



**REPÚBLICA DE MOÇAMBIQUE**

**MINISTÉRIO DA INDÚSTRIA E COMÉRCIO**

**PROJECT PROFILE  
AFRICAN DEVELOPMENT BANK**

**Market Credit and Infrastructure Development Project**  
(provisional title)

**1. Project Background**

The Government's "Agricultural Marketing Strategy 2000-2004", which was approved by the Council of Ministers in July 2001, includes particular components on the creation of a support programme to expand the provision of credit to small-and medium scale agricultural traders; to develop and organise rural daily and periodic markets; and to improve the dissemination of market and trade information in the rural areas.

The proposed project aims to support the implementation of these components of the Agricultural Marketing Strategy.

**2. Development Objective**

The development objective of the project is to contribute towards the economic empowerment of rural households through the development of the small-and medium scale agricultural trade sector, the provision of more accessible market and trade information, and the development, organisation and management of rural and periodic markets.

This would be done through a practical district-level market investment and improvement programme with particular reference to the provinces of Nampula, Zambezia, Tete, Manica and Sofala.

The programme should contribute to the strengthening of crop marketing, agricultural input supply, and basic-goods provision in rural areas, currently poorly served by the existing trading networks. It should also improve overall farmer-market linkages, i.e. access to physical markets and market and trade information by rural households and small and medium scale traders. These improvements should contribute to a reduction of poverty among these rural communities, and improve their livelihoods.

**3. Project components**

The project intends to have five major components:

- (a) A marketing credit programme for the small-and medium scale trade sector that would be operated through the Rural Development Fund, which is currently in the process of being created as the successor to the Commercialisation Fund.

- (b) A matching grant component, operated through the Rural Development Fund, to provide financial support to local initiatives for improving the physical infrastructure of rural and periodic markets with a view to restore and upgrade the rural trade network;
- (c) A tertiary road improvement programme to rehabilitate the most critical access roads to the rural markets supported under (b) above;
- (d) Support for the creation of associations of local market authorities, traders operating at rural markets and owners of agro-processing industries in the areas covered by (a) to (c) above;
- (e) Preparation and dissemination of market and trade information through the radio network, notably community radios in the rural areas. Production and distribution of basic technical training manuals to help interested parties promote the development of rural and periodic markets in Mozambique; and training of extension staff of the Ministry of Agriculture and Rural Development and NGOs on marketing extension issues.

The project is intended to be a pilot exercise, which will generate value-added experiences for the subsequent replication of similar support activities in other provinces and districts of Mozambique. In this regard, effective working relationships will be established and maintained with the IFAD-funded PAMA project (Agricultural Marketing Support Programme) that is operational in some districts of Maputo, Niassa and Cabo Delgado provinces.

#### **4. Project Strategy**

The project will be directed at supporting the efforts of Government to stimulate rural development, enhance farmer-market linkages and promote rural trade, and thus assist the effective functioning of the market for agricultural and other basic products and stimulate the diversification of agricultural production. In addition, the fostering of linkages between rural and urban areas, through the development of rural and periodic markets, the improvement of critical market feeder roads, and the provision of market and trade information, is expected to contribute to the provision of market access for a large part of the rural population as well as provide economic signals for a further diversification of the rural market economy through the creation of income-generating opportunities, both within and outside the agricultural sector. This process is expected to contribute towards the reduction of absolute poverty in the rural areas, which constitutes one of the major development objectives of the Government<sup>1/</sup>.

#### **5. Tentative Budget**

To realize this project, the overall tentative budget (in US\$) may be summarised as follows:

- (i) *Trader Credit*

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<sup>1/</sup> Programa de Acção para a Redução da Pobreza Absoluta (PARPA), Governo da República de Moçambique, 2001.

Operated through the Rural development Fund or outsourced to GAPI and AMODER, two rural financial intermediaries

**Total estimated cost                    US\$ 5,000,000**

*(ii) Daily and Periodic Rural Markets*

To be operated through a Project Implementation Unit.

Personnel	250,000
Project equipment	125,000
Training	100,000
Infrastructure investment	4,000,000
Various (operating costs)	375,000
<b>Sub-total</b>	<b>4,850,000</b>
Contingencies	150,000

**Total estimated costs                    US\$ 5,000,000**

**Total cost to cover some 70 daily and periodic rural markets**

*(iii) Market Access Road Improvement*

To be operated through the Project Implementation Unit in charge of the daily and periodic market component in collaboration with the Ministry of Public Works and Housing.

**Total estimated costs                    US\$ 9,000,000**

*(iv) Support to the creation of market user and trader associations and for the provision of market and trade information and training of extension staff on marketing extension issues.*

To be operated through the Project Implementation Unit.

Personnel (Consultants)	150,000
Training	500,000
Market and Trade Information	225,000
Various (operating costs)	75,000
<b>Sub-total</b>	<b>950,000</b>
Contingencies	50,000

**Total estimated costs                    US\$ 1,000,000**

**Overall estimated project cost    US\$ 20,000,000**