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Strategic Review

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March 25, 2011

This presentation represents the preliminary strategic direction of a multi-year, whole-of-government, U.S. strategy to address food security in a Feed the Future country or region. It describes partner country progress and outlines how U.S. investments will align in support of partner country priorities. This document has not yet been approved or funded but will form the basis of a multi-year strategy in development.



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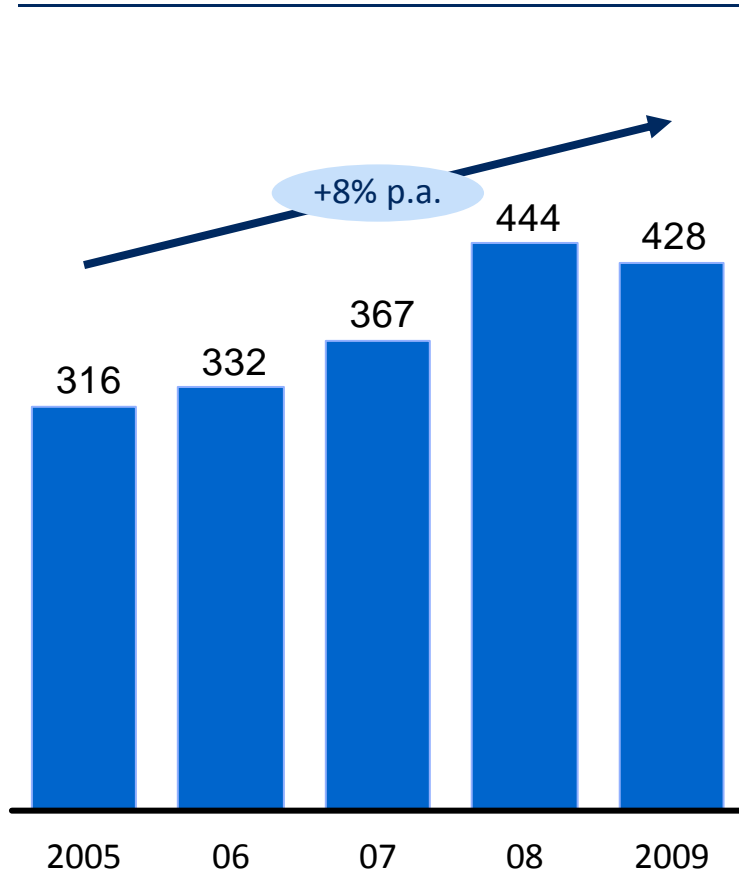
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GDP per capita
US\$, current



Potential in the agriculture sector

Under-realized land and productivity levels – 10% of arable land is cultivated and crop yields are 1/3 of potential



High-growth corridors linking Mozambique to key markets in the region, including Zambia and Malawi, as well as overseas



Increasing investor interest and engagement in the agriculture sector

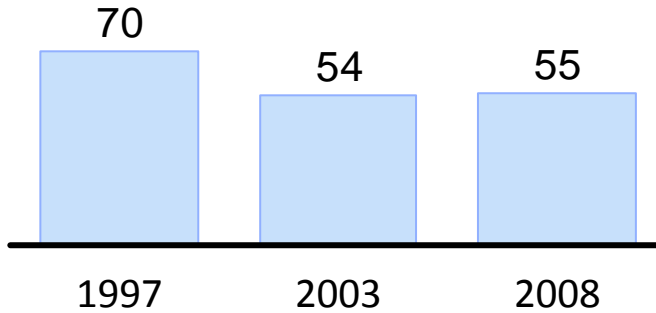


SOURCE: World Bank Global Development Indicators, PEDSA, team analysis

Problem Statement

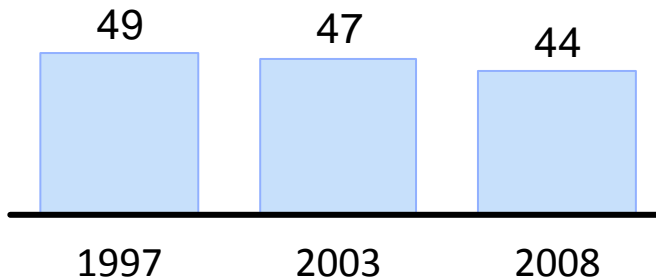
Poverty is still wide-spread

Poverty incidence
% of population



Under-nutrition prevails

Stunting prevalence
% of children



Vulnerability remains a challenge

- Drought, flooding, and climate change affect large portions of the population
- Mozambique is one of the world's most vulnerable countries to economic losses from natural disasters and climate change
- High HIV prevalence (11.5%)

