INOVAGRO Phase III

Annual Report 2019

OCTOBER 2018 – SEPTEMBER 2019

CONTENTS

ACRONYMS

ACIANA	Association of Commercial, Industrial and Agricultural businesses of Nampula
AENA	Associação Nacional de Extensão Rural
AGM	Annual General Meeting
AGRA	Alliance for a Green Revolution in Africa
APROSE	Association for the Promotion of the Seed Sector
BOM	Banco Oportunidade de Moçambique
CAT	Commodity Aggregation Trader
CNE	National Elections Commission
DAI	Development Alternatives Initiative
DCED	Donor Committee for Enterprise Development
DEMO	Demonstration Plot
DMC	District Management Committee
DPASA	Provincial Agricultural Directorate (Direcção Provincial de Agricultura e Segurança Alimentar)
DPIC	Provincial Department of Industry and Commerce
DUAT	Direito do Uso e Aproveitamento da Terra (Land Use Right)
ETG	Export Trading Group, a global integrated supply chain manager
FA	Fundo Agrícola
FAO	Food and Agriculture Organization of the United Nations
FSDMOZ	Financial Sector Deepening Moçambique
GAP	Good Agricultural Practices
GoM	Government of Mozambique
IIAM	Instituto de Investigação Agrária de Moçambique
IFPRI	International Food Policy Research Institute
IPM	Integrated Pest Management
ISFM	Integrated Soil Fertility Management
ICS	Instituto de Comunicação Social
INOVA	Feed the Future Agricultural Innovations project
INGC	National Institute for Disaster Management
ITC	Community Land initiative (Fundação Iniciativa para Terras Comunitárias)
JFS	Grupo João Ferreira dos Santos
K2	Klein Karoo, Regional Seed Company
KM	Knowledge Management
LIMS	Land Information Management System
LNRMC	Land and Natural Resources Management Committees
Localidade	Administrative unit between Posto Administrativo and povoação
MASA	Ministry of Agriculture and Food Security (Ministério da Agricultura e Segurança Alimentar)
MIC	Ministry of Industry and Commerce
MRM	Monitoring Results Measurement
MoU	Memorandum of Understanding
MSD	Market Systems Development
MZN	Metical (1 unit of Mozambique currency)
MT	Metric Tonne (1,000 kilograms)
NGO	Non-Governmental Organization
MZN	Mozambique Metical 1 USD = 63.5 MZN
NSA	National Seed Agency
OLAM	International, a global integrated supply chain manager
OPV	Open Pollinated Variety (seeds)
PFU	Project Facilitating Unit
Posto Administrativo	Administrative unit between District and Localidade, 2-4 per district
PSSI	Private Sector Seed Inspector
SADC	Southern African Development Cooperation
SDAE	District Services for Economic Activities (Serviço Distrital de Actividades Económicas)
SDC	Swiss Development Corporation
SHF	Smallholder Farmer
SME	Small Medium Enterprise
SNV	Netherlands Development Organisation
SPGC	Provincial Cadastral Services
STTA	Short Term Technical Assistance
ToR	Terms of Reference

TVM	Televisão de Moçambique
UniLurio	UniverSwedende Lúrio
USD	United States Dollar
VBAs	Village Based Agents
VSLA	Village Savings and Loan Association
ZAR	South African Rand

1

Executive Summary

INOVAGRO ANNUAL REPORT 2019

DAI

EXECUTIVE SUMMARY

This annual report for InovAgro Phase III reflects the project's accomplishments over the period October 2018 to September 2019, which covers the whole summer season cropping cycle from preparation for planting through almost the end of the marketing season.

In the operating context, politically, the relative peace between the government and Renamo culminated in the signing of the National Peace and Reconciliation Agreement in August 2019. The election of Ossufo Momade in January 2019 to replace the late long-term Renamo leader, Alfonso Dlakama has not changed the situation much. The insurgency in the north of Cabo Delgado continued to be the main threat to national security with fresh attacks still confined to the northern districts. InovAgro project districts have not been affected thus far. This report is submitted with two weeks to go to the national election, which has been largely peaceful with only a few incidences of violence and clashes. InovAgro anticipates the usual disputes over the outcomes and processes that will eventually die off after a few weeks.

