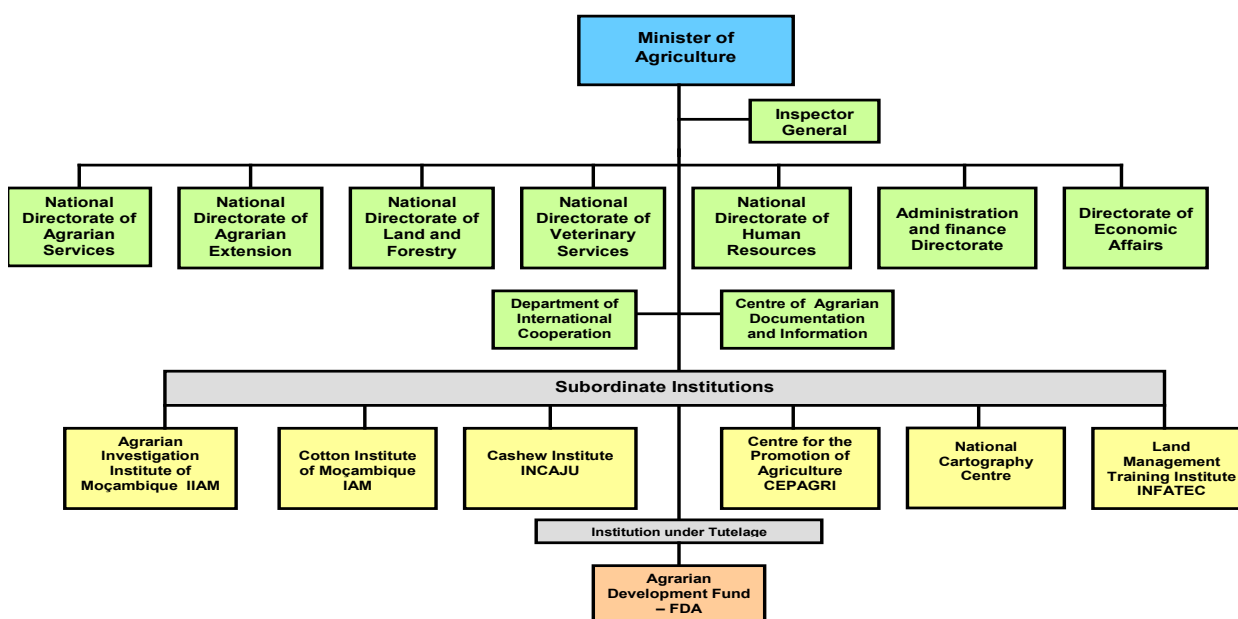
⁵ PARPA II.

⁶ Presidential decrees n.º 13/2004 and n.º 24/2005.

directorates of agriculture (one per province), mandated with dissemination of policies and provincial planning and coordination of activities in the province, which are subordinated both to MINAG and provincial governments, in a system of dual subordination. District directorates of agriculture were recently moved outside the Ministry of Agriculture structures and into a new department of economic activities⁷ placed within the district administration's office.⁸

Other government agencies have important roles in agriculture development, including the Ministry of Industry and Trade (MIC), responsible for matters related with the commercialisation of agricultural production, the Ministry of Civil Works and Housing (MOPH), mandated with infrastructure development, and the recently created Ministry of Planning and Development (MPD) which has incorporate the area of rural development which was previously under the Ministry of Agriculture and Rural Development (MADER). Mandates overlap in many areas and it is often unclear what the division of labour between different government agencies should be (e.g. rural finance).

Figure 9. Organisational structure of MINAG central organs



There are also important agriculture service providers outside the government. NGOs have been playing a key role in extension service provision (accounting for about 35% of the extension service network in the country, according to TIA 2002), in the establishment and development of smallholder farmer associations and in helping them establishing better relationships with the commodity traders and other agribusinesses. CLUSA, TechnoServe, CARE, Save the Children, SNV and World Vision are amongst the most active international NGOs in the sector. There are also smaller local NGOs working with farmers, such as the Rural Women Association (**Associação das Mulheres Rurais**) in Nampula. The sphere of intervention of NGOs is however limited and they tend to be concentrated in certain geographical areas, which do not seem to be addressing coverage gaps of the government's extension network (World Bank 2005a).

Farmer associations have been around for long in Mozambique. During socialist times, they consisted of large state-owned cooperatives with a strong ideological character which turned out to highly inefficient and bureaucratic machines with onerous structures, often appropriated by the elite. These massive organisations were progressively dismantled and privatised and farmer associations today are important platforms for small farmers to gain access to markets and services.⁹ Farmer associations are also organised into groups of associations or 'forums' which allow farmers to coordinate their agricultural marketing efforts on a broader scale. Some of these forums have been turned into private enterprises (e.g. IKURU, a farmers' trading company in Nampula province). An important farmers' association is **União Geral das Cooperativas (UGC)**, which was formed by Maputo-based agricultural cooperatives in the early 1980s with strong gender and social protection components.

⁷ **Serviço Distrital de Actividades Económicas.** This department is mandated not only with agriculture-related functions but also with functions pertaining the fisheries, industry and trade sectors.

⁸ The new structure and functions of the district administration are laid out in Decree n.º 6/2006.

⁹ By pooling resources together small farmers overcome the problems associated with their small scale of production.

A farmers' union, **União Nacional dos Camponeses** (UNAC), was created to give small farmers a voice in rural and agricultural policy-making. UNAC has currently about 65,000 members, organised in 58 unions and 1,243 farmer associations and cooperatives as well as non organised farmers. Its activities include training (e.g. financial services, disaster prevention, strengthening leadership of women farmers), dissemination of information and advocacy campaigns (e.g. campaign against the forced acceptance of GM foods).

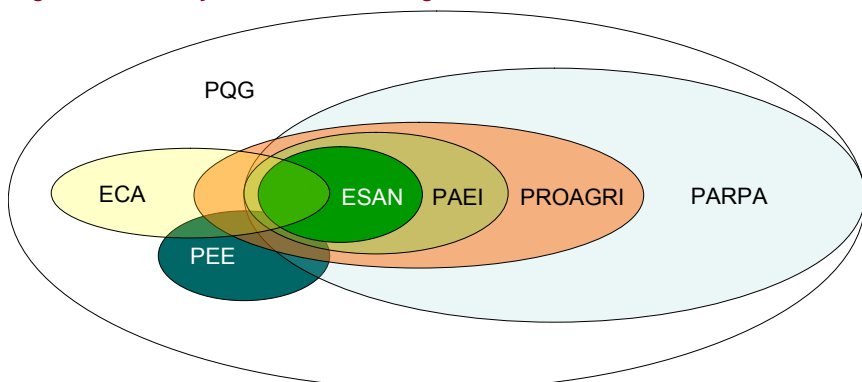
Another influential civil society player in the sector is the **Organização Rural de Ajuda Mútua** (ORAM), which was founded in the aftermath of the war and has focused primarily on land reform issues, particularly supporting rural communities to understand and protect their land rights. Both UNAC and ORAM have played a central role in protecting peasant interests in the Land Law approved in 1997.

Private agricultural service providers are a minority in the sector and are very unevenly spread across the country. They concentrate in areas where large commercial farmers and agribusinesses are located. The traditional cash crops (such as cashew, cotton, sugar and tea) and, increasingly, horticulture are production areas where the private sector (input suppliers, distributors and retailers) is particularly active. In the extension domain, for example, private operators account for a small share of service provision (less than 5%) and are only found in three provinces, Niassa, Zambézia and Tete (World Bank 2005a). The private sector is represented in a confederation of economic associations, **Confederação das Associações Económicas** (CTA), created in 1999 to promote their interests and contribute to economic development. CTA includes agriculture, industry and trade-related economic associations.

2.3. Policy Framework

Agricultural policy in Mozambique is defined by an array of policy documents, each with their specific drivers, scope, timeframe and audiences. Figure 9 represents an attempt of relating some of the various existing policy documents of relevance to agriculture policy, according to their thematic scope.

Figure 10. Policy instruments in agriculture and related sectors in Mozambique



| | |
|---------|---|
| ECA | Agriculture Commercialisation Strategy |
| ESAN | Food Security and Nutrition Strategy |
| PEE | Roads Policy and Strategy |
| PARPA | Poverty Reduction Action Plan |
| PAEI | Agricultural Policy & Implementation Strategy |
| PQG | Government's Five Year Plan |
| PROAGRI | Agrarian Development Programme |

PROAGRI, the main focus of this study, represents, at least on paper, the core of current agricultural policy. Officially launched in 1998, PROAGRI drew substantially from the existing 1987 Agricultural Policy and Implementation Strategy (PAEI) but also led the way to important policy and institutional changes in the sector (discussed in detail in subsequent chapters). While PAEI was primarily driven by food security concerns, a legitimate preoccupation in times of war, PROAGRI has been mainly geared towards reform and modernisation of the state machinery and towards improving coordination of interventions and resource management efficiency (the chapters ahead show, however, a more nuanced experience). More recently, the four-year Agrarian Priorities Document has put agricultural production, with emphasis on food security and poverty reduction, back at the centre of policy focus.

On the whole, PAEI, PROAGRI and the Agrarian Priorities are not mutually exclusive or contradictory. They are all products of MINAG and, inevitably, there is significant overlap between the three. Yet, each has its particular inflection which reflects the circumstances of the time as well as shifting underlying political preferences, determined, not least, by the fact that the ministry has changed its institutional sphere of influence several times over the last two decades (Table 1 puts the three in perspective).

Table 1. PAEI, PROAGRI I and Agrarian Priorities compared

| | PAEI | PROAGRI I 1998-2005 (Master Doc. & Basic Principles) | Agrarian Priorities 2006-2009 |
|-----------------------|--|--|--|
| Ministry's remit | Agriculture and fisheries | Transition to agriculture and rural development | Agriculture |
| Policy goal or vision | 'Develop agrarian activity aimed at ensuring food security, through diversified production of consumption products, supply to the domestic industry and exports, while ensuring sustainable natural resource use and social equity' (p.12) | <u>Master document</u> : 'Transformation of subsistence agriculture into one that is more integrated in the functions of production, distribution and processing, in order to achieve the development of a subsistence agrarian sector which contributed with surpluses for the market and the development of an efficient and participatory entrepreneur sector' (p.37) <u>Basic principles</u> : 'Secure an appropriate enabling environment for sustainable and equitable growth in the agricultural sector such that rural poverty is reduced and food security improved, while the physical and social environment is protected' (p.2) | 'An integrated, sustainable, competitive, diversified agrarian sector, which provides the basis for well being and articulates value chains, with broadly shared benefits' (p.20) – also in PROAGRI II document (not officially approved) |
| Objectives | <ul style="list-style-type: none"> ▪ Food security ▪ Sustainable natural resource management ▪ Unemployment reduction ▪ Poverty reduction | <ul style="list-style-type: none"> ▪ Institutional reform and modernisation on the ministry of agriculture to create favourable environment to development of family and entrepreneur sectors ▪ Increased agricultural production and productivity in order to achieve increased rural income and food security ▪ Sustainable natural resource management | Document refers back to objectives defined in PROAGRI II document (p.60): <ul style="list-style-type: none"> ▪ Support smallholders to develop agriculture and improve their livelihoods ▪ Stimulate increased agriculture and natural resource based production and promote development of agro-industries that add value to agricultural products for domestic and export markets ▪ Guarantee sustainable natural-resource management |
| Areas of intervention | <ul style="list-style-type: none"> ▪ Soil and biodiversity conservation ▪ Engagement of local communities ▪ Participation in water management ▪ Land access and use ▪ Food production ▪ Exports ▪ Research and extension ▪ Infrastructure development ▪ Institutional development ▪ Human resource development | <ul style="list-style-type: none"> ▪ Institutional development ▪ Research ▪ Extension ▪ Agricultural production ▪ Livestock production ▪ Forestry and wildlife ▪ Land management ▪ Irrigation | <ul style="list-style-type: none"> ▪ Agrarian services ▪ Animal health ▪ Natural resources ▪ Research and extension ▪ Other support services (support to commercial sector, mapping and financial services) ▪ Institutional development |

At a higher governance level, there are other relevant policy documents which influence policy approaches and interventions in the agriculture sector (and vice-versa). We emphasize the Government's five-year plan and the poverty reduction strategy.¹⁰

The Five-year Government's Programme (**Programa Quinquenal do Governo, PQG**) is the government's main policy instrument which sets objectives and priorities for the its five-year mandate. The Poverty Reduction Action Plan (**Plano de Ação para a Redução da Pobreza Absoluta, or PARPA**), now in its second round¹¹, can be seen as a subset of PQG which concentrates on poverty reduction objectives – the overarching goal being to reduce poverty incidence from 54% in 2003 to 45% in 2009 – and the policy interventions required to reach them. PARPA uses a multi-dimensional notion of poverty and therefore covers a broad range of areas of intervention along three pillars: (i) governance, which focuses on strengthening state systems and services and thereby consolidate democracy and fight corruption; (ii) human development, which emphasizes access to education, health, water and sanitation and improvement of the quality of public services; and (iii) economic development, which focuses on creating the basics for the development of economic activities such as infrastructures, reduced red tape and sound regulatory framework. Agriculture and rural development head the list of economic development priorities.

Both PQG and PARPA draw on PROAGRI although adding their own emphasis with regard to priority objectives and areas of intervention (Table 2).

¹⁰ Other key policies, not discussed here, include the government's decentralisation strategy, the public sector reform strategy and the recent rural development strategy. All three deal with transversal areas which impact the whole of the public sector.

¹¹ PARPA I covered the period 2001-2005 and PARPA II covers 2006-2009.

Table 2. Agricultural policy objectives, priorities and targets in PQG and PARPA

| | PQG (2005-2009) | PARPA (2006-2009) |
|-----------------------|--|--|
| Goal/vision | <ul style="list-style-type: none"> ▪ Agriculture as the basis for economic and social development | <ul style="list-style-type: none"> ▪ Structural transformation of the agriculture sector, with increased productivity and better integration in rural areas and domestic markets and greater competitiveness in international markets |
| Objectives | <ul style="list-style-type: none"> ▪ Support producers in improving productivity and profitability of their activities ▪ Transform the role of public agencies in the sector making it more facilitator on producers, through policy strategy formulation and provision of basic services | <ul style="list-style-type: none"> ▪ Improve production and productivity to ensure food security ▪ Ensure sustainable management of natural resources |
| Areas of intervention | <p>Focus on support to smallholder farmers and promotion of commercial agriculture, while ensuring sustainable natural resource management. Interventions include:</p> <ul style="list-style-type: none"> ▪ Support to agricultural production: inputs availability, extension, post-harvest support ▪ Strengthening of agrarian services: restructuring research and extension in line with agro-ecological zones, develop integrated research and extension system ▪ Livestock services: disease prevention and control, promotion of livestock processing plants ▪ Natural resource management: accelerate land use authorization process, promote forestry production, develop conservation areas, promote water management ▪ Institutional development and other: promote development of rural financial services, improve road network, define core state functions | <p>Focus on improving production, productivity, food security and income through improved agrarian services and on sustainable natural resource management and institutional development. Interventions include:</p> <ul style="list-style-type: none"> ▪ Agrarian services: adequate technology to meet requirements of different agro-ecological zones, extension, rural infrastructures development (irrigation, storage), dissemination of market information, regulation and certification, rural financing mechanisms, farmer organizations promotion and capacity building. ▪ Natural resource management: legislation development and dissemination, monitoring and supervision of natural resource use, promotion of environment-friendly technologies. |
| Monitoring framework | None | <p>3 monitoring indicators (with annual targets):</p> <ul style="list-style-type: none"> ▪ % of farms visited by extension agents which have adopted at least one new technology ▪ % of households which have access to irrigation infrastructures ▪ % of farms with land ownership having DUAT (right to use and invest productively on land) |

There is also a range of sub-sectoral (thematic) strategies of direct relevance to agricultural policy, including the Food Security and Nutrition Strategy (ESAN), the Agricultural Commercialisation Strategy (ECA) and the Roads Policy and Strategy (PEE), to name a few. Responsibility for the drafting and implementation of some of these strategies lies outside the ministry of agriculture, although there is significant overlap with the agricultural policy remit. ESAN (approved in 1998) sets a multi-sectoral approach to address food security and nutrition concerns along three strategic components: food availability, access to food, better food use; its implementation is coordinated by a multi-sectoral technical secretariat, SETSAN, located within the Ministry of Agriculture, chaired by the Deputy Minister of Agriculture and comprising several sectoral ministries, donor and UN agencies, NGOs and civil society representatives. ECA (currently in its second phase, covering 2005-2009) aims to promote the development of agricultural commercialization activities for outputs, agricultural equipment and other inputs; the Ministry of Trade and Commerce coordinated its design and implementation hinges on a number of institutions, including MINAG. PEE (approved in 1998) is coordinated by the Ministry of Public Works and Housing and establishes guidelines for the development and maintenance of the roads' network to increase the percentage of roads in good or reasonable conservation conditions and ensure the development of agriculture commercialization, industry and tourism.