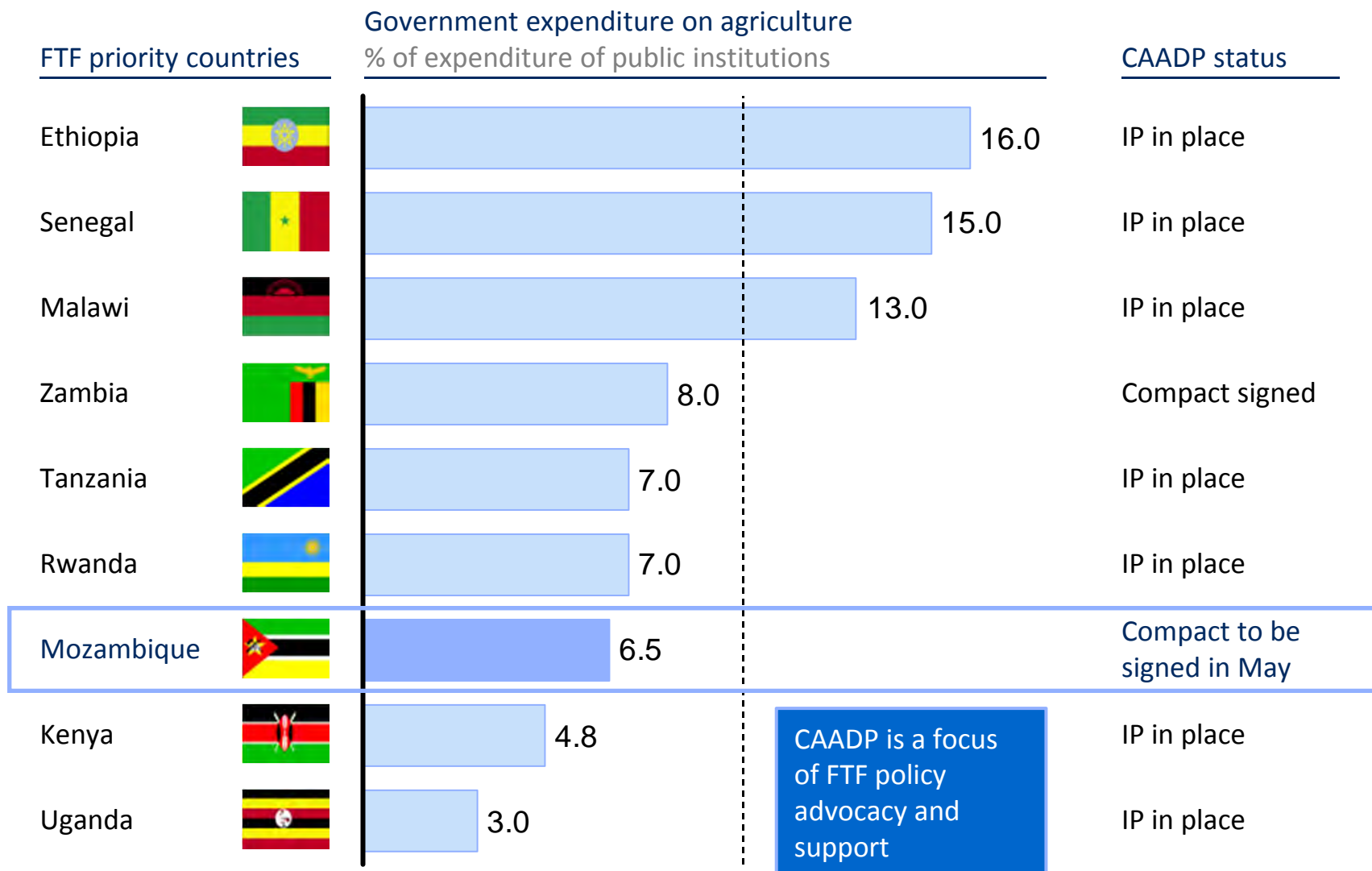


SOURCE: Government of Mozambique Third National Poverty Assessment, Mozambique MDG report, USAID/Mozambique



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Country Readiness



SOURCE: NEPAD, FTF Strategic Reviews

Maputo Declaration target = 10%



2008/09 National Poverty Assessment and MDG report: poverty and under-nutrition progress have stagnated since 2003



The September 2010 riots raised the importance of agriculture and food security



New Ministers appointed to Agriculture, Health, and Industry and Commerce in late 2010

- President engaging on food security through the Multi-Sectoral Plan to Reduce Chronic Malnutrition
- New Agriculture Minister has requested that nutrition be integrated into the national agricultural development strategy
- Government has assigned agriculture as one of three pillars of its poverty reduction strategy
- CAADP process launched in December 2010; compact expected in May
- Minister of Industry and Commerce is committed to rapidly improving Mozambique's business climate

Supportive policies

- Low market distortions
- Strong macro-economic policy that has stabilized exchange rates and tempered inflation
- Registration of farmer associations/ cooperatives simplified and accessible



Challenging policies

- Insufficient land rights deter investment
- Agricultural credit is expensive and borrowers have difficulty providing collateral
- Labor is restricted for expatriate employees
- High transaction costs in trade
- Food and fuel subsidies have reduced funding for key sectors (health, agriculture)