The most significant events of the year relate to two cyclones that hit Mozambique in March and April 2019. Cyclone Idai, considered the most severe cyclone over two decades, hit Beira and most of Sofala and Manica provinces in mid-March while Cyclone Kenneth hit northern Cabo Delgado at the end of April 2019. Both caused losses of lives, damaging homes, infrastructure and destroying sources of livelihoods for rural communities. InovAgro districts Erati, Chiure and Namuno, experienced Cyclone Kenneth -induced heavy rains. Some InovAgro partners, Klein Karoo and Phoenix reported losses of maize seed crop in Manica. During the marketing season, the demand for maize increased as the World Food Programme and other development agencies were buying maize from project districts to feed Cyclone affected communities. It is expected that there will be increased demand for seed and fertilizers leading to competition with the agro-dealer network development initiatives InovAgro partners are supporting. InovAgro has repeatedly warned seed companies to reserve seed for their emerging agro-dealer networks so as not to lose momentum.

The InovAgro project reached a cumulative 30,078 smallholder farmers (SHFs) (45% of them women) through the various interventions. This was after adding 9,078 new farmers from the three main interventions. This was 43% more farmers than the cumulative 21,000 reached at the end 2018.

On the inputs intervention, the project signed 16 deal notes with four seed companies and 12 distributors and hub agro-dealers. InovAgro invested $110,115 (22%) which leveraged $385,143 (78%). Six new agri-shops were opened in six project districts by hub agro-dealers. Demand creation initiatives included the establishment of 700 demo plots, 72% higher than the 406 of 2018 and 23% higher than the log frame target of 570. The new farmers who attended the main field days were 7,462, reaching a cumulative 19,624, compared to a target of 17,000.

The seed partners recorded sales of 621.22 MT, with maize contributing 35.5% of volume, soya beans (35.7%), groundnuts (16.4%), sesame (3.7%) and pigeon pea (1.7%). The sales were 97% higher than the 316 MT recorded in 2018 demonstrating the right growth curve. This was driven by a huge increase in soya bean sales in Zambezia, with InovAgro partners Klein Karoo and distributor Agri Con driving the sales. Maize seed sales also increased significantly by 57%. Small volumes were recorded in the usual small volume sesame and pigeon pea.

Budget support to APROSE was renewed for institutional strengthening and program support. They finalized the strategy (awaits endorsement of the general assembly), held the annual general assembly in April 2019 in Nampula. APROSE has enjoyed increasing recognition as a platform for the seed sector receiving additional funding support from FAO and Seed Trade. Proposals submitted to AGRA and Inova are very promising. APROSE managed to facilitate six platform events, with at least three more to be organized before the end of 2019. This brings the cumulative total to 12 by end of August 2019, against a 2019 log frame target of 10.

The monitoring and review of the six trained private sector seed inspectors (PSSI) was done by the National Seed Authority (NSA) team based in Chimoio. Four of the PSSIs remained approved after one year. In 2019, there was no plan for new trainees pending the evaluation of the trained PSSIs. InovAgro and NSA agreed that seed companies need to understand the value proposition for investing in the training and accreditation of in-house seed inspectors if they are to pay for the full cost of training and monitoring. InovAgro is contracting an STTA to carry out an objective value proposition study of the potential money to be saved / made and quality to be improved by having in-house PSSIs. This will be used to motivate the seed companies to see the value. The training is planned to take place at the start of March 2020. An MOU for that season has been designed and is being negotiated.

On output marketing, InovAgro had deal notes with 25 CATs during the 2019 season in addition to three that graduated but continued to operate the old buying posts. The 28 CATs operated 423 buying points, a 21% increase over the 351 in 2018. InovAgro invested $ 38,781.97 (19%) which leveraged $ 166,347.35 (81%) co-investment

from the CATs. InovAgro's investment bought digital scales, price boards and canvas cloths for ensuring transparency and quality at buying points.

At the end of August 2019, CATs had purchased 12,070 MT of various supported crops (up 8% over the volumes for 2018) and paid out 330,641,298.00 MZN ($5,420,349) to SHFs, up 45% over the 2018 value. Some sales are still coming in especially for pigeon pea and maize. A significant amount of maize was sold by the SHFs to other traders filling the demand for maize to supply Cyclones impacted communities. Soya bean sales also some farmers organizing themselves and selling direct to poultry producers. Maize still dominated the volumes, accounting for 4,939 MT (41%) of the volumes purchased from farmers. Pigeon pea recovered to be second (20%), sesame (17%). Soybean dropped to 13% and groundnuts (9%). In terms of income, sesame and pigeon peas contributed the highest.