In addition to these policy documents, there are a number of programmes and projects which, although not having the status of 'policies', are as important in determining agricultural services outputs and outcomes – Box 1 provides some examples.

The institutionalised instruments for the operationalisation of government policies and strategies (both general and thematic) are the annual Economic and Social Plan (PES) and the annual State Budget. The PES sets policy objectives, priority interventions and targets for the year and the State Budget sets the corresponding budgetary ceilings for implementation of those priorities, although consistency between the two instruments is still a matter of concern. They are produced by the Ministry of Planning and Development (MPD) and Ministry of Finance (MoF), respectively, and are both subject to Parliamentary scrutiny. Many of the externally funded programmes and projects in the agriculture sector (as well as in other sectors), however, are not entirely integrated in the PES and State Budget planning cycle and corresponding implementation channels. They often have their own planning and budgeting

framework and are managed outside the government public financial management system.

Box 1. Donor-funded agriculture sector programmes, selected examples

Agricultural Support Programme, funded by IFAD and other PROAGRI donors, is planned to start in 2007 and will finance the elaboration and implementation of the government's new Extension Master Plan. The programme is expected to promote a new extension approach based on demand-driven service provision, which will guarantee the quality of services provided to farmers. It will target small farming households, especially in the poorest localities. Programme activities include: introducing low-cost techniques and technologies to raise productivity for crop and livestock farmers, broadening access to technical support services, developing farmers' associations and building capacity within the agricultural sector.

Competitive Grants for Agricultural Research, or Compete, funded by USAID and implemented by Associates for Rural Development, Inc (ARD, Inc), its aim is to develop a permanent grants management capacity within the IIAM structure, seeking funding for research in the agrarian sector.

Community Land Use Fund, supported by various donors (DFID, Denmark, Ireland, Netherlands, SDC and SIDA) this is an independent pooled fund to finance the operationalisation of the 1997 Land Law, including, for example, the provision of grants to communities to help them registering their land.

Market-led Smallholder Development in the Zambezi Valley, funded by the World Bank, its aim is to increase the incomes of smallholder farmers in selected districts of the Zambezi Valley region. The project has four components: (i) community group organisation and local institutional strengthening; (ii) support to agricultural production and marketing development, (iii) a community agricultural and environmental investment fund to support agriculture related infrastructure; small-scale agricultural investment and sustainable land management; (iv) project management, coordination and monitoring and evaluation. This project is located in the MPD.

Rural Finance Support Programme, funded by IFAD the African Development Bank and the African Development Fund, the programme aim is to improve sustainable access to appropriate financial services for individuals, groups and enterprises in rural areas, while 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. This programme is located at the MPD.

2.4. Public Funding and Expenditure¹²

Between 1999 and 2005, the agriculture public sector (defined as MINAG and subordinate agencies) mobilised a total of USD 360 million (an average of USD 50 million a year) and almost 50% of this corresponded to aid grants to PROAGRI. Total funding to the sector represented approximately 1% of GDP and 4% of overall State Budget.¹³

There are three broad types of funding sources providing financial resources for agricultural government agencies to operate and undertake investments in the sector: (i) the State Budget (which allocates domestic revenue generated through the collection of government taxes and fees and grants and loans provided by bilateral and multilateral development agencies); (ii) off-budget donor grants earmarked to the agriculture sector; and (iii) off-budget sector own revenue (agriculture specific taxes and levies which are retained by the collecting agency). Information on the magnitude and breakdown of each of these sources is very sketchy; data on off-budget own revenue was not at all available.

Rough estimates, based on information from various data collection sources, provided by MINAG and MPF, indicate the proportions presented in Table 3.¹⁴

¹² Due to data availability constraints this section focuses only on public spending in the sector (financed both by domestic and international sources). Data on private spending/investment in the sector could not be easily found.

¹³ This excludes off-budget public resources flowing to the sector (off-budget external grants and taxes and levies charged and retained by the sector) for which data is not available.

¹⁴ It is worth emphasising that there is no source of aggregate data on the resources flowing to the government's agricultural agencies.

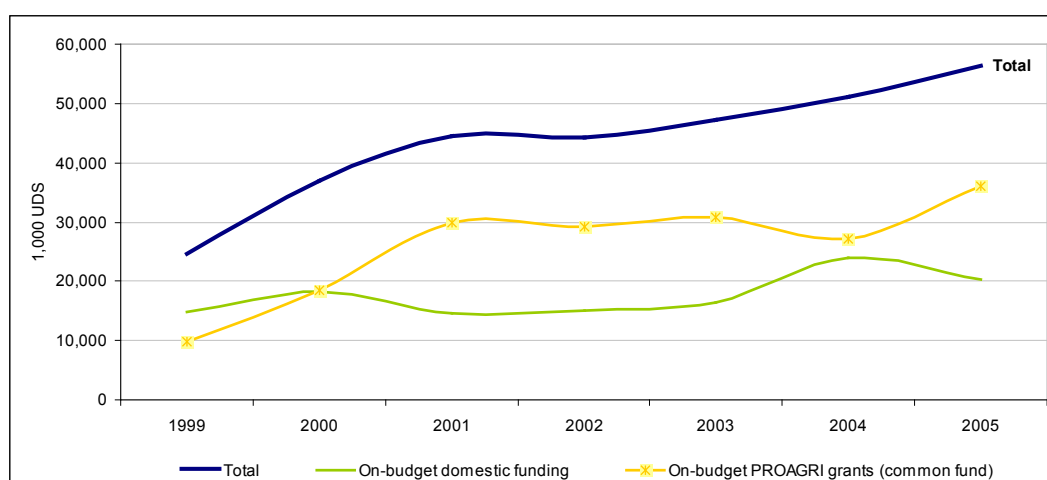
Table 3. Financial resources to agriculture by source of funding, 1999-2005

| Sources of funding (budgets) | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | (thousand USD) | | | | | | |
| State budget | 24,622 | 36,930 | 44,402 | 44,289 | 47,318 | 51,107 | 56,435 |
| Domestic resources | 14,892 | 18,361 | 14,613 | 15,029 | 16,494 | 24,053 | 20,417 |
| PROAGRI common fund | 9,730 | 18,569 | 29,789 | 29,259 | 30,824 | 27,054 | 36,018 |
| Other external grants/loans * | - | - | - | - | - | - | - |
| Off-budget external grants | 15,990 | 10,958 | 11,904 | 7,441 | - | - | - |
| Off-budget own revenue | - | - | - | - | - | - | - |
| Total | 40,612 | 47,888 | 56,305 | 51,730 | 47,318 | 51,107 | 56,435 |
| State budget | 61% | 77% | 79% | 86% | 100% | 100% | 100% |
| Domestic resources | 37% | 38% | 26% | 29% | 35% | 47% | 36% |
| PROAGRI common fund | 24% | 39% | 53% | 57% | 65% | 53% | 64% |
| Other external grants/loans | - | - | - | - | - | - | - |
| Off-budget external grants | 39% | 23% | 21% | 14% | - | - | - |
| Off-budget own revenue | - | - | - | - | - | - | - |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Source: Authors' calculation, based on information provided by MINAG and MPF. *Very incomplete data with unresolved inconsistencies across sources.

On-budget funding represents, for the years in which data on off-budget grants is available, between 61-86% of the ministry of agriculture's resources, of which donor contributions through PROAGRI represent a growing share (relative to domestic revenue). The trend between 1999 and 2002 indicates a gradual substitution of off-budget grants by on budget PROAGRI grants; the lack of data for subsequent years did not allow, however, unable the authors to assess the evolution of this tendency.

Another noteworthy trend is the relative compensation between PROAGRI grants and domestic funding allocated to the sector. As illustrated in Figure 11, between 1999 and 2000, while PROAGRI grants increased, domestic resource allocations to agriculture decreased. Funding from both sources stabilised between 2001 and 2003, and in 2004 a reduction in PROAGRI grants was matched by an increase in domestic funding, while the opposite happened in 2005.

Figure 11. On-budget public funding to agriculture, 1999-2005

Source: MINAG. N.B. On-budget grants/loans outside the PROAGRI common fund are not included here since available data was incomplete.

Sixteen bilateral and multilateral aid agencies have, between 1999 and 2006, provided a total of USD 204 million to PROAGRI (Table 4). The number of agencies funding PROAGRI each year has varied significantly, with some agencies providing disbursing only sporadically, and other disbursing according to particular financial calendars. The

Available data is fragmented which makes comparison and aggregation almost impossible. It was not possible to gather more recent information for all the three types of funding sources.

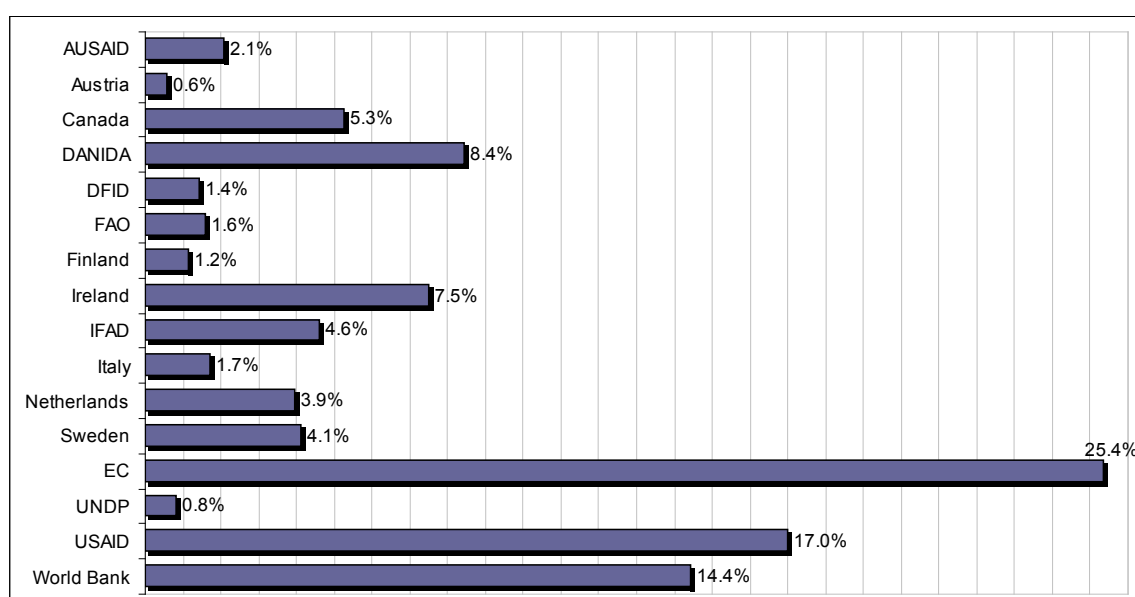
European Commission, USAID and World Bank alone, have provided 57% of overall PROAGRI grants (Figure 12); both the World Bank and USAID have not renewed their agreement to continue funding PROAGRI after 2006. DANIDA and Ireland are the fourth and fifth larger PROAGRI's aid partners (they have provided, respectively, 8.4% and 7.5% of overall external funding).

Table 4. Disbursements to PROAGRI common fund, 1999-2006

| Aid agency | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 1999-06 |
|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| AUSAID | 4,206 | | | | | | | | 4,206 |
| Austria | | | | | | | | 1,204 | 1,204 |
| Canada | | | | | | 1,843 | 5,501 | 3,398 | 10,742 |
| DANIDA | | 1,051 | 3,550 | 2,130 | 5,470 | 1,500 | 1,500 | 2,000 | 17,201 |
| DFID | | 674 | 1,189 | 1,040 | | | | | 2,904 |
| FAO | 3,243 | | | | | | | | 3,243 |
| Finland | | | | | | | 2,365 | | 2,365 |
| Ireland | 390 | 617 | 1,300 | 2,000 | 3,216 | 2,796 | 2,478 | 2,537 | 15,334 |
| IFAD | 873 | 2,661 | 2,008 | 750 | 1,000 | 1,000 | 750 | 334 | 9,376 |
| Italy | | | | | 1,171 | | 2,365 | | 3,536 |
| Netherlands | 338 | 716 | 1,000 | 2,500 | 1,500 | 2,000 | | | 8,054 |
| PNUD | 681 | | 1,020 | | | | | | 1,701 |
| Sweden | | | 1,081 | 1,201 | 1,592 | 2,000 | 2,000 | 500 | 8,374 |
| EC | | 5,321 | 599 | 10,460 | 6,366 | 12,006 | 8,002 | 9,032 | 51,786 |
| USAID | | 6,107 | 11,014 | 6,609 | 6,600 | | 4,400 | | 34,730 |
| World Bank | | 1,422 | 7,028 | 2,570 | 3,909 | 3,909 | 6,657 | 3,999 | 29,496 |
| Total | 9,730 | 18,569 | 29,789 | 29,259 | 30,824 | 27,054 | 36,018 | 23,005 | 204,248 |

Source: MINAG. Figures in thousands of USD. (*) 2006 data only covers the first three quarters.

Figure 12. Donor agencies' relative contributions to PROAGRI common fund, 1999-2006



Source: MINAG. N.B. 2006 data only covers the first three quarters.

