

PROJECT PROFILE: PROMOTING RURAL INVESTMENT IN SMALLHOLDER ENTERPRISES (PRISE)

Introduction and Background

Since 1992, Mozambique has been undergoing a remarkable transition toward a market-economy with one of the highest growth rates in the region and excellent prospects to raise the standard of living of its population. Promoting rural investment in smallholder enterprises (PRISE) is a collaborative public-private partnership focused on improving the livelihood and asset wealth of smallholder farm families in Mozambique. The overall goal is to transform rural livelihoods from subsistence cultivation to viable market-driven farm enterprises using an integrated community-based approach that builds local capacity for sustainability. The resources and expertise to achieve this goal will be identified, developed and utilized to increase agricultural production, processing and marketing with local capacity for sustainability and with attention to ensure sound environmental stewardship, gender equality, and improved health services.

The premise to make this transformation a reality is predicated on the fact that most smallholder farmers live a hand to mouth existence with little or no opportunity to engage in the market due to poor support services in the value chain – infrastructure; provision of agricultural, health and education services; access to inputs, credit and market information; limited investment; and lack of trading networks – ingredients essential to pave the way toward a market-led economy.

Concept and Objectives

PRISE emerged from the recognition that smallholder farming has great potential to raise the productivity of agriculture across Mozambique, while simultaneously impacting people's livelihoods. The urgency to act was galvanized by a concerted effort from the Ministry of Agriculture (MINAG) and the Ministry of Industry and Commerce (MIC) to form a strong coalition of public and private sector partners to tackle the complexity of the challenge.

The overall goal of PRISE is to transform smallholder livelihoods from subsistence cultivation to viable market-driven farm enterprises by developing sound agribusiness opportunities.

The primary objective of PRISE is to achieve sustainable increases in smallholder farm incomes by improving and diversifying the production, processing and marketing of agricultural produce. Targeted interventions will integrate vital environmental, gender, and health related components to ensure sustainability and synergistic impacts on livelihoods. This objective will be addressed by tackling challenges across the entire production and marketing chain. An analysis of the situation has shown the following needs to achieve the desired outcomes:

- to improve farmer organization,
- to increase access to inputs and credit,
- to increase farm productivity, including returns to labor and investment
- to promote the emergence of agro-dealers and processors,
- to develop strong trading networks,
- to provide business development services,
- to establish secure linkages with domestic and export markets,
- to promote sustainable practices in tune with the environment,
- to ensure gender equality in all practices and opportunities, and
- to provide basic health services to assure productive and healthy households.

Market *demands* for produce are regarded as the key entry point with a focus on interventions that target weaknesses in the value chain to generate high and competitive returns. Extension, training, and business services to facilitate this process will be instrumental in producing significant and lasting results.

Timeframe and Geographic Coverage

The initial timeframe for the project is 5 years from 2009-2014. As a new initiative with limited funding, agreement was reached by the consortium to undertake a pilot phase for 3-5 years in Tete Province which is the largest producer of tobacco in the country. The model developed in Tete will then be replicated in the other tobacco-growing provinces of Manica, Niassa, Nampula and Zambezia. The pilot program will be implemented in the Districts of Angonia, Tsangano and Macanga to establish an operational model to maximize impacts before scaling up. These districts are located in the higher agro ecological zones receiving over 1000 mm of rainfall per year. Major crops in these districts include maize, sweet potato, groundnuts, beans, tobacco, irish potatoes, and a variety of vegetable crops such as cabbages, onions, and tomatoes. Farm households in this area consume over 65% of the farm production. Only 11% of farmers use irrigation, 4% use chemical fertilizer, and 5% use pesticides to improve production.

Small-scale irrigation has high potential in this area, and its recent introduction is being spear-headed by TLC Mozambique. Expanding the growing season to produce multiple crops with good yields and high value has potential to generate substantial produce for sale at profitable prices, whereas only one crop could be produced under rainfed conditions. Estimated gains from adding irrigation run as high as USD \$500-600/ha.

Implementation of PRISE objectives will be coordinated through a consortium of public and private partners and other stakeholders to establish a solid base to develop and improve value chains.