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Challenges

Low agricultural productivity

Under developed markets



Poor nutritional options and behaviors

Weak government capacity and policy

Proposed Feed the Future strategic focus areas

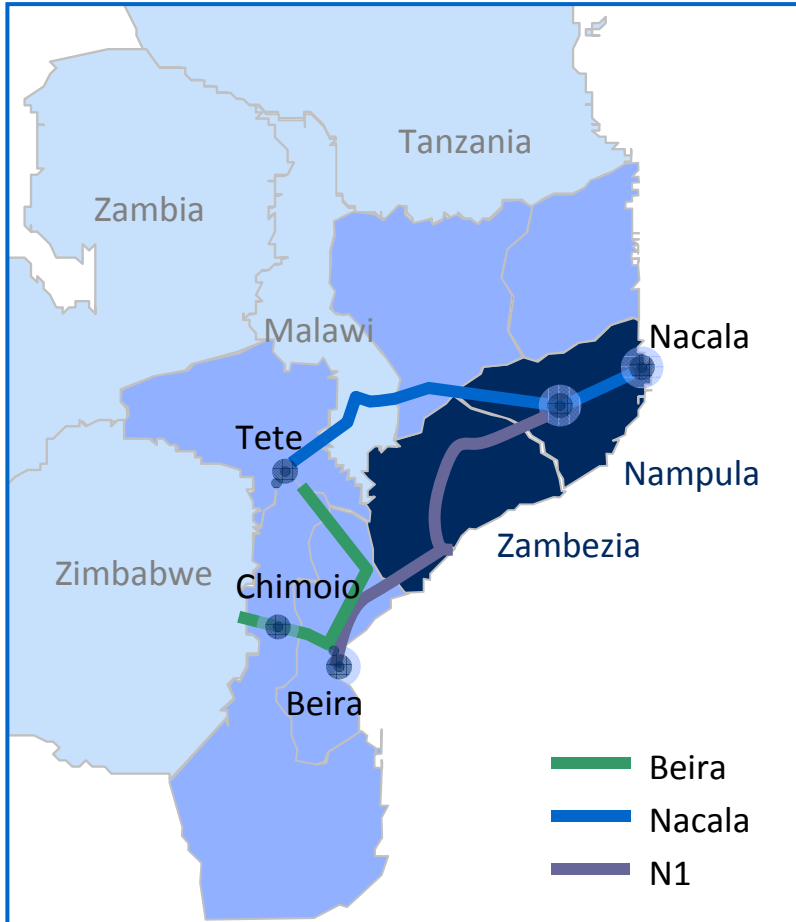
- 1 Invest in income-generating value chains that benefit improved nutrition (oilseeds, cashew, fruit) and support targeted research and technology innovation
- 2 Invest in sustainably linking smallholder and emerging farmers to the commercial input and output markets
- 3 Monitor the impact of nutritious foods through community-level nutrition education and support innovations in the supply of nutritious foods
- 4 Conduct targeted policy analysis, advocacy, and technical capacity-building



	 Agriculture criteria	 Nutrition criteria
Geographic focus	<ul style="list-style-type: none"> Need (poverty and under-nutrition prevalence) Potential impact (number of people, farmers, high production) Complementary investments and/or efforts 	
Activity focus	<ul style="list-style-type: none"> Relevance to target population and geography Income potential/profitability Nutritional value/dietary role Opportunity to innovate and leverage public and private resources Impact on women 	<ul style="list-style-type: none"> Relevance to women and children Potential impact Opportunity to leverage USG and donor interventions

SOURCE: Team analysis

Strategic Prioritization



Zambezia and Nampula have the highest need, impact potential, and are linked to the main trade corridors

- | | |
|------------------------------|--|
| Highest need | <ul style="list-style-type: none"> 44% of poor (5m) 43% of stunted children < 5 (750,000) 51% of underweight children < 5 (370,000) |
| Highest potential for impact | <ul style="list-style-type: none"> 42% of farmer households 38% of female-headed households 39% of population 30% of cereal and groundnut production¹ Nascent processing/export industry |
| Link to trade corridors | <ul style="list-style-type: none"> N1 road connecting two corridors: <ul style="list-style-type: none"> Nacala (Mozambique-Malawi-Zambia) Beira (Mozambique-Zimbabwe) |

FTF will have some limited strategic investments in select areas of Manica and Sofala provinces (e.g. around the Beira corridor)

¹ Maize, rice, sorghum, millet, large and small groundnut

SOURCE: Government of Mozambique 2007 Census, USAID/Mozambique, TIA 2008

Strategic Prioritization

Cereal	Maize Rice Sorghum Millet
Roots/tubers	Cassava Sweet potato Irish potato
Oilseeds	Soybean Groundnut Sesame Sunflower
Tree crops	Cashew
Pulses	Butter bean Cowpea Pigeon pea
Fruit	Banana Pineapple Mango Coconut
Livestock, poultry, and dairy	Cattle Goats Poultry Dairy
Fisheries	Fisheries
Forestry	Forestry

Selection criteria

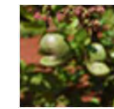
- Relevance target population and geography
- Income potential/ profitability
- Nutritional value/ dietary role
- Opportunity to innovate and leverage donor, government, and private sector resources
- Impact on women

Selected value chains



Oilseeds

- Soybean
- Sesame
- Groundnut



Cashews



Fruit

SOURCE: FTF Team analysis

Value chains

Oilseeds:
Sesame,
soybean,
groundnut



Cashews



Fruit



Performance against criteria

- ~1m smallholders nationally
- Income potential ~3x+ higher than maize
- High demand (e.g. poultry industry demand for soybean)
- Nutrition through common groundnut consumption and use of oilseeds in enriched porridge
- 25-45% of groundnut growing households in Zambezia and Nampula are female-headed