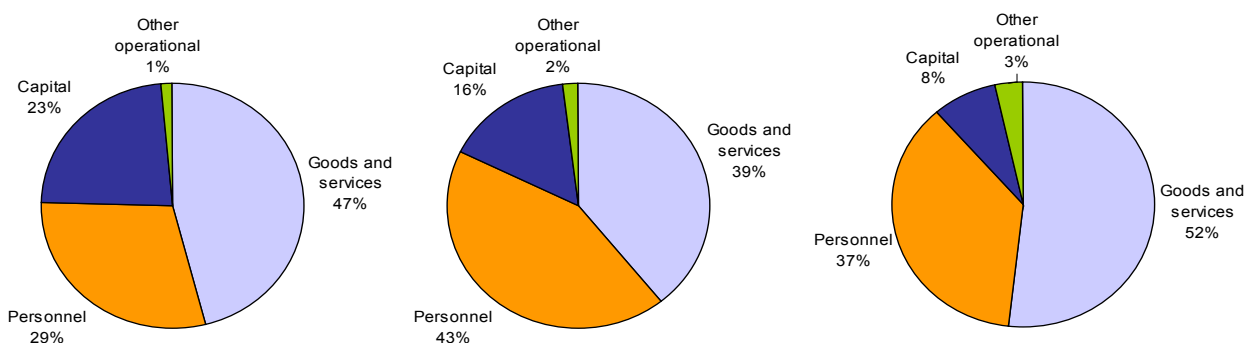
Comprehensive data on public expenditure is hardly existent. On the basis of the available data it is estimated that, between 1999 and 2005, on-budget public expenditure in the sector oscillated between 4% and 7% of overall State Budget expenditure. The author's calculations indicate that this ratio has been declining in recent years, having stabilised around 4% in 2004 and 2005¹⁵, a share significantly below the 10% committed in the 2003 Maputo Declara-

15 See also CGE 2005 (Table 7, p. 30) which indicates that actual expenditure in agriculture in 2005 was 4.3% of total government ex-

tion¹⁶. Yet, it should be stressed that these calculations are only approximate and do not include, for most part, off-budget expenditures and other agriculture-related expenditure outside MINAG's budget, such as those in rural infrastructures. Furthermore, it is worth noting that off-budget expenditure in the sector is perceived to be on the rise.

Recurrent or operational costs absorb the bulk of public resources flowing to the sector. Data recorded by MINAG on actual expenditure for 2003-2005 (Figure 13) indicates that costs with personnel (salaries and salary-related payments) represent between 29% and 43% of overall expenditure and expenditure in goods and services (which include, amongst many things, consultancy services, office equipment such as computers and repair and maintenance of buildings and equipment) between 39% and 52%. Capital expenditure corresponds to a relatively small share of overall expenditure and it has declined from 23% to 8%, between 2003 and 2005.

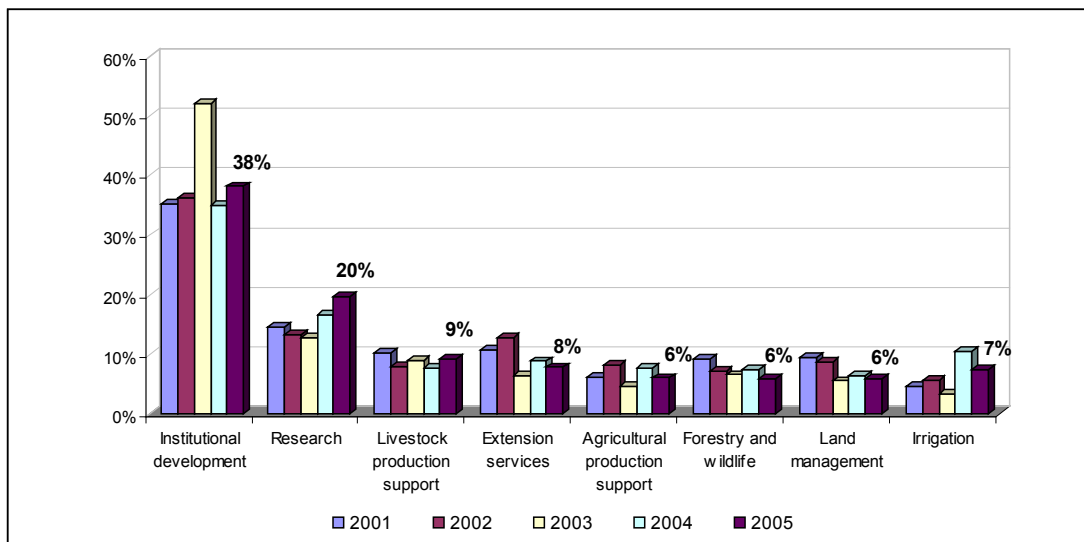
Figure 13. Expenditure in agriculture by type of expenditure, 2003-2005



Source: MINAG.

Available data on the breakdown of PROAGRI expenditure by sectoral domain or component (Figure 14) indicate that a large proportion of funds has been allocated to development of institutional capacity and research, which together have used, in 2005, 58% of the funds.

Figure 14. Expenditure in agriculture by PROAGRI component, 2001-2005



Source: MINAG.

penditure.

¹⁶ In the July 2003 Maputo Declaration on Agriculture and Food Security in Africa, African heads of state committed to allocate at least 10 percent of their national budgetary resources to agriculture and rural development by 2008.

3. Agriculture Sector Programme: PROAGRI and Beyond

This chapter provides an overview on the creation of PROAGRI and its evolution over the years. It includes a brief discussion of PROAGRI's performance and considerations about recent political and institutional changes and their impact on the governance of the agriculture sector and the aid relationship.

3.1. Genesis and Rationale

Mozambique's National Programme of Agrarian Development, PROAGRI, emerged first and foremost as an attempt to address the lack of coherence and integration in a context of highly fragmented aid operations in the agriculture sector.¹⁷ A joint donor appraisal mission carried out in 1998 noted: **“donor agencies are currently supporting agricultural investments and activities through a large number of individual projects. The Government of Mozambique has asked the donor agencies to change the way in which they are supporting these investments and activities. The Government is proposing that with the consolidation of the recurrent and investment budgets, the financial support of donors be formally integrated into the budget of the MAP”** (Appraisal Mission 1998: 1).

According to PROAGRI's Master Document, the expectation was that implementation of PROAGRI would help to, amongst other: (i) develop a common vision for national agrarian development with better harmonised interventions by the state and other partners operating in the sector, (ii) be more effective and efficient in the use of public resources (domestic or external) in the sector, (iii) reduce the negative impact of project orientation, and (iv) reduce dependence on external technical assistance (MAP 1998).

PROAGRI offered, therefore, the opportunity of bringing together under a single and integrated policy framework multiple and sometimes inconsistent development interventions in the agriculture sector. For that to happen effectively it was necessary to reform and modernise a significantly weakened and resource-constrained ministry of agriculture whose capacity and leverage had been considerably eroded by a decade of policies pressing for privatisation and minimal state intervention in the productive sectors and diminishing public investments in agriculture. PROAGRI proposed, hence, to reform the institutional set up of the agriculture ministry and, more ambitiously, the state's role in the sector: **“PROAGRI is conceived as the instrument to effect the transformation of MAP by: (i) providing the means to analyze MAP's functions at all levels and implement institutional reforms accordingly; and (ii) developing the capacity to undertake its newly defined core functions efficiently and effectively, and maximizing the impact on the agricultural sector of available GoM and donor resources”** (Appraisal Mission 1998: 2). The expectation was that measures would be taken for the ministry to be modernised and developed into a 'rational structure' at the central level to undertake certain 'core functions' (MAP 1998).

3.2. PROAGRI I: Features and Implementation

Objectives, Components and Basic Principles

The first phase of PROAGRI was launched in 1998 as part of a joint effort by the GoM¹⁸ and the main donor agencies¹⁹ working in the agriculture sector. Three strategic objectives were established, for the period 1998-2003, in PROAGRI's Master Document (MAP 1998): (i) to reform and modernise the institutional structure of the public sector interventions in support of the agricultural sector, (ii) to increase agricultural production and productivity and hence improve income and food security for rural households, through better public service delivery and (iii) to protect, conserve, develop and ensure sustainable access and use of natural resources. These objectives were supposedly linked, in a logical framework, to activities, results and performance indicators. Yet, the distinction between these was not clear and there seems to have been a degree of inaccuracy in the use of the concepts. Also, the logical relation between activities, results and performance indication was not at all obvious (see MAP 1999: 41-43).

PROAGRI I comprised eight programme components, or areas of intervention, each of which with specific objectives and strategies (specified in the Master Document): (i) institutional development, (ii) agricultural research, (iii) agricultural extension, (iv) support to agricultural production, (v) livestock production, (vi) land management, (vii) forestry and wildlife, and (viii) irrigation. The selection of these components was driven by the organisational structure

¹⁷ According to some estimates, there were approximately 200 project operating outside the budget and often unknown to the ministry (Batley, 2002).

¹⁸ Mainly the Ministry of Agriculture and Fisheries but with some involvement of the Ministry of Planning and Finance.

¹⁹ Donor agencies involved in the appraisal mission included: the African Development Bank, DFID, FAO, DANIDA, the Netherlands, USAID, AUSAID, Irish aid, Portugal, EC, Italy, SIDA, GTZ, Finland, UNDP and the World Bank.

of MAP at the time, with each National Directorate being held responsible for one PROAGRI component.

Basic principles were also established to guide (and discipline) the implementation of the programme.²⁰ The PROAGRI Basic Principles document, whose elaboration followed that of the Master Document, subtly introduced or reinforced some key features of the programme's underlying philosophy (Box 2 provides details).²¹ On the whole, it emphasised significantly the notion of 'core functions' and further refined its conceptualisation in relation to the original Master Document.²² Related to this, it pushed firmly for the elaboration of a functional analysis to determine these core functions and concomitantly inform the organisational restructuring of the ministry. It left out, to some extent, however, the aspect of inter-sectoral coordination which had been strongly highlighted in the Master Document.

Box 2. The basic principles of PROAGRI

At the 1998 PROAGRI joint appraisal mission, Government and donors agreed to a set of basic principles to define the nature and direction of the ministry of agriculture's (then MAP) transformation. These principles encapsulated the essence of the contractual arrangement between the two parties. A total of 79 principles were established: 21 'overarching principles', 8 principles on donor coordination, 2 principles on gender and the remaining 48 spreading across the 8 PROAGRI areas of intervention.

PROAGRI basic principles included:

- PROAGRI success to be measured by its impact on poverty reduction.
- MAP to allocate decision-making authority among national, provincial and district levels in accordance with the principles of subsidiarity and the result of the functional analysis.
- Broad-based stakeholder participation in designing and monitoring agricultural programmes at national, provincial and district levels.
- Policies to encourage competitive private sector initiatives in markets for agricultural inputs and outputs.
- MAP activities to be strictly limited to certain core functions to be identified through a functional analysis, although the document anticipates the following:
 - a. identification of market constraints and advocating measures to overcome them, through policy analysis and engagement with other sector ministries,
 - b. equitable access to and security of land and water rights,
 - c. regulation and standardisation of quality control and phyto/zoo-sanitary standards for agricultural inputs,
 - d. ensuring efficient provision of agreed upon core agricultural services,
 - e. provision of enabling environment for private sector development,
 - f. ensuring efficient management of natural resources.
- Agricultural services to be contracted out to the private sector whenever possible.
- Extension services open to multiple financial and delivery arrangement, including out-sourcing, cost-sharing with local extension structures and cost-recovery from farmer, farmer groups and associations.

It is worth noting that the notion of 'principle' seems to be sometimes used in the above listing to mean the same as objectives or concrete interventions.

Source: PROAGRI Appraisal Mission (1998).

The Basic Principles also brought to the fore the issue of decentralisation and empowerment of local government agencies. In this respect, a striking difference between the two documents is found in relation to the agricultural

²⁰ There is, however, a degree of ambiguity in the use of the concept of 'principle' which in many cases look more like concrete activities rather than principles as such.

²¹ See the Inception Report of the ongoing final evaluation of PROAGRI for an analysis of the effect the formulation of the basic principles had on each PROAGRI component (PWC 2006: pp.6-17).

²² It is worth contrasting, for example, the definition of core functions in the Master Document (pp. 37-38) with that in the Basic Principles Document (p. 7).

extension component: whereas the Master Document proposes the national integration of the extension network in a single national system with a vertical organisation, the Basic Principles Document calls for a demand-driven and flexible approach which is responsive to diverse and changing needs of farmers – the latter would be delivered through multiple arrangements including out-sourcing to NGOs and for-profit private sector and with some degree of cost-sharing.

Under the disputed assumption of broad agreement over the basic principles, a memorandum of understanding was signed by government and donors²³ in January 1999. Donors thereby agreed to channel resources through a pooled fund in a central bank account and to be used to support PROAGRI. External funding to PROAGRI was set at approximately \$200 million over a five-year period. A new memorandum of understanding was signed in May 2001 by government and eight donors²⁴, setting out further arrangements to improve financial management, including: a common flow of funds mechanism, a mechanism for direct disbursement into provincial budget accounts, common procurement procedures, common reporting and auditing and joint supervision missions.

Overview of the Experience: Achievements, Drawbacks and Unfinished Agenda²⁵

With two somewhat contrasting strategy documents, it could be argued that PROAGRI started off without exactly a clear and unified policy framework. The PROAGRI evaluation team indeed notes that “no logframe exists for PROAGRI”, through which objectives and activities can be logically associated (PriceWaterhouseCoopers 2006: 2). A review conducted in 2000 on PROAGRI planning and the livestock sector had already drawn attention to the weakness of the logical framework guiding PROAGRI planning and budgeting (Ashley 2000). This weakness later proved to be a major impediment to an objective assessment of the programme’s performance.²⁶

But despite the above proviso, some general remarks can be made about PROAGRI’s performance. It is generally agreed that PROAGRI was crucial in leading the way to important reform processes, not only in agriculture but also more widely in the whole of the public sector. Some of these have indeed contributed to strengthening the weak and impoverished agricultural government agency which emerged from the structural adjustment period. The ministry of agriculture is today thought to be a stronger ministry and there seems to be little doubt that PROAGRI has been instrumental in doing that.

PROAGRI pioneered, in various ways, public sector-wide institutional reforms. The ministry of agriculture was, for example, the first ministry to conduct a functional analysis and the first to introduce the language of ‘core functions’ and ‘demand-driven’ public services in Mozambique. The functional analysis aimed mainly at defining the ministry’s mission and strategic objectives, defining its core functions and distinguishing them from other non core functions (to be transferred, subcontracted, privatised or eliminated), reorganising the organic structure of the ministry while considering human and financial resource implications. The functional analysis generated interesting debates on the scope of the state and nature of its interventions with implications for the institutional lay out of the ministry of agriculture. The analysis produced a number of bold recommendations (summarised in Box 3).

In line with the functional analysis, PROAGRI initiated decentralisation of planning, resource allocation and financial management functions to the provincial and, to some extent, district level; it contributed directly to the enhancement of extremely precarious working conditions at the district level and to the development of systems and procedures for funds to be able to flow directly to local government levels. It also attempted breaking new ground in the area of civil service reform. There have been several initiatives aiming at adjusting the workforce structure and upgrading technical skills, such as the creation of financial incentives to attract skilled professionals and an early retirement programme. These efforts have been to some extent held up by the slower pace of the wider public sector reforms.

Institutional development became the most significant component of PROAGRI, with its cost share rising from nearly 15 percent at project appraisal to 43 percent at project close. Yet, despite PROAGRI’s reform impetus, there is a mixed picture with regard to the achievement of outputs, especially in terms of the functional transformation and modernisation envisioned for the ministry. Many of the proposed reforms failed to materialise or were left unfinished. An example of this is the organisational reform of the ministry. As the PROAGRI mid-term evaluation notes, the functional analysis was not reflected in the restructuring of the organic structure and mandates of the ministry

23 AUSAID, FAO, IFAD, Irish Embassy, Netherlands, UNDP and World Bank.

24 Danish Embassy, DFID, EC, Irish Embassy, Netherlands, Swedish Embassy, USAID and World Bank.

25 This section provides only a brief overview of the PROAGRI experience. Chapter 4 elaborates on some the issues introduced here by analysing them in relation to selected themes.