Building on InovAgro's support of the Ministry of Industry and Commerce (MIC) in 2018 to pilot new legislation that streamlines licensing for agro-trading, InovAgro supported the Provincial Departments of Industry and Commerce (DPICs) in Zambezia and Nampula to roll out the new licensing system. This new regulation only requires CATs to pay one license fee per district rather than the previous localized licensing that had three levels of payments. InovAgro has set up the DPICs so that in 2020, they sell the licensing books on their own.

InovAgro contracted an STTA to evaluate the CAT model and assess CAT capacity gaps. The findings indicated capacity gaps among various CAT categories. For most CATs, access to capital, limited warehouse facilities and challenges developing relationships with big buyers and financial institutions remained a challenge. The CATs also lack skills in planning, financial and business management. The PFU sees the need for formalization of most CATs, provide financial and business management and support to access working capital from big buyers or financial institutions as focus areas for 2019-20.

On the finance intervention, at the end of November 2018, the Fundo Agricola groups concluded the funding cycle, which saw 12,097 members participate in groups in eight project districts. They managed to save $135,150.45. InovAgro facilitated linkages between District Management Committees (DMCs) with the seed companies in Nampula, where the companies presented their seed offering. The DMCs selected seed companies that they wanted to trade with and placed orders for 27,864 kg worth $59,550. The balance of the saved funds was committed to other agriculture input needs including labour, fertilizers, chemicals and horticulture seeds.

The 2019 savings cycle reached 17,445 members (55% of them women and membership is 44% higher than in 2018). At the end of August 2019, Fundo Agricola savings of $187,715 had been mobilized. This is 39% higher than saved for the whole of 2018 and a target of $240,528 is projected by the time they break the boxes. The Fundo Agricola saving was also higher than the Loan Fund for the first time – confirming the increasing popularity of the FA. InovAgro expects to have invested $65,085.72 in the co-facilitators to operationalize the FA initiative for eight districts and reach the 17,445 members in 2019. In January, InovAgro reviewed the performance of the previous co-facilitators and changed some of its implementing partners for 2019 due to weak performance.

In the formal financial sector, the InovAgro PFU advanced the introduction of agency banking, individualized savings, and the provision of NANO-loans (30 day mobile loans) with BancABC. InovAgro linked BancABC with eight CATs as prospective agents in Zambezia and Cabo Delgado. Two agents were already contracted as agents in Nampula, with the one in Namapa mobilizing 34 accounts and MZN 86,000 in the first month. BancABC will mobilize more agents soon after the elections in mid-October 2019.

The InovAgro PFU is also in discussions with Letshego Bank, who has developed an agent banking and commercial community (com-com) savings product. Letshego is planning to launch their presence in Zambezia before the end of 2020, again using InovAgro partner SMEs as pilot agents.

To facilitate the exit strategy, an STTA reviewed the FA model and updated the Fundo Agricola manual. This was used for capacity building of DMCs and co-facilitators so that they train and supervise animators. The VSLA model is inherently sustainable, but the sustainability and future growth of the FA and its linkages to input companies is anchored on animators forming groups and being paid for their services by the saving members.

Under the land tenure intervention, InovAgro engaged Terra Nossa, a private sector company to facilitate the interventions in Mocuba and Namarroi communities that were threatened with losing land to private interests. In Namarroi, Terra Nossa formed, capacity built and worked with 31 members of the Land Management Committees and 16 paralegals to map out land for titling. They mapped out 1,095 plots (9.5% above target). Upon validation by the Provincial Cadastral Services (SPGC), 354 members were issued with their land rights certificates (DUATs) in March 2019. The balance of the 741 of the geo-reference plots (68%) were found to already have been issued to Portucel, a timber plantations company. Terra Nossa has since engaged the relevant national government level departments to negotiate the dispute with Portucel. Terra Nossa has also been contracted to run a titling project in two communities in Mocuba. The target is to facilitate the issuing of 1,100 land titles by the end of 2019.

The InovAgro land titling model of using local land governance structures is cost-effective and sustainable and InovAgro has exposed partners in land titling that include iTC and ORAM with the view to influencing them. InovAgro also facilitated an investment conference that sold the security of business opportunities in the delimited communities. Five agribusinesses took up the invitation and invested in input shops, output buying points and other initiatives.