- >1m smallholders nationally
- Income foundation for smallholders (used to buy staples)
- Existing processing industry and public-private partnerships (supported by previous USAID efforts)
- 39% of processing jobs (1,800) held by women

- >1m smallholders in Zambezia
- High income potential
- Future export potential, private investment and job creation
- High in micronutrients
- 20-25% of households female-headed

High income potential, high market demand, and nutritious

Opportunity to build on existing work, provide income security to smallholders

Potential for transformational growth, income opportunities, and diet diversity



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Proposed U.S. Government Engagement and Partnerships



PL480 Title II

- Strengthen farmer associations and community organizations
- Support technology transfer and market linkages
- Promote community-based behavior change

FTF – Nutrition

- Support growth monitoring and promotion and nutrition education
- Increase supply of and access to nutritious foods
- Conduct policy advocacy, analysis and technical capacity-building





FTF – Agriculture

- Support associations and agribusinesses to increase links to smallholders
- Promote policy reform and analysis
- Support research and technology innovation




¹ Individual farmers or associations

SOURCE: Team analysis

Proposed U.S. Government Engagement and Partnerships

<p>1 Invest in income-generating value chains with nutrition orientation</p>	<p>A Oilseeds </p> <p>B Cashews </p> <p>C Fruits </p>	<ul style="list-style-type: none"> Strengthen farmer associations/cooperatives and agro-service centers to provide smallholders with linkages to input and output markets Support commercial nurseries to produce and distribute seedlings Support farmer associations/cooperatives to offer training in grafting/pruning, seedling care, and harvesting practices Stimulate increased fruit processing and linkages between smallholders and processors
<p>2 Support access and utilization of nutritious foods</p>		<ul style="list-style-type: none"> Strengthen community-level growth monitoring, nutrition promotion and education, targeting pregnant women and children <5 Establish a Nutrition Challenge Fund to incentivize innovations in the supply of nutritious foods
<p>3 Policy, research and technology transfer</p>		<ul style="list-style-type: none"> Advocacy and analysis on CAADP, business and trade policy reform (focus on fruit export competitiveness), growth monitoring and promotion, and an integrated nutrition-agriculture agenda Build government capacity in policy and research Conduct targeted research and technology innovation