26 Expressed by the team conducting the final evaluation of PROAGRI I at the time of our field visit to Mozambique.

of agriculture and subordinate institutions (MADER 2003) and it has been argued that the changes that have since been made have actually produced a heavier and more centralised organic structure (an issue further discussed in Chapter 4). Further, delay in the implementation of reforms suggested by the functional analysis adversely affected other components by not allowing adequate time for them to develop and mature under PROAGRI. This was especially the case in human resource management where there was a direct link between structure and staff issues (e.g. staffing strategy, career paths, job descriptions and the overall human resource management system – SIRH – depended directly upon the structural organisation of MINAG).

Box 3. Ministry of agriculture's functional analysis: diagnostic and recommendations

Summary of the diagnostic:

- Heavy and complex structure (10 national directorates and 14 autonomous institutes), difficult to coordinate and manage, with all decision-making centres competing for resources.
- Number of inconsistencies and duplication of mandate and activities of the different national directorates and autonomous institutes.
- Overall capacity is weak and decisions are vertical and mostly top-down.
- At provincial level, structure suffers from similar characteristics of the central structure in terms of duplication of mandate and work, lack of coordination and inconsistency. Plus, their dependence from the centre, especially in terms of finance availability and specialised professional advice, does not allow enough flexibility to answer to locally perceived needs and demands.
- At district level, structure is very varied with no clear definition of a minimum structure and a set core of minimum functions.

Changes proposed at central level, included:

- rationalisation of thirteen out of the existing 14 autonomous institutes into 4 main institutes: research, cartography, agricultural development and commercial agriculture;
- rationalisation of the current 10 National Directorates into 6 areas of competence that reflect the core functions identified in the functional analysis of policy, regulation and service provision;
- move rural extension into the National Research Institute, taking into account the need for close interaction between research and extension, and the envisaged progressive decentralisation of extension networks' management to the DPADRs, with the centre retaining mainly a normative function;
- establishment of an Agricultural Development Forum as an advisory body to the Ministry on sectoral policies and directives with representation of high-level functionaries from a wide areas of disciplines and sectors.

Changes proposed at provincial level:

- introduction of the figure of the Deputy Provincial Director to whom the Provincial Directorates report;
- introduction of a General Secretariat under the Deputy Director;
- reorganisation of the existing 8-10 Provincial Departments into 6 Departments;
- planning and monitoring as the main function of the provincial level.

Changes proposed at district level:

- districts to be differentiated according to agricultural and natural resource potential;
- three types of district to be distinguished – high, medium and low potential;
- district directorates to be structured according to the above typology: low potential district with 'basic structure' (5 people in total), medium potential districts with 'technical level structure' (9 people) and high potential districts with 'development structure' (25 people, of which 10 extension agents).

Source: KMPG (2003).

There is still also a great deal of fuzziness with regard to the ministry's core functions, which are easy to define on paper but are harder to relate to the interventions the ministry is actually carrying out in the field and to the motivations that drive them. The mid-term evaluation warns: **"the 'new capacity' of MADER has to a high extent been used for direct interventions at farm level while the promotion of policies to broadly facilitate agricultural and rural development through the support for an enabling environment has received less attention"** (MADER 2003: 1)

On a positive note, the areas where PROAGRI is currently seen as having been the most successful is undoubtedly the development of a more comprehensive and integrated planning framework for public resources (both domestic and external) and, perhaps more importantly, of an integrated and government-owned financial management system. Concrete achievements include: (i) the common agreement between GoM and main donors to an integrated framework of policies and programmes (at least on paper); (ii) the establishment of a government-managed common funding mechanism for a group of donors, generating better predictability, coordination and management efficiency; (iii) the improvements introduced in financial management procedures, such as the unification of procurement rules, consolidation of accounts, creation of provincial financial management systems and external audits; and (iv) the development of decentralised planning and the increased share of provincial public expenditure.

But despite these important achievements, PROAGRI has also been forcefully criticised for failing to show results on the ground – the final evaluation of PROAGRI I, conducted at the same time of this study, also noted that the programme has focused essentially on institutional processes (management, coordination, capacity) and relatively less on actual service provision (see also Section 4.4 and Box 5). There is indeed little evidence that agricultural policies and public service delivery have actually improved in spite of the volume of resources invested in internal reforms and capacity building. A widespread view is that PROAGRI has been too preoccupied with reforming managerial processes (creating systems, procedures and capacity) and has lost sight of the actual agricultural developmental objectives those processes were supposed to generate (Pavignani and Haulck 2002, Batley 2002, Garrido-Mirapeix and Toselli 2002).

The 2003 mid-term evaluation offers some recommendation for PROAGRI's second phase, namely that MADER's core functions should be consolidated, decentralisation furthered and cross-sectoral coordination and cooperation improved having in mind a **"major change in focus from direct support at household level towards policy level decisions to facilitate agricultural production and marketing"** (MADER 2003: 53).

3.3. PROAGRI II Policy Strategy: Premature or Unrealistic?²⁷

The preparations for the second phase of PROAGRI started in 2003 with an internal exercise of creating a vision for the ministry which could form the conceptual basis for designing a new strategy for the sector. Although some, at the time, thought that PAEI constituted that vision, many argued that it was too short-sighted in considering agriculture essentially from a food security perspective. A massive effort was put into this exercise (which included numerous consultancies, studies, intellectual debates and consultation processes), and according to some of our interviewees, this was one of the first serious attempts of conducting an economic analysis of the sector. However, despite the commended richness of the debate, the Vision that was generated was unable to resolve long-standing cleavages within the ministry (resulting both from struggles for political territories and ideological differences): one faction concerned with agriculture production and seeing every peasant as a farmer, the other faction concerned with the potential market and labour opportunities offered by the agriculture sector. The Vision produced in 2003 for the agriculture sector was, hence, a consensus policy statement which drew on both perspectives but without, according to some views, addressing the inconsistencies between them.

The strategy document for the second phase of PROAGRI was concluded in 2004. It presented itself as attempt of taking the Vision **"one step forward"** by translating it into an **"operational reality"** (MADER 2004: 38). This strategy introduced various innovative ideas and reinforced other attempted in the first phase. It renewed the emphasis on core functions and demand-driven services and proposed a more holistic view of the agriculture sector which brought to the fore the need to coordinate interventions in critical areas in the sector outside the mandate of the ministry of agriculture (such as markets, rural infrastructures and financial services). With rural development now part of the ministry's mandate, PROAGRI had the opportunity to extend its reach beyond the ministry of agriculture.²⁸

The strategy envisioned reforms which would have required **"fundamental changes in the way the ministry operates**

²⁷ There is limited readily available analysis on the PROAGRI II formulation process and hence this section draws heavily on the information provided and opinions expressed by our interviewees.

²⁸ Rural development, an area previously located outside the ministry, was institutionally moved into the ministry of agriculture shortly after PROAGRI I had been formulated and hence was never integrated into the PROAGRI framework.

and relates to other actors” (MADER 2004: 126). It suggested, for example, the introduction of a mechanism of internal competitive bidding for resources to fund core functions and the creation of a mechanism for on-budget funding of other sectors and activities at provincial level beyond the narrower agriculture sector remit. It also proposed the creation of ‘Multi-Stakeholder Agriculture and Rural Development Councils’ at provincial level, bringing together the various actors in the sector, and a coordinating body within the ministry, the ‘Horizontal Management Board’.

The strategy document for PROAGRI II never got to be institutionalised. The government changed before PROAGRI II strategy was approved by Cabinet. The new government introduced a slightly different institutional set up for the ministry and a somewhat modified vision for agriculture and rural development.

3.4. Recent Developments (2005-06): Beyond PROAGRI?

The future of PROAGRI, both as an agricultural policy strategy and as an aid management approach, is likely to be shaped by the concurrent effects of three relatively recent occurrences: (i) President Guebuza’s elected government and the newly created MINAG, (ii) a possible move towards a direct, more ‘interventionist’ approach to agricultural development, and (iii) the materialisation of decentralised planning and financing through the creation of a district investment fund and institutional restructuring of the district administration.

With the new government, which took office in January 2005, a reshuffling of ministerial attributions and competences led to a different institutional set up for the agricultural government agency. The Rural Development Directorate was moved into the newly created Ministry of Planning and Development (MPD) and MADER became MINAG, that is, strictly Ministry of Agriculture. Although in practice this will not represent a significant change in the way the ministry goes about its business (while in MADER, the Rural Development Directorate always had a somewhat separate status and rural development was never truly integrated into PROAGRI I), it does represent a change in mentality in relation to what was being projected, under the previous government, for PROAGRI II. Notwithstanding, there is a strong perception that limiting the ministry’s remit to the strict agricultural sphere is a more sensible and realistic choice.

There is also a possible shift in the new ministry’s agricultural development approach towards production-target based interventions. An internal priority setting exercise seems to focus, narrowly on production levels: the Agrarian Priorities document specifies annual production targets for each priority product (food and cash crops, livestock and forestry products) as well as generic priority interventions to pursue those targets. Similarly, the Agrarian Intensification and Diversification Programme seems to be driven by a production target approach involving delivery of support services (Box 4).

Box 4. Agrarian Intensification and Diversification Programme: unruly or pragmatic?

The agrarian production intensification and diversification programme was announced by MINAG as one of the highlights of its annual economic and social plan (PES) for 2007. The programme aims to address the chronic food security problem and a structural cereal deficit in the country. It proposes to achieve increased agricultural production and productivity through input distribution, technology dissemination and credit services to selected farmers in geographical areas of high agro-ecological potential.

The inclusion of this programme in the 2007 PES (2006/07 agricultural campaign) came as a surprise to many, since it had not been considered in the 2006 PAAO. PROAGRI donors have immediately expressed their concern regarding the compatibility of this programme with PROAGRI's Basic Principles and its potential negative consequences in the implementation of planned activities under the PAAO.

MINAG insists that the programme is consistent with PROAGRI's philosophy and with the government's agricultural policy and that it represents an opportunity for local government agencies (districts and provinces) to play a more active role in determining local priority interventions.

The introduction of this programme raises questions over priority-setting and policy predictability which PROAGRI had been expected to reinforce (particularly through closer and more extensive government-donor dialogue). Of course, the programme could also be regarded as a pragmatic reaction by the government and the ministry to the frustrations by the lack of significant, visible impact on the ground from PROAGRI investments.

Sources: MINAG (2006c) and interviewees.

Finally, the government have been increasingly endorsing a decentralised governance approach which has the district at its core. The previous government approved, in 2003, a local government law (**Lei dos Órgãos Locais do Estado** – Law n.º 8/2003) which increased the powers and influence of the provincial governors and district administrators, compared with those of the vertical hierarchies of the line ministries. Further, the 2005 State Budget created a budget line (for recurrent expenditure only) which district administrations could manage directly.²⁹ This decision was furthered in the 2006 Budget, already under the new government, through the creation of a district investment fund – a fixed amount of MT 7 million (about US\$ 300,000) was allocated to each of the 128 district administrations in the country to fund investment interventions defined by the district level authorities. Specific district coordination bodies (**Conselhos Consultivos Distritais**), were established to work with the communities in identifying investment priorities. In the 2007 budget proposal submitted to Parliament, about 11% of district investment fund is planned to be used for agriculture-related activities (PROAGRI Partners Group 2006).³⁰

Furthermore, in 2006, and as part of the implementation of the 2003 local government law, public administration structures at the district level have started to change: District Directorates of Agriculture, for example, were moved, together with other productive sector directorates, into a new department of economic activities³¹ placed within the district administration's office.³² What implications will these have in the way the Ministry of Agriculture operates in the district and the way that PROAGRI is set up? So far, there is no definite answer, but it is reasonable to expect some changes – there is at least the risk of overlap and lack of coordination between district budgets and provincial level PROAGRI budgets. Some think that the ministry's and PROAGRI's earlier decentralisation efforts have to some extent been superseded by these recent decentralisation measures, whereas others see it as an opportunity to boost the profile of agriculture and rural development. In either case, it seems evident that PROAGRI will have to adjust promptly to the emerging political and institutional setting.

Regarding the next phase, a number of Signatory Partners of PROAGRI have agreed to continue their commitment to sectoral reform through PROAGRI II.³³ As it is the case of PROAGRI I, this arrangement involves provision of budgetary support to MINAG through the Common Flow of Fund Mechanisms to strengthen its core function and implementing its Annual Plan of Activities and Budget (PAAO). The principles behind the mutual commitment to PROAGRI

29 Until then their budgetary allocations were channelled via a generic (lump sum) recurrent transfers category in the State Budget.

30 2007 Budget proposal available at: www.dnpo.gov.mz.

31 **Serviço Distrital de Actividades Económicas**. This department is mandated not only with agriculture-related functions but also with functions pertaining the fisheries, industry and trade sectors.

32 The new structure and functions of the district administration are defined in Decreto nº 6/2006.

33 A (third) Memorandum of Understanding between Signatory Partners of PROAGRI and Government is expected to be signed in early 2007.

II are derived from the underlying principles of national poverty reduction strategy (PARPA). The goal of PROAGRI II is to contribute to poverty reduction and improved food security. The PROAGRI partnership is intended to concentrate on strengthening core functions of MINAG (supporting reform at all levels, in line with functional analysis); increasing effectiveness of provincial and district departments in agricultural planning and program implementation; encouraging and promoting Local Development Projects initiated by beneficiaries; and promoting equitable and responsible use of natural resources. The specific objectives of PROAGRI II are to (i) support smallholders to develop their agriculture and natural resource related activities; (ii) stimulate agricultural and natural resource based production and development of agro-industries for domestic and export markets; and (iii) guarantee sustainable natural resource management and conservation that takes into account community, public sector and private sector interests. However, given the fairly wide canvas that PROAGRI II is again covering (in terms of objectives) it is not yet clear what implementation strategy will be.

4. Assessing the Experience: Achievements, Failures and Challenges

This chapter analyses the PROAGRI experience in relation to the five themes defined in the study's analytical framework. It assesses the extent to which PROAGRI as a SWAp has contributed to enhancing: (i) harmonisation and alignment in the aid relationship, (ii) policy coordination, coherence and accountability, (iii) institutional structures and government leadership, (iv) planning and budgeting, public expenditure and service delivery, and (v) the interface with the private sector.

4.1. Aid Relationship: Harmonisation and Alignment

The evident lack of harmonization and alignment in the sizeable external assistance to agriculture (and other sectors) was an important driver for a sector-wide approach to agricultural development. The pre-PROAGRI situation was unsustainable. The ministry of agriculture was institutionally weak and resource-constrained, with a centralised but fragmented administrative structure, obsolete management systems, and exceedingly low levels of educated and trained staff. On the other hand, donor assistance, driven by varying perceptions of local need and conditions as well as by other considerations, was "all over the map" – geographically, thematically and administratively. Lack of coordination among donors and between donors and government created a number of problems: no clear overall sector vision or strategy; imbalance between investment and current expenditures; unsustainability of investments; difficulties in budget management due to donor earmarking; difficulties in financial management due to separate (project-based) channels and modalities for delivering aid; and numerous parallel structures to accommodate disparate donor requirements, which was not conducive to sound planning, management and monitoring (cf. Appraisal Mission 1998).