Intervention Areas

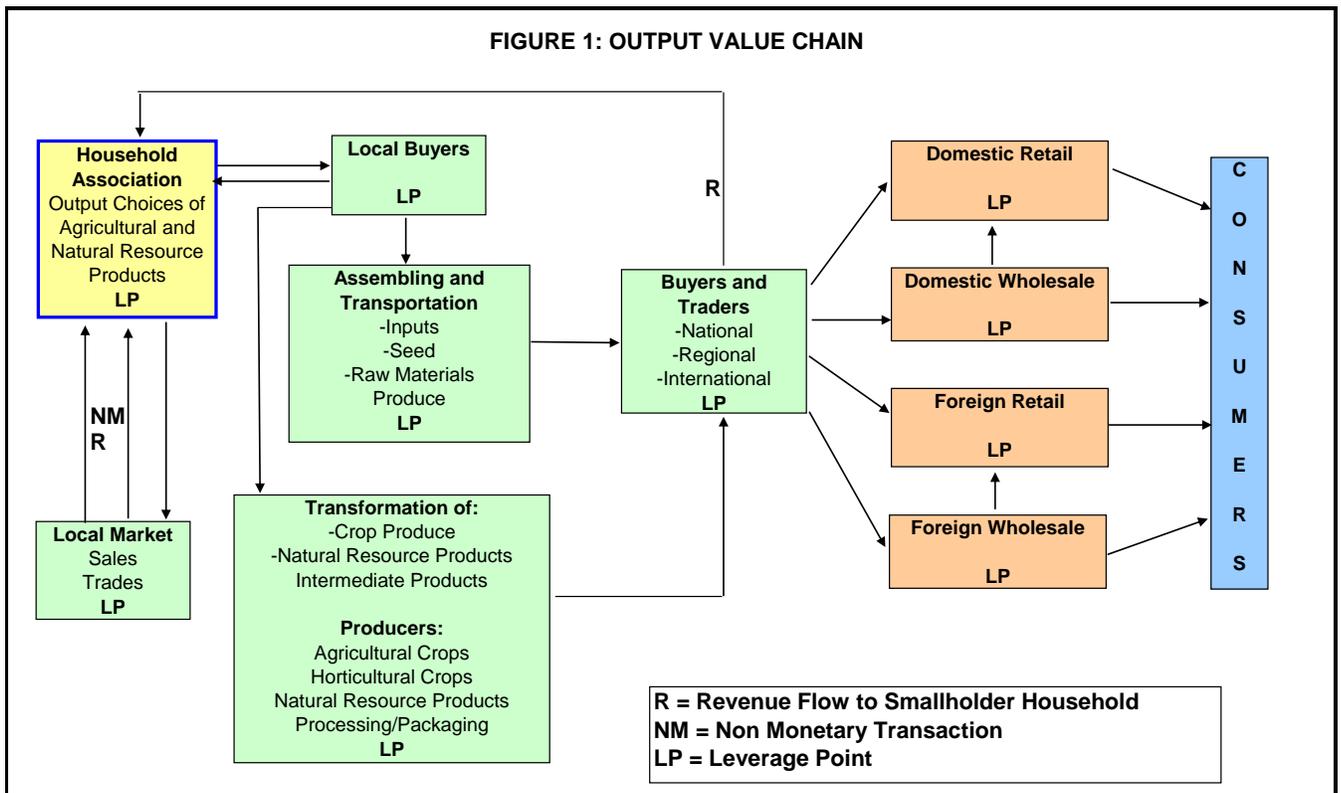
The goals and objectives of PRISE will be implemented through 6 closely inter-related components that will generate mutually reinforcing synergistic impacts:

- **Intervention Area 1:** Strengthen the supply chain to enhance access to production, environmental, and health related inputs by smallholder farmers.
- **Intervention Area 2:** Increase farm productivity and diversification by transforming subsistence cultivation into profitable business enterprises based on existing knowledge systems and market demands for selected high value commodities.
- **Intervention Area 3:** Develop the organizational structure of farmers to command a balanced presence in agri-business and marketing.
- **Intervention Area 4:** Expand and develop the market chain to increase farmer incomes by a) encouraging investment by agro-dealers, processors and traders and by b) enhancing sales of produce at higher prices with lower production costs.
- **Intervention Area 5:** Promote environmental stewardship by integrating extension & training services on sustainable agricultural practices and natural resource management.
- **Intervention Area 6:** Address cross-cutting social issues of gender inequality and health needs with a focus on a) creating opportunities for women and b) reducing the incidence of common diseases to improve and sustain livelihoods.

Ultimately, PRISE will build local capacity with commercial opportunities to sustain, expand and scale-out the results of this model to other regions of the country.

A key element of the program is to expand and develop the market chain for existing and new commodities and related products. This component will provide baseline information on current opportunities to leverage the output market chain to generate increased revenue flows to the smallholder farmer from a selection of current and new crops, including processed products. Emphasis will be placed on identifying, developing, and supporting the emergence of one or more commercial entities to provide critical linkages between producers, transporters, suppliers and buyers in the market place.

Achieving this objective will entail providing opportunities for the vertical integration, participation and investment of seed companies, agro-dealers, traders and buyers across the value chain to support the emergence and development of a truly market based agricultural economy – for example, through co-financing and interest free loans. Markets and marketing outcomes will be tracked to evaluate “breakthroughs” for further development (see **Figure 1**).



Target Outputs and Budgets for First 3 Years

Targeted outputs under PRISE in the first 3 years are summarized as follows:

- **Households Impacted:** 35,000 Farm Families
- **Livelihoods Improved:** 200,000 Men, Women & Children
- **Schools:** More Children Attending school on a regular basis
- **Millennium Development Goal (MDG):** Incomes raised to \$2/day
- **Reallocation of Labor:** Irrigation, Reforestation and Safe Water Cut Labor Costs on Women & Children in securing Food, Fuel and Water.
- **Private sector investment:** Increased number of seed companies, agro-dealers, buyers and traders fully integrated into the value chain through opportunities provided by PRISE.
- **Gains in Productivity and Livelihoods:** Increased human & farm productivity due to synergies created from diverse interventions - technical, organizational, agri-business, marketing, environmental, and health related services:
 - Area Planted with Improved Crops: 60,000 ha
 - Production: 140,000 tons
 - Marketable Produce: 80,000 tons
 - \$ Revenues from Sales: \$ 20 million
 - 500,000 tree planted
 - 300 Villages with safe water from protected wells with hand-pumps
 - 35,000 Impregnated Mosquito Nets distributed and in-use by households
 - 1500 households with low-cost eco-pit latrines
 - 1500 households with low-cost fuel efficient stoves

Status of Funding and Implementation

Start up funds have been received from the Mozambique Government and from the private sector, specifically Imperial Tobacco UK to organize the operational framework of the project, to recruit key management personnel, to establish critical linkages with a range of private sector firms, agro-dealers, and traders, and to organize the acquisition of improved seed for targeted crops. Proposals are being developed for additional funding from various donors with support from the Mozambique Government.