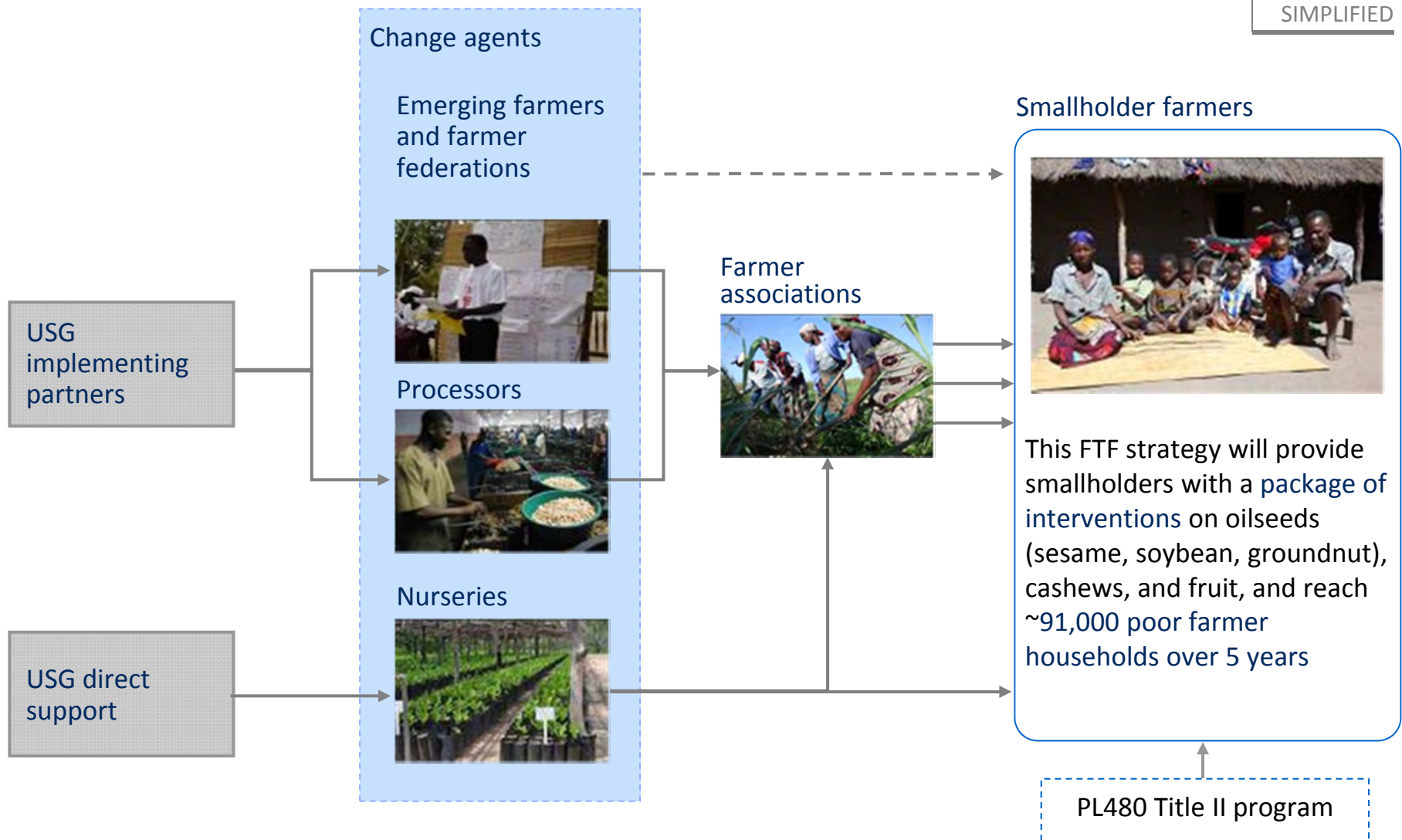
SOURCE: Team analysis

Value chains	Main constraints in value chain	Supporting facts
<p>Oilseeds</p> 	<ul style="list-style-type: none"> ▪ Lack of access to improved seed varieties and other inputs ▪ Weak market linkages for smallholder production 	<ul style="list-style-type: none"> ▪ Improved seed can increase soybean yields by 2.5x, groundnuts by 2x, sesame by 3x ▪ Demand for soybean from poultry industry is >2x domestic production level, making access to markets for soybean critical
<p>Cashews</p> 	<ul style="list-style-type: none"> ▪ Low productivity and low quality caused by aging trees (25-30% of trees are 25-40 years old) ▪ Inadequate supply of seedlings ▪ Insufficient pruning practices 	<ul style="list-style-type: none"> ▪ Current productivity of tree stock is 1/4 of potential of younger trees ▪ Seedling production is 33% of existing nursery capacity in Nampula ▪ Survival rate of seedlings 50% ▪ 2.5% of cashew growers prune their trees
<p>Fruits</p> 	<ul style="list-style-type: none"> ▪ High post-harvest loss, mainly due to spoilage ▪ Very low share of fruit production is sold 	<ul style="list-style-type: none"> ▪ Post-harvest loss estimated at 25-40% ▪ In Zambezia, 61% of smallholders harvest mangos, but only 5% sell their production

SOURCE: USAID/Mozambique, African Cashew Initiative, FAO, Technoserve, Gates Foundation, IIAM, MSU, Team analysis

Proposed U.S. Government Engagement and Partnerships

SIMPLIFIED



SOURCE: Team analysis

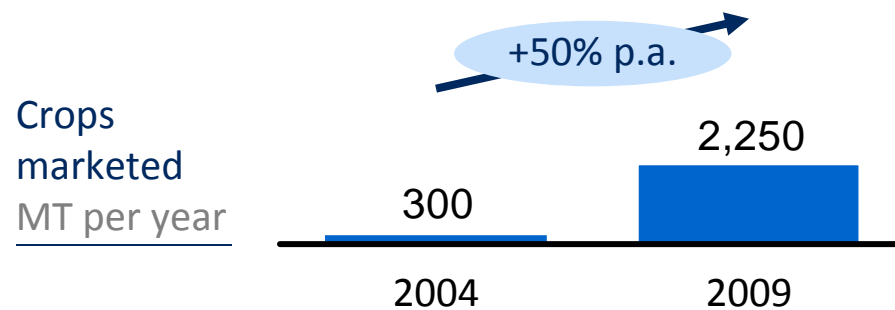
IKURU¹ – Background

- Farmer-owned, agri-trading, processing and exporting company
- 22,000+ farmers (40% of whom are women)
- Engaged in range of activities: Research, extension and credit, trading, processing, quality control, export
- USAID has provided support via Cooperative League of the USA (as implementing partner)



Achievements

IKURU is now one of the most successful farmer-owned businesses in Mozambique...



...and has paved the way for two new federations: Fedamoza and Feprog, which are registering as cooperatives

Research by MSU shows that smallholder association members have 200% higher income than other smallholder farmers

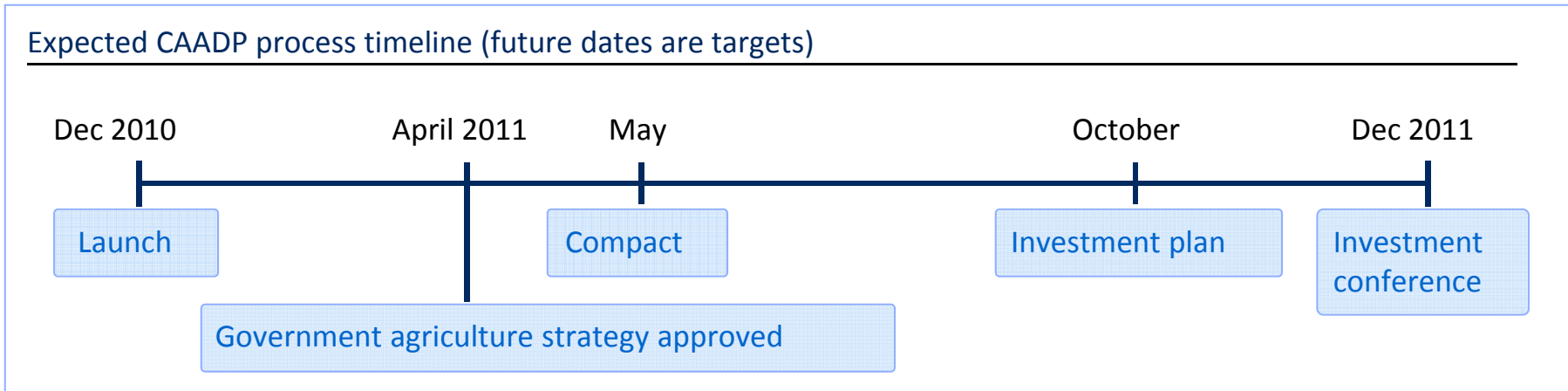
¹ Meaning "strength"