Harmonization and alignment was at the heart of PROAGRI. At the outset, the set of Basic Principles commonly agreed to define the nature and direction of institutional reform on the ministry of agriculture is a manifestation of that. More importantly, the critical feature of PROAGRI was, from the beginning, the commitment of donors to move away from discrete projects to a joint programme of expenditures. This implied the need for donors and GoM to agree on a number of common implementation issues, including: planning and budgeting; accounting, audit and financial control; performance monitoring and progress reporting; and procurement and contract administration.

Harmonization efforts have yielded results in the following areas: a set of basic principles and a strategy regarding sector priorities and role of the ministry in the sector; a common flow of funds mechanism to finance commonly agreed eligible expenditures consistent with the agreed principles and milestones; a common planning and budgeting framework (Annual Activities and Budget Plan, PAAO) a common financial reporting and monitoring mechanism (the Financial Management Report); common procurement procedures; joint external audits; steps towards the development of a common results monitoring system; and a common dialogue structure with the ministry, involving a defined calendar of monthly meetings (of PROAGRI partners group and of PROAGRI working group), quarterly meetings (of the Financial Management Committee) and annual meetings (for annual programme review). These have served to produce a common platform for PROAGRI donors and government, providing both capacity and continuity to the institutional development and planning processes which, gradually, have got more deeply embedded in domestic systems.

There has also been a gradual alignment of PROAGRI with overall government planning, budgeting and public expenditure management procedures. PROAGRI, as one of the first sector support programmes which started coordination between like-minded donors in Mozambique, had no doubt an unquestionable formative influence on the General Budget Support (GBS) framework. More recently, there has been a change in the direction of influence with GBS driving further harmonisation and alignment in the sector. In the new memorandum of understanding to be signed for the second phase of PROAGRI, the common flow of funds mechanism, which to date was a partially on-budget basket fund, will become the first example of a Sector Budget Support (SBS) modality in the country. Planning, disbursement and financial reporting calendars and procedures are expected to become fully aligned with the government's budget cycle and systems.

Similarly, there has been a progressive alignment at policy level with a common set of principles and indicators being used by the various stakeholders. The draft memorandum of understanding for PROAGRI II states that the principles behind the commitment to PROAGRI II are derived from the underlying PARPA principles (section 1.2); it also establishes that agriculture sector performance indicators, which will form a major part of the annual monitoring

system of PROAGRI II implementation, will be derived from the Performance Assessment Framework agreed under the GBS framework (section 2.4).³⁴

But, despite progress, some critical issues remain to be addressed. From the point of view of harmonisation and alignment, a significant challenge for PROAGRI has been the fact that, from the start, the pooled financing arrangement did not cover all the external resources flowing to public sector type of activities in the agricultural sector. Even at the outset, some key donors in PROAGRI maintained separate project operations, and over time, some important players (such as the World Bank, USAID, DFID and Italy) moved out of the PROAGRI funding arrangements. There seem to be a number of reasons behind this such as differing views over objectives, thrust and pace of reforms, sector needs/priorities, and the most effective aid instruments to use in that regard. Furthermore, although there is limited recorded information to demonstrate it, there is a perception that the number of projects, managed outside the PROAGRI framework (and in some cases outside the structures of the agriculture ministry), may be actually on the rise.

4.2. Policy Coordination, Coherence and Accountability

PROAGRI represents in many ways a pioneering platform for government-led policy dialogue in the agriculture sector. By bringing together the main sources of public funding in the sector under a common arrangement it has contributed directly to improving coherence between donor and government interventions and strengthening the ministry of agriculture's coordination role. Three forums for policy dialogue were established under PROAGRI. The **Fórum de Concertação** is the main forum for dialogue on policy and strategic direction of PROAGRI. It is chaired by the Minister, Vice-Minister of the Permanent Secretary and comprises nominees from MoF and MPD, at least three representatives from the signatory partners (signatory of the PROAGRI MoU) and national directors of MINAG concerned with the topics being discussed. The PROAGRI Working Group constitutes the operational arm of the **Fórum de Concertação**, is chaired by the PROAGRI Coordinator and comprises representatives of all signatory partners and MINAG staff and advisers concerned with the agenda being discussed. The PROAGRI Partners Group is the policy coordination forum on the donor side, comprising all signatory donor agencies operating a rotating chairing system. Donor agencies which are not signatories of PROAGRI's MoU but that manifest adherence to the philosophy of PROAGRI and contribute indirectly to its implementation (such as, currently, USAID and the World Bank, for example) are also invited to attend the various forums' meetings. The draft MoU for PROAGRI II anticipates the elaboration of a specific Code of Conduct to establish generic principles for donor agencies operating in the sector to ensure a degree of coherence with PROAGRI's philosophy.

But, despite these arrangements, there have been some hitches in managing donor-government relations. There are signs of difference between donor agencies providing resources through the PROAGRI common funding mechanism and agencies financing the sector outside this mechanism, or even outside the government framework. In the struggle for policy influence, some view PROAGRI as the wider agriculture policy framework, while others tend to restrict it to, essentially, the activities funded through the common fund provided by a selection of donors and hence policy discussion on PROAGRI concerning only those agencies (in addition to domestic stakeholders, of course). These differences may have, to some extent, eroded the degree of openness the policy dialogue forums initially had. The frequent absence of senior management representatives at meetings and the increasing proportion of lower ranking attendants (both from government and donor agencies) has also been noted as a worrying sign of loss of credibility in the dialogue taking place in some of these forums, with policy positions being formulated, allegedly, at a more junior level.

With regards to internal coordination, PROAGRI has suffered from the outset, according to some accounts, from an ominous degree of compartmentalisation – the programme components were essentially set in correspondence to the organic structure of the ministry (each national directorate being responsible for one component). Although the Basic Principles should have provided an assurance of policy coherence, they are far from being part of a sector-wide agenda, being in fact poorly internalised at local level – there were, reportedly, occasional 'clashes' between the Principles written on paper and the practical interventions required by local communities, such as seed distribution, animal traction and irrigation schemes. The unresolved internal political and ideological differences, namely regarding the vision for the sector and the role of the state in the sector, have represented an additional impediment

³⁴ The GBS Performance Assessment Framework, or PAF, is a monitoring framework setting performance indicators and targets on government policy, jointly agreed by government and donor agencies providing aid through the GBS modality. These indicators and targets are set to orient the dialogue on priorities and performance between government and donors. A proportion of GBS contributions is variable and defined on the basis of performance.

to fluid policy coordination.

Coordination between the ministry of agriculture and other government agencies of relevance to the sector (trade, infrastructures, finance, etc.) has been rather limited under PROAGRI. Despite the attempts of giving PROAGRI II a wider scope, in practice the programme has been largely confined to the narrower agricultural remit.

New challenges for agricultural policy coordination have emerged recently with the restructuring of the government at local level. The incorporation of the former district directorates of agriculture into the district administrations is likely to create an ambiguous situation of dual subordination to both the horizontal (district government) and vertical (sector) hierarchy.

Policy coherence has to some extent been affected by coordination failures at various levels and, related to it, by an accumulation of overlapping policy statements and instruments which makes the understanding of the government's agriculture policy positioning a complex task. There are currently two medium term overarching government policy documents³⁵ (with concrete objectives and targets for the agriculture sector) and at least five agriculture-related sector policy document³⁶, in addition to various operation strategies and programme documents for specific sub-sectors and interventions (see section 2.2).

Agricultural policy coherence has also been affected by discontinuities in vision and approach driven by the changes in the political context. Under the new government, a new institutional structure was set and a new policy priorities document approved. Crucially, the Agrarian Intensification and Diversification Programme, being carried out in 2006/07, appears to signal a significant swing in policy approach and one which directly challenges the core of PROAGRI's Basic Principles. Finally, the current government's arguably more interventionist approach to agricultural and the rural development is likely to have an impact on the dynamics of decision making, and in particular the policy space for PROAGRI and for the donor-sector relationship.

PROAGRI's record in terms of policy accountability is mixed. Donor-government accountability has undoubtedly been enhanced with the establishment of an integrated policy framework and the resources directed to the development of monitoring and evaluation systems. Accountability under PROAGRI has remained, however, to a large extent, limited to the rather unbalanced mode of upwards government-to-donor accountability. Furthermore, it has focused disproportionately on financial performance and little on efficiency, quality and effectiveness of agricultural service delivery by the government. This is partly because the tools developed to improve agricultural data collection and monitoring procedures have a limited focus on agricultural production, input use and productivity, i.e. the agricultural activity of farmers as such, rather than the actual delivery and performance of public services in contribution to the agricultural activity.

4.3. Institutional Capacity and Government Leadership

Institutional restructuring and modernisation of the state's role in the sector has always been at the centre of PROAGRI's agenda. PROAGRI pioneered functional analyses in the public sector, broke new ground in matters of decentralised planning and financial management and supported innovative measures to professionalise the ministry's staff and build up technical skills. It thereby contributed to strengthening the ministry of agriculture's position vis-à-vis non-agricultural policy players and processes, which is largely recognised outside the sector.

Processes associated with design and implementation of PROAGRI have undoubtedly served to considerably enhance government's direction and management of the agricultural sector compared to the pre-PROAGRI situation. The ministry's general leadership – in terms of dialogue, planning, prioritisation, and management of its programs – seems to be much stronger than it used to be, not only at central but also at provincial and district levels. Financial systems and accountability within MINAG are more developed than in other ministries, making it more likely to be the leader in decentralized development planning and administration that is being pursued at present. The PROAGRI process has also generated numerous and strong processes of shared learning among a wider circle of players (contract staff, consultants and so on) which in general has bolstered overall capacity in the system for planning and leadership. There has been significant investment in relevant human resources and institutional capacities and, by now, a deep and varied experience in preparation of various planning and strategy documents, management tools

35 Programa do Governo and PARPA.

36 PAEI, Documento de Estratégia do PROAGRI, Estratégia de Segurança Alimentar e Nutricional, Estratégia de Comercialização Agrícola and Estratégia de Desenvolvimento Rural.

and data collection and analysis techniques.

Overall, however, the growth in institutional capacity and leadership in MINAG appears to have occurred within narrow sectoral confines, and in relation to technical and management issues pertaining largely to the ministry itself. Also, the organisational restructuring of the ministry, which has taken place over the years, has not represented a **de facto** transformation of approach and functions of the ministry. There are indeed signs that, in spite of the recommendations made in the functional analysis, the new MINAG structure³⁷ is currently heavier and that the ministry is still leaning towards direct intervention in the sector rather than acting as a modernised regulator and facilitator.

According to one account (Ramagem 2006) the institutional reform was approached as a mere process of changing the ministry's organisational chart and underestimated the required changes in functions, management systems, human resource capacity and skills (as it had been suggested throughout the functional analysis process). There was a reduction in the number of central level directorates (from 15 to 11) and subordinate institutes (from 11 to 7) but this was more than compensated by a considerable expansion in the number of departments (from 28 to 40) and units (from 49 to 76). The internal structures of the merged central level directorates remained largely intact and hence it is argued that the fusion did not result in a more rationalised organisational structure. The multiplication of overlapping planning and management units has also been noted (*ibid*): the ministry has now a total of 4 planning and monitoring and evaluation units, 11 administration and finance units and 2 human resource units; and some of the newly established units are under-staffed.

Part of the difficulty with the ministry's institutional restructuring is to do with the overall government environment within which it is functioning. The ministry's remit has been expanded (to incorporate rural development) and then narrowed (down to agriculture **strict sensus**) even during the time of PROAGRI, and these changes have not been terribly helpful in clarifying the ministry's mandate. The PARPA process and the development of the GBS framework have also presumably moved sectoral ministries away from the centre of aid relationship, a place now occupied largely by the Ministries of Finance and Planning and Development.

Finally, MINAG has yet to forcefully take on the more general leadership role of guiding overall sectoral development, especially with regards to facilitating institutional growth and development of other key participants (non-agricultural government agencies, private sector, NGOs and CBOs). This requires a flexible institutional structure which allows for cross-stakeholder coordination to function both at central and local governance levels (and indeed across agricultural value chains). Parts of MINAG (particularly CEPAGRI) seem to be already moving in this direction.

Huge challenges remain to be addressed. Still, the overall transformation of MoA from a weak, fragmented ministry in a largely reactive and project-support role to its current status as the focal point for agricultural development, which is significantly better resourced, staffed, and organized, should not be underestimated.

4.4. Planning, Public Expenditure and Service Delivery

Prior to PROAGRI, there was significant dispersion in the distribution of resources in the agriculture sector and the lack of an integrated vision on resource needs and use constituted a major governance constraint for the ministry. The common funding mechanism enabled the ministry of agriculture to play a leading coordination role in resource planning and allocation and the ministry has today a more comprehensive picture of resource availability and absorption capacity. There have also been attempts of measuring the magnitude of off-budget resources flowing outside the government's financial management systems (often managed outside the agricultural government agencies and hence difficult to capture). Between 1999 and 2002, an annual survey on off-budget donor-funded projects was conducted by the ministry (cf. section 2.4). Unfortunately, this has been suddenly interrupted in 2003 due to, reportedly, the lack of technical staff to carry out such exercises.

The common funding mechanism has given the ministry more discretionary power over the allocation of resources and has enabled it to address substantial unbalances in the distribution of funds across sub-sectors and geographical areas which had been generated by the proliferation of donor-managed standalone projects – certain provinces and sub-sectoral areas, such as extension, had been receiving disproportionate donor attention. Some donors have, however, secured to some degree their regional or sectoral specific preferences, even within the common funding framework (e.g. Austria earmarks funds to Sofala province, IFAD earmarks funds to extension and the EC earmarks part of their contribution for specific purposes).

PROAGRI has also encouraged considerable progress in developing systems and tools for integrated planning at all governance levels (central, provincial and district). The production of annual integrated activities and budget plans (**Plano Anual de Actividades e Orçamento, PAAO**) reflects the efforts to improve internal coordination and coherence in activity planning and resource allocation. Considerable efforts were also put into the development of a 'bottom-up' planning routine which starts off with community consultations at district-level and builds up into provincial and national consultation levels. Districts are currently able to produce quarterly plans to match PROAGRI's quarterly financial disbursements.

Another highly acclaimed achievement in the planning and budgeting domain is the capacity to produce expenditure plans broken down to the activity level, supported by purposely built software, Financial Planner. It is now widely recognised that, although it has generated a lot of detailed information, this software has failed to capture the logical connection between activities and policy objectives and it has therefore been of little analytical use to assessing the ministry's performance vis-à-vis its stated policy objectives. This problem is being addressed and new planning software is under development – SISPLATA (**Sistema de Planificação Tática**). Furthermore, a revived Medium Term Expenditure Framework (MTEF or, in Portuguese, **Cenário de Despesas de Médio Prazo**) exercise is currently seen as an opportunity to improve strategic planning and analysis and the ministry is undergoing a laborious costing exercise of the recently defined Agrarian Priorities. Availability of data to support the costing exercise (e.g. average unit costs for basic agricultural services) is proving to be, however, a serious limitation.