The knowledge management (KM) strategy operationalization continued. InovAgro has worked on the project to capture and archive all key project documents from the start of the project on a secure server. Knowledge products were developed for capacity building partners. Record keeping books were developed for partners across all intervention areas and they were all trained on benefits and how to use the manual. Most partners have really taken this up. The manuals were done to capture relevant information that businesses will want at the same time provide MRM data for InovAgro reporting. The Fundo Agricola Manual was developed and disseminated to partners for training the support structures that include co-facilitators, DMCs and animators.

InovAgro organized a Market Systems Development (MSD) Best Practices Dissemination workshop in Maputo in July 2019. Sixty-two people (44% women) attended from donors, agribusiness, financial institutions, civic society, government and development partners. The workshop shared InovAgro approaches alongside other projects using market-based approaches and private sector actors developing interventions together with InovAgro. The Maputo InovAgro MSD workshop was a precursor to the planned regional MSD Symposium that InovAgro wants to organize in Maputo in the first half of 2020 in collaboration with ELIM, an events management and consultancy company.

InovAgro participated at the SDC Bern Face to Face symposium where the InovAgro project was ranked the most innovative MSD project among the SDC funded projects. The project organized a joint display with SDC where it showed the evolution of the project, the key interventions and had graphics showing the results over the period 2015-2019. InovAgro was represented by William Grant, the DAI Technical Director while SDC was represented by Fauna Ibramogy, the National Programme Officer.

InovAgro produced a case study on “Applying a Market Systems Approach to Stimulating Land Titling in Mozambique”. This was published in the SDC e + i Newsletter and blogs in the BEAM Exchange. The lead author was William Grant with support of Nephas Munyeche, former InovAgro Team Leader and Carlos Mugoma, InovAgro Deputy Team Leader.

Various initiatives where undertaken to jointly learn and influence development approaches. At the end of March 2019, InovAgro attended an SDC implementing partners’ meeting in Nampula whose objectives included learning from each other and collaborating around shared interventions/partners. Opportunities for immediate collaboration were identified. On 1 April 2019, InovAgro organized a learning event with the Feed the Future INOVA project. The objective was to learn from each other and find synergies for ongoing collaboration. Follow up meetings have been contacted monthly.

On Monitoring and Results Measurement (MRM), the PFU has taken steps to ensure that MRM drives the project to achieve set targets. Intervention guides were updated in April 2019. These are used to plan and update quarterly to track and achieve set results. Survey instruments and methodologies have been revised by an STTA to ensure alignment with the log frame. Among the most important outcomes was the production of partner data collection instruments that allow InovAgro to capture most output and some outcome indicators in the log frame. This has significantly improved the robustness of InovAgro’s MRM data, as confirmed by the Mid Term Review consultants.

Two surveys were undertaken in 2019. The first was a yield assessment survey done in April to measure yields for maize, soybean and groundnuts. The report was used to produce the production and profitability report. An annual end of season survey was carried out in August to measure the rest of the indicators especially impact and outcome levels. Sesame and pigeon pea yields were also assessed as part of the annual survey.

The IFPRI impact assessment study saw IFPRI undertake two field surveys in 2019 – first in April, supported by the InovAgro the team and a second in July. During the July InovAgro MSD Workshop, IFPRI presented draft findings of their study and draft policy briefs. The end-line survey results and final policy briefs will be presented during the first quarter of 2020.

SDC commissioned consultants to carry out the mid-term review over the period end of July to end of August. The team, led by Tim Sparkman, carried out extensive document review for the life of the project and carried out stakeholder interviews in Maputo, Chimoio, Nampula City and visited all the three provinces of the InovAgro project, visiting six of eleven districts. The InovAgro PFU provided all the required documents organized the meetings and participated in many meetings culminating in a review session on 30th August 2019.

The reporting period has seen a restructuring of the team. The long-term Team Leader, Nephas Munyeche, resigned in January 2019 and was replaced at the end of March 2019 by Morgen Gomo. The Intervention Manager

for Output Marketing resigned in February 2019 and was replaced in April 2019. The MRM Officer position, which was open since October 2018, was also filled in April 2019.