SOURCE: USAID/Mozambique, IKURU website, MSU

Proposed U.S. Government Engagement and Partnerships

National and provincial	Policy and capacity	<ul style="list-style-type: none"> Advocacy and policy analysis on nutrition-agriculture integrated agenda (CAADP pillar III, Multi-Sectoral Action Plan) Targeted policy advocacy to enable growth monitoring and promotion down to community Technical support for growth monitoring and promotion in basic nutrition package
	Nutrition Challenge Fund	<ul style="list-style-type: none"> Competitive grant to support innovations in the supply of nutritious food products to link agro-processing with nutrition in focus value chains
District and community	Growth monitoring and promotion	<ul style="list-style-type: none"> Training, logistics, and equipment for district and community health workers to improve growth monitoring and promotion
	Nutrition education	<ul style="list-style-type: none"> Train community health workers and nutrition groups to promote dietary diversity and quality, improve infant and young child feeding practices, and improve hygiene behaviors





- Progress to date
- Country team and analytical support group formed
 - Pillar working groups assigned
 - Literature reviews on 4 pillars complete
 - Outline for compact prepared
- Immediate next steps
- Stakeholder consultations
 - Prepare and review special studies
 - Draft compact

- To get to an investment plan, USG will:
- Develop capacity through technical assistance and mentoring by Michigan State University and International Food Policy Research Institute
 - Inform policies by supporting targeted studies (e.g. on the nutrition-agriculture nexus)
 - Convene dialogues by organizing CAADP expert and multi-stakeholder consultations/conferences

SOURCE: Interviews, team analysis

USAID-supported Mozambique Platform for Agricultural Research and Technology Innovation engages International Agricultural Research Centers and EMBRAPA to accelerate the generation and transfer of more productive technologies



Impact on food security



Introduction of drought-tolerant orange-flesh sweet potato



Use of aeroponics for rapid multiplication of Irish potato seed stock



Use of tissue culture for rapid multiplication of cassava varieties resistant to brown streak disease



Development of pigeon pea varieties that are adapted to climate change



Development of drought-tolerant maize varieties

Proposed U.S. Government Engagement and Partnerships

In focus geographies and value chains, FTF will:



- Further expand farmers' crop diversification options in Zambezia and Nampula¹
- Leverage N1 road rehabilitation program in the Nacala corridor



- Build on Food for Progress programs in poultry and forestry communities in Zambezia and Nampula
- Leverage USDA's leadership on SPS, aflatoxin and invasive fruit fly control
- Institutional capacity building (e.g., USDA fellowships, agricultural statistics)

Broadly, FTF will:



- Partner to advocate for land use reforms



- Jointly support engagement of US agribusiness (e.g., Chiquita, John Deere)
- Advance USG policy positions on trade, agriculture and nutrition



- Leverage the business policy reform program with targeted advocacy on agribusiness
- Build on integrated health programs (maternal and child health) and potable water



- Partner to strengthen the number and capacity of PCVs in nutrition, agriculture, and food security



- Leverage technical assistance in nutrition assessment and counseling
- Leverage investments in health systems strengthening and clinical interventions

¹ Supported by MCC's Farmer Income Support Project

SOURCE: USAID/Mozambique, MCC, State Department, USDA, PeaceCorps, PEPFAR, interviews

Mozambique PL480 Title II



\$20 million in annual funding for vulnerable populations and community interventions



Innovative linkages to FTF

Productive value chain investments

- Graduation of Title II-supported farmers for FTF marketing links, crop quality control
- Directly overlapping geographic focus
- Use of priority crops to enrich porridge