Despite the sizeable investments made in improving planning and budgeting systems, the ministry's capacity to generate relevant information and analysis to feed into the planning and resource allocation work has been somewhat disappointing. Although tools for planning and financial management have improved enormously there is still very little analytical work on the effectiveness and efficiency of resource use. In 2003, as part of a wider World Bank-driven Public Expenditure Review initiative, the Ministry of Planning and Finance and the Ministry of Agriculture and Rural Development initiated a joint review of agriculture sector expenditure (MPF and MADER 2003). The exercise run into a number of difficulties – to do mainly with severe data gaps (both in terms of coverage and detail) and inconsistencies between data sources – and therefore produced very scarce results. The study also encountered a fundamental, and thus far unresolved, dilemma: how to measure the ministry's performance (vis-à-vis performance of the sector as a whole) and what to measure it against? Assessing the performance of the ministry on the basis of agricultural production is clearly inadequate, given that agriculture is fundamentally a private sector activity and its production results are determined by a variety of factors, most of which go far beyond the sphere of influence of the agricultural government agencies (such as weather, crop disease, extension advice uptake, etc.). The renewed emphasis on agricultural production objectives and targets, as expressed in the Agrarian Priorities document, indicates that this challenge is still very present. MINAG's PES for 2007 shows, however, promising signs of progress being made (MINAG 2006c): it distinguishes agrarian performance from MINAG's performance and it details specific objectives and targets which, in certain cases, link directly with the type of activities carried out by the ministry, such as the dissemination of technology and extension information (farmers' coverage), or the provision of veterinary services (vaccination targets).

Although the analysis on public expenditure trends, patterns and efficiency is constrained by the above considerations, PROAGRI has encouraged (driven partly by donor reporting requirements) more detailed tracking of expenditure. **Arco Íris**, another purposely designed computer software, generates data on financial execution by PROAGRI component (or area of intervention), hence enabling more detailed analysis on expenditure than allowed by the MPF's accounting system (which only details public expenditure by economic classification). The reading of such data is not, however, too encouraging: during the first phase PROAGRI a large proportion of resources have been spent on institutional capacity improvements and the vast majority of which related to personnel costs and goods and services acquisition (section 2.4).

What can be said about service delivery to the sector's beneficiaries? How have these investments in the state's planning, budgeting and financial management systems impinged upon the lives of poor farmers, commercial operators in the sectors, domestic (food) consumers? Once again, data to track service delivery and its relation with public expenditure is not readily available. Existing monitoring systems, such as TIA, gather data predominantly related to the performance of the sector, and say little about the performance of the ministry.³⁸ The only type of information available regarding the latter concerns veterinary services and extension service coverage, but even for these there

38 Main TIA indicators include: cultivated area, food and cash crop distribution and farming patterns, production estimated, commercialisation estimates, productivity, livestock production, household and waged labour, use of agricultural inputs and production and marketing of wood and non-timber forestry products.

is no analytical exercise relating it with resource use by the ministry.

The final evaluation of PROAGRI I identified some achievements in agricultural services, particularly in terms improvements in land management, extension and research systems. It noted, however, that these improvements have been most significant at the level of institutional development rather than in terms of actual service provision (Box 5).

Box 5. PROAGRI I final evaluation – impact at field level?

The final evaluation of PROAGRI I (1999-2005) was carried out in 2006/07. Its objective was to assess the programme's impact at both institutional and service delivery levels. The evaluation analysed PROAGRI outcomes in terms of policy and strategy, coordination, institutional development and delivery of agricultural services.

Overall, the evaluation concluded that one of the most effective results of PROAGRI has been the establishment of instruments of programme management and coordination. These have substantially reduced the problems of fragmentation, duplication and lack of vision previously dominant in the sector. Some noticeable results have also been achieved on wider institutional reforms, including contributions to more decentralised planning and a functional analysis of the Ministry of Agriculture – although the evaluation also notes that little progress has been made in actually implementing the reforms specified in that analysis.

With regards to agricultural services, the evaluation highlighted the reinforcement and restructuring of agricultural research institutions and the extension system and noticeable achievements in agricultural land management, particularly the successful contribution of the programme to the land reform process (drafting of legislation, simplification of procedures in land allocation and community involvement). However, the evaluation also noted that although PROAGRI I did fairly well on institutional improvements, it did less well on actual service delivery on the ground. Major concerns are the lack of coordinated interaction between research and extension services, and the financial and human capital constraints which affect both services. Furthermore, district level surveys revealed that demand for agricultural services (particularly the provision of agricultural inputs) has been left largely unmet by current policies and as results of the changes in role of the state in the sector – it concludes: **'current policy increases risks faced by producers in the present economic environment, without developing alternative risk reduction programmes'** (p. xii).

Source: PriceWaterhouseCoopers (2007).

On the whole, it seems that the time and resources dedicated to developing planning and financial management systems have not been matched with the much needed development of capacity to make use of those systems in a way that actually contributes to better service delivery. To some extent, PROAGRI got trapped on the **means** (systems and processes) and lost sight of the **ends** it was supposed to pursue. The recent policy pronouncements and inherent political dynamics (e.g. Agrarian Priorities, Diversification and Intensification Programme) represent, partly, a reaction against this unsatisfactory approach and a response to pressure for showing impact. Yet, the dilemma is that by shifting its focus so dramatically the ministry risks undermining important investments made, over the last 10 years, in developing policy coordination structures and a platform for aid harmonization and risks failing to understand the nature its role in the governance of the agricultural sector.

4.5. Private Sector Interface

One of PROAGRI's objectives was to help in the evolution of the ministry's role from a highly interventionist mode (involving direct provision of inputs, services and other support across the board) to that of an overall facilitator and regulator, focusing on sector policies, mechanisms for regulation and control, and provision of key public goods. The withdrawal of the state from direct provision of field-level inputs and services was to be matched by institutional and capacity growth of other service providers such as NGOs and the private sector.

In line with the results of the functional analysis, the ministry started to gradually promote the privatization and outsourcing of some its services which were not within the scope of its core functions and could be better provided by a third party. Examples include land surveying, fumigation of cashew trees, management of livestock multiplication centres (two out of four centres are under private management) and subsequent distribution of livestock to promote animal raising among small farmers, multiplication of fruit seedlings, non-mandatory vaccinations, selling

of veterinary medicines and provision of other lower level veterinary services and, distribution of seeds for populations affected by droughts or any other disasters. In 2003, MINAG also established a public-private interface office (now called CEPAGRI) for the purpose of facilitating the operations and new investments of the private sector. For example, this institution has engaged in streamlining the bureaucratic requirements for agricultural exports and is increasingly involved in public strategic planning and investment to promote private sector investments.

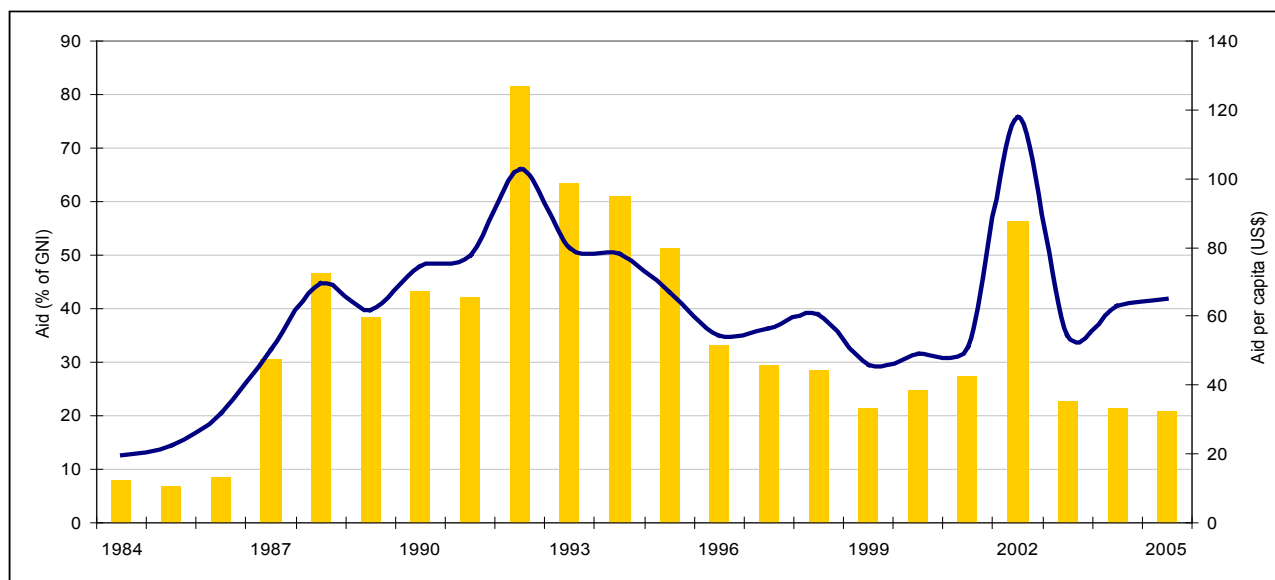
Two outsourcing pilots on extension in Northern Mozambique have been launched in 2003. Subsequently, several donors have reformulated their NGO support programs into outsourcing programs increasingly led by MINAG institutions. Between 2003 and 2006, approximately US\$ 40 million worth of resources were dedicated to outsourcing initiatives, with the amount of outsourcing initiatives flowing through MINAG budget amounting to US\$ 3 million. The PROAGRI implementation experience has thus provided a good opportunity to become more familiar with the management challenges to be faced in the selection of operators and in planning, monitoring and evaluation of their activities. However, the relative lack of private operators is a constraint that will need to be also be addressed.

Going forward, a number of challenges remain in fully developing the public-private relationship. Despite the encouraging experience with outsourcing, the PROAGRI program, in its roll-out, has remained largely focused on internal institutional reform issues (planning, budgeting, financial management and accounting, structural reform and human resource management). Private sector capacity in the country remains weak (especially in areas like input supply, finance, post-production and marketing). The final evaluation of PROAGRI I notes that **'policy reform is essential to create an environment conducive to private sector investment'** (PriceWaterhouseCoopers 2007: 76). Providing appropriate enabling environment for private sector operations would likely require a number of complementary actions (legal, regulatory, infrastructural, building financial and risk taking capacity), some of which may lie outside the sector and/or require long-horizon investments.

5. SWAPs and the Wider Aid Framework

Aid flows to Mozambique became significant after the introduction of an economic and social rehabilitation programme in 1987, which was supported by the Bretton Woods institutions and bilateral (western) donors. In 1990 GoM and IMF agreed to a structural adjustment programme and in 1992 aid flows reached 81% of GNI, having remained above 50% until 1995 (Figure 15). Aid flows have since then stabilised around 20-30% of GNI, corresponding to an annual average of US\$ 1.1 billion (US\$ 62 per capita); 2002 was an exceptional year with aid flows practically doubling.³⁹

Figure 15. Official development assistance to Mozambique, 1984–2005



Source: World Development Indicators 2006.

Despite the relative stability of aid flows over the past ten years, the nature of aid delivery approaches and the mix of aid instruments used has changed quite significantly⁴⁰, reflecting, in broad terms, trends in aid thinking and practice at international level.

The late 1980s and early 1990s were a period dominated by structural adjustment and macroeconomic stabilisation policies and significant influence by the IMF and World Bank; balance of payments support, food aid and project aid were the dominant modalities. International NGOs became particularly active in Mozambique since the 1992 Peace Settlement and with them came the proliferation of projects to support reconstruction and restore service delivery in essential areas.

In the mid-to-late 1990s bilateral donors started playing a more prominent role – bilateral aid increased more than twofold between 1998 and 2002 (Batley et al. 2006) – and the focus of development aid was directed to public sector structures and service provision, centrally and at provincial level, to counterbalance the effects of several years of budgetary austerity which had compromised (and in some cases disrupted) service delivery and poverty reduction efforts. SWAPs, as well as other donor harmonisation arrangements at sector level (such as sub-sectoral basket funds⁴¹), started emerging to support the restoring of public services in key sectors through improved aid harmonisation and policy coordination while attempting to rethink and modernise the state's presence in those sectors.

Contrary to the international trend, SWAPs in Mozambique were introduced first in a productive sector, agriculture. PROAGRI was a pioneering experience, not only for being the first SWAP in the country but also, from an international perspective, for being one of the first agricultural SWAPs in Africa, along with Zambia and Ghana. Since the creation of PROAGRI, other SWAPs have followed (PROSAUDE in health and FASE in education) which have used PROAGRI as a reference model, particularly with regard to the common funding mechanism and associated financial

³⁹ The explanation for such peak is not immediately obvious. By looking at OECD-DAC aid data in detail it seems that this is related to the dramatic increases in funding from France, Italy and Japan that year. This might have been related to, in the case of France, the debt relief initiative and, for all, possibly the response to severe damage provoked by the natural disasters that hit the country in 2000/01. It is worth noting that this significant increase in aid disbursements happened in spite of the major banking crisis that erupted in 2001 and associated human rights violations.

⁴⁰ See Batley et al. (2006) for a detailed analysis of the factors influencing aid modalities in Mozambique over time.

⁴¹ The first basket fund was created in 1996 in the health sector to support service provision at provincial level. Another one was established in 1997 to finance procurement and distribution of pharmaceuticals.

management procedures (although, of course, introducing their own sectoral nuances).

SWApS in Mozambique, and not unlike what has been seen in other countries, have been a mixed experience. Despite undeniable contributions to a more streamlined dialogue between the donor community and government, strengthened government leadership and coordination between donors, there have been a number of drawbacks. Pavignani (2001) had noted the danger of donors and government getting 'swamped in a SWAp' in the long lasting and labour intensive attempts to devise complex and ambitious structures and systems for policy coordination in a context of very limited capacity, lacking codes of conduct and pervasive resistance to change. There is indeed limited evidence that the efforts and investments made in the SWApS have actually led to more coherent and sound policies, more efficient resource use and better service delivery on the ground. SWApS, and PROAGRI in particular, have also been disappointing in getting beyond the narrow sector remit and promoting sector-wide coordination, i.e. connecting the ministry of agriculture with other state agencies and not state actors of relevance to the agriculture sector.

In the early 2000s, the focus on priority sectors (particularly education and health) and their contribution to poverty reduction was furthered and PRSs and the Millennium Development Goals (MDGs) were placed right at the centre of the development aid doctrine. Aid delivery mechanisms adjusted accordingly directing aid flows further upstream – SWApS in the social sectors were being consolidated and GBS (a form of pooled funding channelled directly into the state's treasury) rapidly become a major aid instrument as well as platform for policy engagement with GoM. Between 2000 and 2004, GBS increased from about 2.7% to 18.6% of ODA with some donors channelling nearly 50% (e.g. Netherland and EC in 2004) of their assistance through this modality (*ibid*); in 2006, DFID allocated as much as 65% of bilateral programme in Mozambique to GBS, becoming the largest bilateral user of this modality (DFID 2006a).