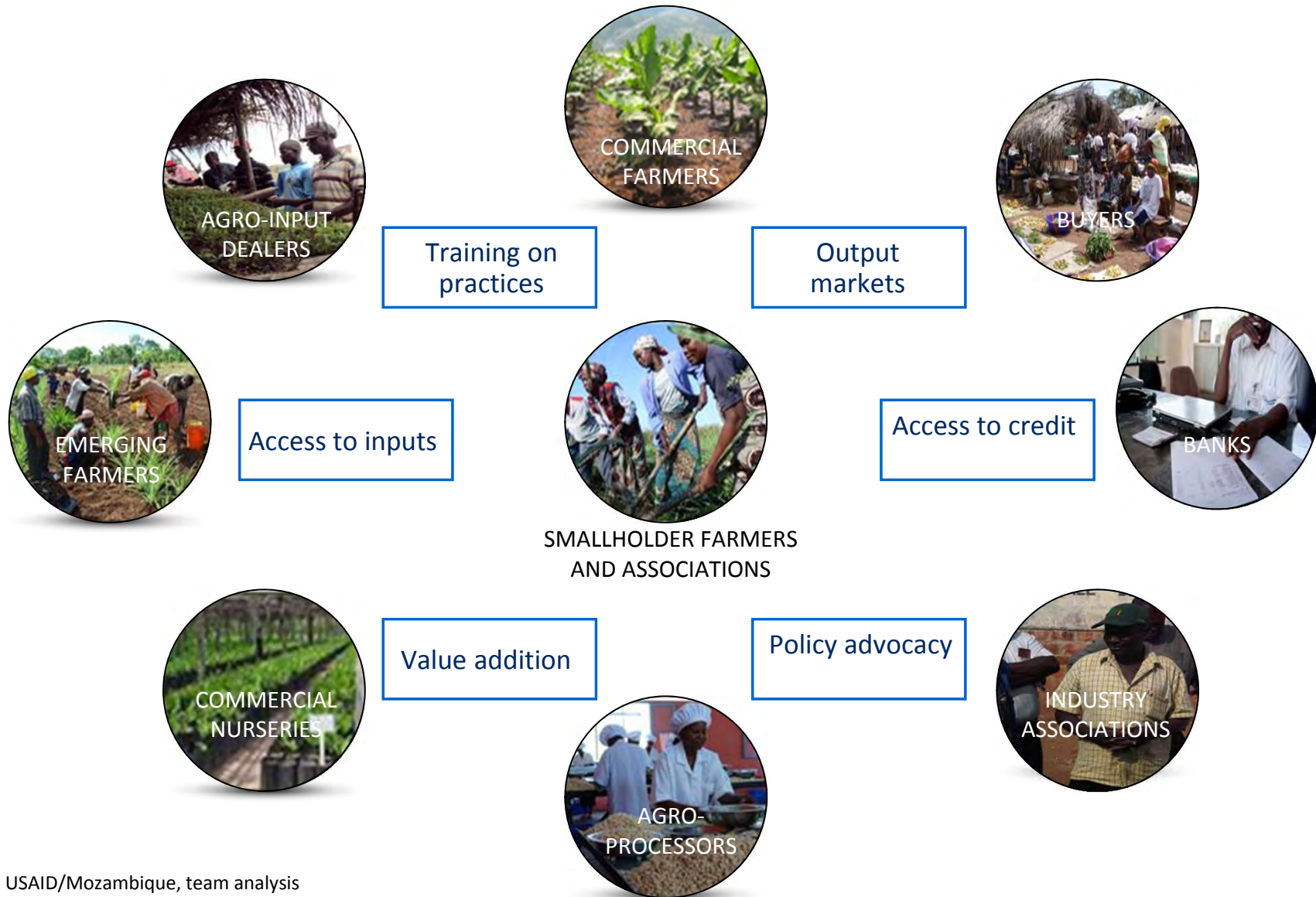
Research and technology transfer

- Extensive network to test new varieties; feedback easily collected
- Farmer associations leveraged for dissemination of technology

Nutrition

- Behavior change re-enforced through farmer associations, water committees and nutrition groups
- Documentation of intervention impact

Proposed U.S. Government Engagement and Partnerships



SOURCE: USAID/Mozambique, team analysis

Relevance to women

Value chains

- Groundnuts are primarily grown by women and 25-45% of households are woman-headed
- Support to female employment in processing industry (where 39% of jobs are held by women)

Nutrition

- Target community interventions in growth monitoring and promotion and education on women
- Improve access to nutritious foods important to women's diets (e.g. iron)

Policy, research, and technology transfer

- Improve government capacity and will to implement growth monitoring and promotion in communities



USG will work with its many development partners

NOT EXHAUSTIVE



USG's FTF program will:

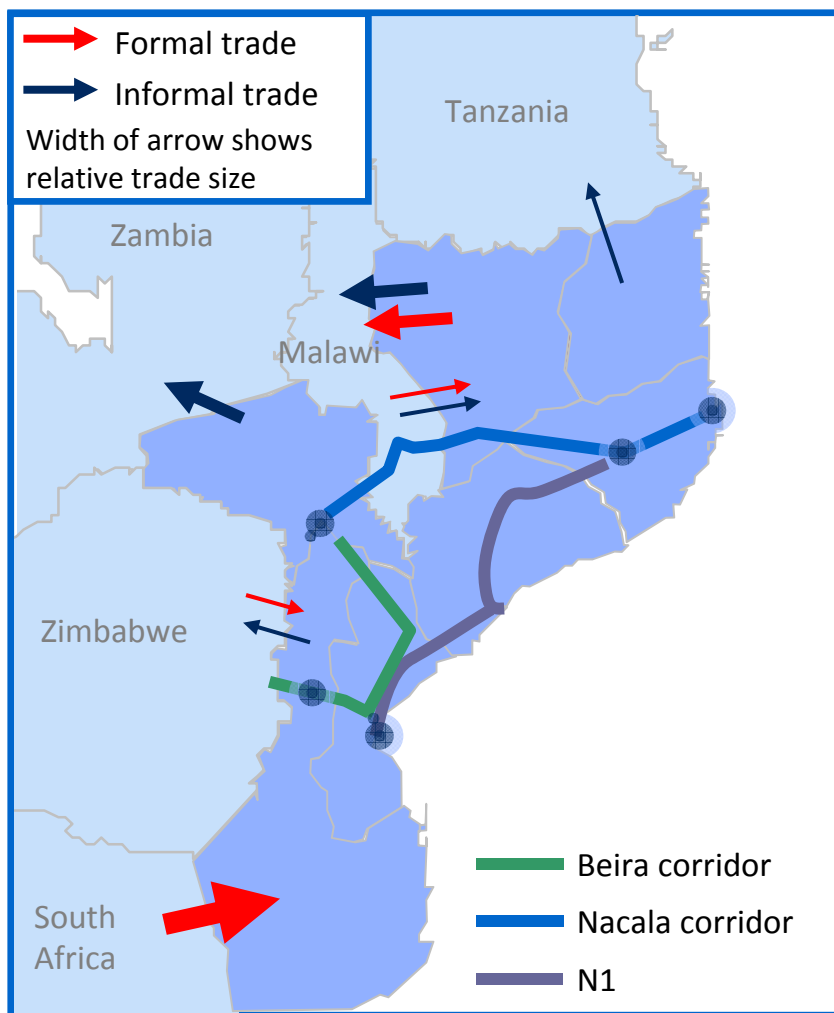
- Build on the Gates Foundation's support to soybean production by linking soybean farmers to processors and markets

- Work with AGRA and DANIDA to provide loan guarantees for agribusiness

- Partner with CIDA, the World Bank, and DANIDA to support implementation of the Government of Mozambique's Multi-Sectoral Plan to Reduce Chronic Malnutrition

- Collaborate with GAIN to advocate for and implement Mozambique's fortification policy

- Collaborate with JICA and EMBRAPA to accelerate technology transfer to farmers and build research capacity within the Mozambican Government



Mozambique is an integral player in Southern Africa's food trade

- Mozambique is the biggest informal exporter of maize and beans, with a ~50% share of regional exports in both commodities¹
- Mozambique is the second largest formal food exporter and accounts for 4% of formal regional food exports
- However, Mozambique imports 3x more food (in terms of value) than it exports

Mozambique's Regional Breadbasket Potential

- Abundance of unused land and water
- High potential for productivity increase
- Major trade corridors and ports

1 April-December 2010

SOURCE: FTF Team analysis, Informal Cross Border Food Trade in Southern Africa, Nov 2010



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Next Steps

	Completed and ongoing assessments	Future studies
For continued learning	<ul style="list-style-type: none"> ▪ Initiative to End Hunger in Africa (IEHA) evaluation (complete) ▪ Support CAADP process (ongoing) 	<ul style="list-style-type: none"> ▪ Agriculture – nutrition policy nexus ▪ Livelihoods analysis for vulnerable populations ▪ Updating risk reduction mapping for Limpopo River Basin
To clarify strategy	<ul style="list-style-type: none"> ▪ Integrated Nutrition Investment Framework (ongoing) ▪ Agricultural, Commercial, Legal and Institutional Reform (AgCLIR) policy assessment (ongoing) ▪ IEHA gender assessment (complete) 	<ul style="list-style-type: none"> ▪ Micronutrient fortification policy: what interventions and policies are needed at the national level ▪ Nutrition education best practice ▪ Agriculture business case assessment for domestic fruits and cashews
To assess impact	<ul style="list-style-type: none"> ▪ INCPROX¹ – impact of Title II ▪ Cost-benefit and technology adoption studies – impact of research (ongoing) 	<ul style="list-style-type: none"> ▪ INCPROX¹ – expand use to FTF programs ▪ Evaluation of agribusiness and research/technology transfer programs

¹ Income proxy methodology for impact evaluation

SOURCE: Team analysis

Next Steps

	Mission Action	Washington Support	Deadlines
Strategy	Complete FTF strategy	FTF strategy review	May 2011
Procurements	Develop SOWs and select implementation mechanisms for nutrition activities	Nutrition TDY	June-July 2011
M&E Development	Develop FTF M&E plan	M&E TDY	June-July 2011
CAADP Implementation	Support CAADP process to develop investment plan, policy agenda, and M&E system Donor mapping of support to agriculture	TA (TBD)	Compact – May 2011 Investment plan – October 2011 Investment conference – December 2011 April-May 2011

SOURCE: Team analysis

Next Steps

Strategy

- Validate proposed change models for cashews and fruit
 - Explore innovative contracting mechanisms
-

Preparation for implementation

- Submit strategy for approval
- Develop monitoring and evaluation plan
- Launch nutrition education best practices evaluation
- Develop SOWs and select implementation mechanisms for nutrition component
- Modify contracts and grants for agriculture component