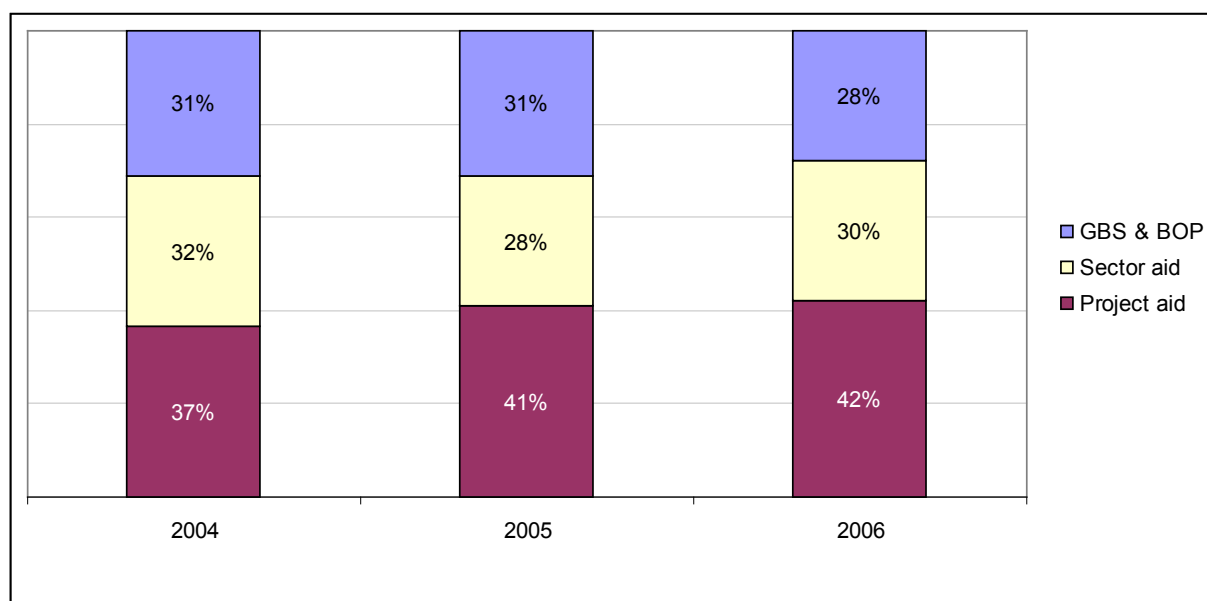
The general sense of frustration and cynicism about the SWAp experiment together with, quite crucially, the growing prominence of PRSs and GBS in development aid discourse in Mozambique have prompted a progressive change in the aid relationship and aid modality mix. SWApS and sectoral ministries have been gradually moving away from the core of the donor-government relationship (where they clearly were in the late 1990s), which is now largely dominated by GBS and the Ministries of Planning and Finance. Sectoral ministries (and agriculture in particular) are finding it harder to justify special treatment in a context where channelling aid directly via treasury is an increasingly preferred option. This is due to the significant improvements made to public financial management systems over the last ten years and the fact that the State Budget is increasingly seen as a credible instrument and a good basis for defining aid allocations in line with policy priorities set in the PARPA and annual PES.⁴²

But despite the rapid switch (by some agencies) to GBS, complementarity between different aid instruments has been recently emphasised, partly as an attempt to diversify risk (GBS is recognised to have a high level of fiduciary risk attached) and as a way of exploring complementary entry points into different levels of policy-making. DFID's Guidance on Aid Instrument notes that "it is not useful to look at individual instruments in isolation" and that "different types of instruments – financial aid to government and to non-state actors, TC [technical cooperation], policy engagement – have different and complementary strengths" (DFID 2006b: 13). Likewise, the GBS evaluation in Mozambique recommends that the aid strategy should be designed considering "the advantages of different aid modalities and how each might be used" (Batley et al. 2006: 137). The emphasis on complementarity may also be seen as a way of justifying the still significant presence of project aid, which may be in fact again on the rise (Figure 16).⁴³

⁴² Lawson et al. (2006) provide a detailed assessment of the current status and evolution of the public financial management system in Mozambique.

⁴³ It is worth stressing that the proportions in Figure 16 relate to donor agencies which have GBS as part of their aid portfolio. Other important donor agencies in Mozambique not included in this category include, for example, Japan and USAID and these tend to prefer the project aid modality.

Figure 16. Aid from GBS donors to GoM by type of instrument, 2004–2006



Source: Ernest & Young (2006).

SWApS and other forms of donor support at sector level, are unlikely to go away. Yet, and in the light of the experience to date and recent trends, aid mechanisms for working at sector level need to be revisited. Some perceive the SWAp as an impediment to advancing coherence of government policy and allocative efficiency of public resources – since it represents a platform for policy prioritisation and resource allocation at the margins of the institutionalised public sector planning and budgeting process, i.e. the annual PES and State Budget. Others see the need for keeping donor engagement at sector level as a way of compensating for (donor) perceived unbalances in the distribution of public resources, supporting capacity development and strengthening the bargaining power of the sector in the budgetary process, amongst other reasons.

It is undeniable that, as a platform for donor harmonisation and coordination with government, PROAGRI, and SWApS in general, has played an important testing ground and stepping platform into GBS (Batley et al. 2006). PROAGRI's common fund mechanism is also very close to becoming the first case of a full-fledged Sector Budget Support (SBS) modality in Mozambique, drawing substantially on the GBS framework and thereby representing an example of articulation and complementarity between different funding instruments and development aid approaches.

Notwithstanding, there are already signs of change in the nature of the engagement of donors in the agriculture sector, with large multi-donor projects being developed at sub-sectoral level, inside or outside the government policy framework, with their own objectives and targets, funding arrangements and implementation mechanisms. Examples of these include the Rural Finance Support Programme (located in the MPD) and the Community Land Use Fund (described in section 2.3).

Sub-sectoral approaches may have advantages over sector-wide approaches for a number of reasons: stakeholders are less numerous and hence policy consensus is easier to build and coordination of interventions simpler to operationalise, channels connecting funding sources to beneficiaries are shorter and hence performance is easier to account for and impact likely to be more visible. The final evaluation of PROAGRI I notes that despite the achievement of the programmatic approach, projects remain an important part of development cooperation in the sector – their smaller scale allows for very specific inputs in crucial areas, enhancing potential for innovation, reform, shared learning, and stronger links to community-driven development (PriceWaterhouseCoopers 2007).

Sub-sectoral approaches may, however, be insufficient to address the problem of 'coordination failure' (Dorward et al. 2005), i.e. a mismatch between investments made in different but complementary agricultural sub-sectors, which is often pointed out as one of the major constraints to agricultural development, particularly in areas lacking basic conditions such as rural infrastructures and functioning markets (or access to them) for agricultural inputs, outputs and related services.⁴⁴

⁴⁴ Coordination of investments along the supply chain in poorly developed rural areas is a real challenge. The small scale of production and the high levels of risk exposure, together with low-input agricultural systems and market underdevelopment, produce very high costs of

In trying to anticipate the future of PROAGRI as a SWAp, at three types of situations can be envisaged:

1. SWAp, or any type of sectoral support, no longer needed: if agricultural policy priorities established in PQG, PARPA and annual PES are consistent with donor preferences and the government's institutionalised budgetary process is considered to be robust enough to allocate resources in line with those policy priorities.
2. SWAp maintained with its sector-wide focus: continuing to be seen as complement to other approaches and instruments and/or as a transitional arrangement, which allows sector capacity to be strengthened and unbalances in resource allocation (*vis-à-vis* priority objectives) to be corrected, in the move into situation (i).
3. Sectoral support maintained but using alternative arrangements (to the SWAp): if the SWAp does not generate the desirable results (because of difficulty in building consensus, excessive emphasis on process issues, disproportionate investments in improving systems with limited field results, etc.) and if working at sector level is considered to be necessary (donor preferences, unbalances in resource distribution, weak governance systems and technical capacity, etc.) then possible alternatives to standalone projects might be forms of joint-donor support to sub-sectoral (vertical) programmes or regional development (horizontal) programmes.

Situation (i) is unlikely to be a reality in the near future. There are still many challenges to be addressed, both at sector level and at the level of overall public planning and financial management systems, before general budgetary support can be considered a sufficient means for providing aid to the public sector. Earmarked support to the agriculture sector is expected to continue and to take a variety of forms, determined by nature of the area supported and donor preferences. PROAGRI is unlikely to ever become a truly sector-wide framework and be able to get far beyond the focus on institutional reforms and capacity building. Other modalities (sub-sectoral basket funds, standalone projects and direct provision of technical assistance) will certainly continue emerging to address specific aspects of public services in the agriculture sector. Judging by recent government statements, rural development and local governance will become increasingly important to the development process and Mozambique (and indeed the agriculture sector) may see a resurgence of local (or area-based) development programmes; it is hard to anticipate, however, whether these will be centrally-driven or truly decentralised.

transaction which hinder the expansion of agricultural supply chains. In such contexts, investments by one party may fail because other parties do not invest in complementary activities. For example, the development of agricultural input supply is likely to be constrained by the availability of financial services, which would give farmers access to financial capital for input purchase.

6. Conclusion

6.1. Balance of the PROAGRI Experience

As a SWAp, PROAGRI did not benefit from the best initial conditions, i.e. a clear common sector policy framework and a unified programme/expenditure framework (although these were developed over time), or indeed alignment of major stakeholder and resources in the sector. Still, through the concerted action of the ministry of agriculture and a group of donors, PROAGRI was instrumental in revolutionising the nature of the aid relationship, initiating ambitious institutional changes in the ministry, of relevance also to the wider public sector reform process, and pioneering systems and procedures which have later been mainstreamed in other parts of the government.

The common funding mechanism marked an important shift in the interaction between government and donor agencies and one which contributed significantly to enhanced government leadership and streamlining of interventions in the sector. It also worked as a crucial stepping stone into the development of the budget support framework. The funding mechanism is now about to become the first example of sector budget support in Mozambique with a disbursement calendar and financial management perfectly aligned with that of the whole government. In spite of these advances some signs of a weakening coordination platform in the sector are gradually showing. Important donor agencies have withdrawn from the common funding framework and parallel large scale programmes/projects have been popping up.

PROAGRI was undoubtedly successful in improving capacities within the ministry and its subordinate institutions. The improvement of working conditions and planning and management systems at district level is generally thought to have been particularly important to prepare the ministry for a better interface with farmers and other sector operators.

PROAGRI was also an important hub for debate and discussion of fundamental public sector institutional transformations – the first to produce a functional analysis and to introduce the philosophy of paring down state's functions to core public good, demand-driven services and decentralised capacity and resources to provincial and district levels. Progress on these matters has however been inhibited by internal forces offering resistance to change and the slower reforming pace of the government-wide public sector reform process.

The lack of balance between process and results (or means and ends) is one of the most common critiques to PROAGRI. It focused too much on building (planning and financial management) systems and capacity in the ministry and much less on ensuring that this improved capacity actually generated more effective service delivery at the field level. The resulting sense of lack of progress among its final (intended) beneficiaries may be one significant factor in the apparent current weakening of government commitment/resolve to the PROAGRI process. Cynical views suggest that PROAGRI was good precisely because it did very little and hence avoided government interference in the sector.

The perceived disproportionate emphasis on systems development and capacity building may have resulted from the difficulty to advance in other more sensitive areas and certainly also from design oversight. Insufficient attention to the development of a monitoring framework for measuring the impact of PROAGRI (and associated lack of investment in appropriate data gathering systems and capacities) seems, in retrospect, to be a significant drawback in design. A well-articulated results framework could have proved an important tool to maintain balance, during implementation, between, for example, focus on institutional reform and enhancing efficiency of service delivery, or between focus on recurrent expenses and development investments.

6.2. Challenges Ahead for PROAGRI

There are a number of outstanding challenges and dilemmas to resolve with regard to PROAGRI's nature and reach and the approach to be taken by government and its development partners.

1. Perceptions of PROAGRI – Setting the Boundaries

There are different perceptions of what PROAGRI really is. For some it is the government's policy for the agriculture sector, for others it is an aid management framework (i.e. a SWAp), and yet for others a large institutional capacity building project funded by a group of donors. The confusion results largely from the absence of a well-defined programme framework which is proving to be a serious constraint to a fair assessment of the programme's perform-

ance. There is an urgent need to define a clear and realistic framework for PROAGRI to avoid future misjudgement and frustration. This framework should make the necessary distinctions between the donor coordination platform, the public sector domain in which it operates and the wider agriculture sector, beyond the agriculture ministry and the state.

2. Sectoral, Sub-Sectoral or Government-Wide Support?

PROAGRI did not expand as widely as originally expected and there are significant volumes of funding channelled to the sector outside the PROAGRI framework. With some key donors choosing to operate in or impact upon the agriculture sector through different aid modalities (standalone projects, sub-sectoral programmes as well as GBS) as well as different channels of dialogue, the PROAGRI partners group may need to re-visit and re-define its agenda and scope; at least as far as sector-wide harmonisation and alignment are concerned. Should the PROAGRI platform continue pushing for a single sector strategy and implementation mechanism, or should it concentrate its leverage on some aspects of sectoral policy? Should the platform continue to push for improvements in planning and management systems within the sector, or should it direct its institutional reform efforts to the wider public sector domain? The decision should be informed by an open debate with other parts of government, non-state players in the sector, as well as other development partners (outside the PROAGRI framework).

3. Vertical Versus Horizontal Support

In recent decentralization measures adopted by the government, an integrated (non-sectoral) model for development planning and administration has been adopted at the district level: the district-tier of the ministry of agriculture will no longer separately exist but will be subsumed under a district government department tasked with the integrated economic development of the area. This again raises strategic questions about the direction of focus of donor harmonisation and alignment efforts. For example, how to make national plans and guiding principles relevant and supportive to local demand-driven and bottom-up planning? Which government department/entity and at what level – national, province, district – should the platform work with to build institutional capacities and align procedures?

4. Harmonisation and Alignment – Means Versus Ends

A lot has been achieved with regard to harmonisation and alignment although there is still a need to deepen reforms and move towards harmonization of programming cycles, reduction of separate donor missions and production of joint analytical work and evaluations. There is also the need to bring on-budget sectoral support still provided by donors through parallel channels. But are the improvements being made to harmonisation and alignment leading to stronger policies and better policy outcomes? Has there been excessive investment in creating systems for better harmonisation and alignment? An outstanding challenge for donors in particular is, and this is a comment pertaining the aid effectiveness agenda more widely, to be careful not to treat harmonisation and alignment as an end in itself: are the changes in systems and procedures so complex and ambitious that they inevitably crowd out the developmental outcomes the harmonisation and alignment effort is expected to help to pursue?

5. Conditionality and Ownership – the Need to Focus on Systems and Processes

A number of studies have illustrated that policy conditionality is likely to be ineffective as a driver of policy change and that domestic interests/politics are the prime factors driving and sustaining change (e.g. Killick 1998). For donors to be able to influence the course of policies stable working relations with domestic players need to be established and informal channels of influence explored (Lawson and Booth 2004). Hence, a different approach to conditionality is required which focuses more on supporting domestic systems and sound policy processes rather than pushing for certain policy directions. This should be borne in mind when setting the scope and aims for the SWAp. Linking the SWAp arrangement with policy conditions (as done, to some extent, through the PROAGRI basic principles) may not only undermine government ownership but also make the arrangement more vulnerable to cyclical political switches. It is better to focus on the process of policy-making and linking the funding arrangement with improvements in that process rather than with the pursuit of specific policies. This is particularly important if setting the SWAp at sector level (point 2 above); given the number and diversity of players/interests that a whole agricultural sector SWAp needs to take into account, the negotiation of policy options and implementation are likely to be particularly challenging.

6. The Need for Resilient and Sustained Donor Commitment

Linked to the above, donors need to stay the course and ensure continued (and predictable) support for the sake of domestically-driven and sustainable developmental processes. This may require, at times, backing policies which may not be aligned with their policy positioning on a given issue (e.g. direct government intervention in input distribution), as long as these policies have been generated through democratically sound policy processes.

7. Quick-Wins Versus Systemic Gains

The recently renewed concern with delivering concrete field level results is an important development in MINAG's approach (after a few years dominated by a focus on in-house improvements). This should not, however, drive attention away from the fundamental institutional challenges that MINAG (and other government agencies) still needs to address, both internally and in the interface with other players in the sector. It would, therefore, appear desirable to aim for a judicious mix of short-term and long-term outputs/outcomes when designing the SWAp. This is because although a long-term programme of reform (such as those required to pursue systemic developments) may be logically consistent and tactically correct, a broad constituency in favour of maintaining the reform momentum also has to be maintained. This is best done by delivering some quick gains within the electoral/political cycle.

8. Institutional Development at Sector Level and Government-Wide Processes

Support to institutional developments in the sector need to be aligned with government-wide institutional change processes; for example, improvements to planning and financial management tools and procedures ought to be synchronised with changes being made at the level of the whole public planning and financial management system (led by MPD and MoF). Although the agriculture sector was an important testing ground for pioneering PROAGRI-driven institutional changes, the experience also demonstrated that lack of alignment with general institutional reform processes in the whole of government may constitute a major obstacle to deepen reforms at sector level. The recommendation here is that issues concerning wider public sector governance (such as planning and financial systems, results-based management and decentralisation/deconcentration/ delegation) are handled at the appropriate levels. For donors, the GBS group (Programme Aid Partnership) is a suitable channel to conduct dialogue with GOM on wider governance issues and there should be closer interaction between this group and the PROAGRI partners group.

9. The Attribution Problem in Assessing Performance

MINAG's new results-oriented approach is a welcome development. It is important, however, to distinguish results which are attributable to MINAG's action from those which are not. Agricultural production and productivity (central indicators in MINAG's recent priorities strategy), for example, are determined by a number of factors, most of which are likely to be beyond MINAG's control (e.g. weather, international prices, crop disease, technology uptake, etc.). Therefore, although the focus on sectoral performance is important to give government's policies a sense of direction and purpose it is crucial to understand in what ways the government's action relates with and influences (positively or negatively) that performance. In order to do that it is important to distinguish between outputs, outcomes and impact; only the former can be directly imputable to MINAG's policies.

10. Pre-Planned Versus Demand-Driven Approaches

Finally, SWAps tend by nature to be highly centralised. Planning and strategy formulation processes associated with them can also be fairly top-down and institutional reforms can be mostly 'supply-driven'. PROAGRI has been criticised for manifesting some of these symptoms: the mid-term evaluation of PROAGRI noted the limited participation of local stakeholders (particularly farmers) in the formulation of PROAGRI (MADER 2003), and the functional analysis of the Ministry of Agriculture noted a hierarchical organisational structure with very top-down decision making (KPMG 2003). To ensure relevance, efficacy and sustainability of institutional reforms and investments, it is important to make these demand-driven and service-oriented; this is particularly important in a sector like agriculture where the government needs to be able to respond to the particular challenges posed by local (and highly diverse) ecosystems and market opportunities. This can be done, for example, by moving the policy debate (at least elements of it) closer to the point of service delivery. The current decentralisation impetus provides an opportunity for taking PROAGRI more forcefully down to the local level. This is not just about deconcentration of budget planning and financial management but, crucially, about decentralisation of decision-making. Donors who are already supporting development programmes at provincial and district levels are in a good position to inform and drive such process.

6.3. Implications for SWApS and Harmonisation and Alignment in Agriculture

Although preceding them (at least in terms of international aid thinking), SWApS are broadly consistent with mainstream principles of effective aid, as expressed in the 2005 Paris Declaration. This is because SWApS are about building a government-led platform for policy dialogue and bringing together all major sectoral partners and sources of funding to harmonise action and align management practices with those of the government. Management for results and effective reciprocal accountability mechanisms have so far been more difficult to put in place, although the dispositions point in that direction. The aid effectiveness agenda has also been driving adjustments to SWApS towards further alignment of sector-level resource allocation and management with overall planning (e.g. MTEFs) and public financial management systems. The recent creation of a Sector Budget Support modality to fund PROAGRI illustrates well such tendency, as well as the virtuous interaction between sectoral and macro (GBS) approaches to aid delivery.

SWApS have generally delivered a more coordinated policy framework, a more complete perspective of resource availability in the sector, less fragmentation of interventions and, undoubtedly, stronger government leadership of the policy process, particularly central level leadership. But to what extent have all these SWAp-attributable outputs contributed to more evidence-based, demand-driven and pro-poor policies or to better financial management, better targeting and more efficient use of resources? It is at this outcome level that the SWAp causality chain starts to break. Even more frail is the connection between the SWAp and performance of the agriculture sector – have agricultural SWApS had any noticeable impact on sector performance and the livelihoods of the rural poor? Recent successes in Mozambican agriculture (e.g. revival of the cashew sector, expansion of contract farming schemes for tobacco production, smallholders in Northern provinces linking with international markets) seem to have had little to do with reforms on the PROAGRI front.

The imperfect understanding of the causality link between SWAp inputs/outputs and outcomes (at policy/institutional level) and impacts (on the ground) cannot and should not, however, be used as argument for discontinuing SWApS. There is, yet, a case for asking to what extent SWApS and associated aid effectiveness principles are instrumental to the pursuit of improved wellbeing, social justice and resource sustainability in the rural economy? A number of issues require careful consideration in addressing this crucial question.

- (i) Harmonisation and alignment are not ends in themselves and there needs to be a discussion of how much harmonisation and alignment is feasible and advantageous in a sector like agriculture; this is largely because:
- (ii) Agro-ecological systems are highly diverse and heterogeneous and so are the numerous players intervening in agriculture and other rural sectors – this begs the question of whether harmonisation, alignment and centralised donor-government policy platforms (as SWApS have so far tended to be) are the most suitable ways of generating the required context-tailored solutions.
- (iii) Results-based management is important but challenging in a sector where sector performance is determined by a number of factors, many of which are beyond control of ministries of agriculture (and indeed the government in general).
- (iv) Ownership needs to be defined carefully in a sector where there is little agreement on the roles of and scope for the state and where most of the activity happens beyond the sphere of influence of state actors.
- (v) Many of the challenges facing agriculture and the rural economy entail long-term solutions (e.g. investment in infrastructures to access markets and research to generate context-tailored technologies and resistant varieties) and providing these requires focus, continuity and resilience from both governments and donors.

To conclude, there is still scope for SWApS and SWAp-like arrangements (i.e. platforms for policy and financial management coordination at sector level) and they are not, in principle, incompatible with GBS or standalone projects. Different aid approaches and instruments are suitable to different purposes, as long as certain good practice principles (namely, respect for domestic institutions and systems, transparency, predictability) are observed and that past mistakes (such as the use of parallel decision-making and management structures when working with government) are not repeated. Whatever the mechanisms, governments and donors need to be pragmatic, focused on the objectives they want to pursue and be ready (particularly donors) for compromise and for accepting that the policies and strategies that look right on paper might not be politically feasible in the particular context.

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Annexes

Annex 1. List of people interviewed

| Stakeholders | Institution | Name and position |
|---|--|--|
| Government of Mozambique | MAE, UTRESP | Vitorino Xavier, UTRESP, Director |
| | MINAG | Fernando Songane, PROAGRI coordinator |
| | | Adriano Chamusso, Director of Economics Directorate |
| | | Lúcia Luciano, Deputy Director of Economics Directorate |
| | | Eulália Macome, Head of Policy Department |
| | | Marcelo Chaquisse, Head of Planning Department |
| | | Dulce Chilundo, Head of Monitoring and Information Systems Department |
| | | Danilo Abdula, Adviser |
| | | Melise Jaud, ODI fellow, Monitoring and Information Systems Department |
| | | Anna Locke, CEPAGRI |
| | MOF | Domingos Lambo, National Director |
| Chaibo Selemene, Head of Budgeting Department | | |
| MPD | Custódio dos Mocudos, Adviser | |
| Donor agencies | Danish Embassy | Lars Oxe, Counsellor |
| | DFID | Elizabeth Jones, Economic Growth Counsellor |
| | | Emídio Oliveira, Senior Programme Officer |
| | European Commission | Jean Risopoulos, Adviser (at MINAG) |
| | | Françoise Millecam, Head of Food Security and Agriculture Section |
| | | Tiago Valladares Pacheco, Programme Officer |
| | FAO | Peter Vandor, FAO Representative |
| | | Margarida Silva, Assistant of FAO Representative |
| | | Sérgio Ramagem, human resources specialist (at MINAG) |
| | | José da Graça, local governance adviser |
| | Netherlands | Jolke Oppewal, First Secretary for Economics and Trade |
| USAID | Christine de Voest, Private Enterprise Officer | |
| World Bank | Daniel de Souza, PROAGRI Task Team Leader | |
| NGOs | Technoserve | Higino Marrule, Programme Officer |
| | UNAC | Diamantino Nhampossa, Executive Coordinator |
| | World Vision | Eng. Francisco Matuca, Programme Officer |
| Other key informants | various | João Carrilho, former Vice-Minister of MADER |
| | | Carlos Castel-Branco |
| | | Paulo Mole |
| | | George Olesh, Atlatl Consulting, Consultant (PROAGRI Evaluation Team) |
| | | Isaac Chikono, PWC, Senior Consultant (PROAGRI Evaluation Team) |
| | | Mariam Umarji, SAL & Caldeira, Manager (PROAGRI Evaluation Team) |

Annex 2. Report on consultation workshop

I. WORKSHOP PROGRAMME

First Session: Setting the Scene

- 08:45 Registry
- 09:00 Welcoming and programme for the day: Nélia Taímo
- 09:15 Opening: Dr. Fernando Songane, PROAGRI Coordinator
- 09:25 Overview of the study: Lídia Cabral, ODI
- 09:35 International context and an analytical framework: Animesh Shrivastava, FAO
- 09:45 Mozambique context – agriculture sector performance, policies, players: Cardoso Muendane, UEM
- 10:10 Coffee break

Second Session: Group Work and Debate

- 10:30 Presentation of themes for group discussion and methods
- 10:45 Group work
- 11:45 Presentation of outputs from group work and debate
- 12:45 Summary of discussion
- 12:55 Closure: Peter Vandor, FAO Representative
- 13:05 Lunch

II. THEMES FOR GROUP DISCUSSION

Group I – SWAp Design

What objectives is it feasible to have in a SWAp approach?

How to strike a balance between improvements in systems and procedures and sector developmental objectives?

You may wish to consider:

- SWAp as an agricultural and rural development tool
- SWAp as a public policy management tool (e.g. medium-term planning, cross-sectoral coordination)
- SWAp as a capacity and empowerment tool (e.g. stronger sectoral leadership by sectoral ministry, institutional and capacity building).

Group II – Implementation

How to get the right balance in implementation between:

- means (systems) and ends (results)?
- policy predictability/continuity and political contingencies?
- internal reforms and wider government reforms?
- layers of government?

You may wish to consider:

- “Internal” reform and “outputs” of the reform
- Phasing/sequencing of public sector reforms (within the sector and beyond)
- Decentralization and deconcentration: focus on centre, province, district.

Group III – Impact

Looking back, what type of the impact is it fair to expect from PROAGRI and how to measure it?

You may wish to consider:

- PROAGRI theory (what the documents say) and practice (what has actually happened)
- Existing monitoring and evaluation framework and mechanisms
- Definable and quantifiable impacts.

SUMMARY OF WORKSHOP CONTRIBUTIONS

Design

- Clarity needed on the objectives of the SWAp vs. policy objectives.
- Need to consider: impact vs process indicators and sector vs ministry's performance
- Relevant performance indicators for the ministry: related to services provided and related to its internal institutional development. But internal institutional development has to be connected with service delivery.

Implementation

- Unbalance between process and results.
- Need to ensure participation of all key stakeholders in design, implementation and monitoring stages.
- Better operationalisation mechanisms and need to avoid that development systems constitute a barrier to efficient policy implementation.
- The programme can not be insulated from the underlying political processes can – progress and continuity of reforms has been affected.
- Deconcentration to provincial and district levels within the ministry of agriculture has not been matched by progress in overall public sector decentralisation process.
- Tensions between SWAp and **de facto** decentralisation.
- Progress in wider public sector reforms determine progress of reforms at sector level.

Impact

- Impact should be measure against originally established objectives
- No clarity about PROAGRI II and hence assessing impact will be difficult – .. lack of clarity about the role of the state in the sector, and exact functions for the ministry of agriculture.
- Improvements in systems (planning, management, reporting and monitoring) cannot be linked to performance in agricultural production and productivity.
- Sustainability is a major concern – how to maintain the level of expenditure in human resources and goods and services (e.g. means of transportation).
- Need to consider the role of private sector service provision and investments – create better conditions for that to be developed – while providing the necessary vulnerability mitigation mechanisms for poor farmers.

LIST OF WORKSHOP PARTICIPANTS

| Institution | Name and position |
|--|---|
| MINAG | Fernando Songane, PROAGRI Coordinator |
| | Raimundo Cossa, DINAGE, Deputy Director |
| | Marcelo Chaquisse, Economics Directorate, Head of Planning Department |
| | Olívia Silva Amosse, DPA, Head of Forestry and Wildlife Department |
| | Manuel Ferrão, CENACARTA |
| | Zulmira Múmimo, DNSA |
| | Santos Frijone, INCAJU |
| | Filomena Maiope, INCAJU |
| | José Gaspar, DNEA, Adviser |
| | Olívia Govene, Economics Directorate |
| Melise Jaud, Monitoring and Information Systems Department, ODI Fellow | |
| MPD | Rafael Uaiene, DNEAP |
| MoF | Ibrahim Mamad, Public Accounts Directorate |
| | Benedita Teodoro, Budget Directorate |
| FAO | Peter Vandor, Resident Representative |
| | Sérgio Ramagem, Human Resources Adviser (at MINAG) |
| | José da Graça, Governmance adviser |
| European Commission | Jean Risopoulos, Adviser (at MINAG) |
| | Françoise Millecam, Head of Food Security and Agriculture Section |
| | Tiago Valladares Pacheco, Programme Officer |
| Embassy of Denmark | Lars Oxe, Counsellor |
| | Paulino Duamba, Programme Officer |
| Embassy of Finland | Marjaana Pekkok, Counsellor |
| Italian Cooperation | Mário Angaroni, Counsellor |
| Suisse Cooperation | Fernando Pililão, Programme Officer |
| World Bank | Daniel de Souza, PROAGRI Task Team Leader |
| UNAC | Diamantino Nhampossa, Executive Coordinator |
| Technoserve | Higino Marrule, Programme Officer |
| | José Soares, Programme Officer |
| Other | Lídia Cabral, Overseas Development Institute |
| | Animesh Shrivastava, FAO |
| | Cardoso Muendane, Universidade Eduardo Mondlane |

Prepared by

Lídia Cabral (ODI),
Animesh Shrivastava (FAO), and
Cardoso Muendane (SOCIEDADE DE
INDÚSTRIA, COMÉRCIO E SERVIÇOS, LDA)

(FAO: Food and Agriculture Organisation
ODI: Overseas Development Institute)

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Contact:

**Secretariat of the
Global Donor Platform for Rural Development,
c/o Federal Ministry for Economic Cooperation
and Development (BMZ)**

Adenauerallee 139-141, 53113 Bonn, Germany

Phone: +49 (0) 228 535 3276 and 3699

Fax: +49 (0) 228 9910 535 3276

Email: secretariat@donorplatform.org

Website: www.donorplatform.org

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