The Knowledge and Communications Manager left in May 2019 and her functions will be picked up by STTA. InovAgro replaced the MRM Manager in September, with Dercio Fernando who will be based in Nampula where he can participate more closely with the team.

The next period for InovAgro III starts with a clear focus on implementing interventions for exit and sustainability. InovAgro will build on institutional capacities and relationship building to ensure that the interventions will continue after the end of the project.

2

Contextual analysis

INOVAGRO ANNUAL REPORT 2019

CONTEXTUAL ANALYSIS

Political and Economic Developments in Mozambique tend to have a very significant impact on the socio-economic developments of the country. The InovAgro PFU pays close attention to those developments that (can) have an impact on project efforts on the ground.

Political Developments

Renamo Change in Leadership

As reported in the Progress report, the opposition Mozambican National Resistance (Renamo) elected Mr. Ossufo Momade as their new president in January 2019 to replace long-term Renamo leader, Alfonso Dlakama, who passed away on the 3rd of May 2018. He has been received as not bringing any new radical ideas.

National Peace and Reconciliation

The Mozambican President Filipe Nyusi and the new Renamo President negotiated and signed the National Peace and Reconciliation Agreement (Agreement) in Maputo on the 6th of August 2019. This formalized the declaration of an indefinite truce of December 2016, which had held since, without being formalized. However, a self-proclaimed Military Junta, thus far considered an insignificant breakaway unit, said it does not recognize the new Renamo leader as they think he is subservient to the ruling FRELIMO. InovAgro PFU hopes that the peace signed will usher the start of a period of stability and the government and RENAMO will manage to neutralize the discontent from the disgruntled Renamo elements. The InovAgro PFU will continue to monitor the security situation especially in places that previously experienced disturbances.

Presidential and House of Assembly National Elections

The reporting period has experienced many election related processes, which are often disruptive to some programme activities, strategies and behaviours of InovAgro partners.

Fractious municipal elections were held on the 10th October 2018. In some key municipalities, opposition parties, contested the results called out by the National Elections Commission (CNE). J. Hanlon1, Senior Lecturer in Development Policy and Practice at the Open University and considered an expert in Mozambican politics, reported anomalies at two thirds of polling stations in Gurue and disagreements of the winner in Alto Molocue, two InovAgro project districts. The protests, as in previous elections, seems to have faded away with time allowing minimum disruption to InovAgro and partner operations.

The national elections will be held on 15th of October 2019. The election processes started with the voter registrations in April and May. This had a significant number of contestations that are seen by opposition parties as trying to advantage the ruling party.

The campaign period started on 31st August 2019. The period has had some sporadic incidences of violence in Zambezia, Sofala and other places. A major incident in Malema on 13th September 2019, saw the death of people in a bus which had passengers robbed of their possessions. The police confirmed it was an armed robbery and not an insurgent or Renamo attack. Neither have occurred before in Nampula. Malema is an InovAgro project district. While this did not pass for election violence, it was perceived as robbers taking advantage of the chaos that accompanies the campaign period. The elections are strongly contested with a new opposition leader and the post of provincial governor put up for election for the first time adding new dimensions. Going by previous elections, the election process will be contested by the losing parties and the protests would eventually die down after a month or two. To mitigate against these possible outcomes, the InovAgro PFU has scaled back field activities during the campaign period and hopes relative peace will prevail after the elections to allow our partners especially in the seed sector to organize networks and supply for the new season.

InovAgro PFU anticipates that, going by previous elections, there could be some provinces with prospects of having “two centers of power” with the ruling party running government programs through the provincial secretary while the

[1] J. Hanlon, Special Report 2 – 12 November 2018 downloaded on 12th May 2019 at http://www.open.ac.uk/technology/mozambique/sites/www.open.ac.uk.technology.mozambique/files/files/Local_Elections_Special_Report_2-12November2018(1).pdf

provincial governor would be from the opposition. Going by the experiences from municipals run by the opposition, this could see such provinces allegedly being starved of central government budgetary support leading to deteriorating infrastructure for our partners to operate smoothly.

Cyclone Idai and Cyclone Kenneth

On the 14th of March 2019, the city of Beira was hit by Cyclone Idai, which was considered the most severe Cyclone to hit Mozambique in over two decades. Deadly winds followed by heavy torrential rains led to losses of a reported 600 lives in Mozambique, mostly in Sofala and Manica provinces. In addition to lost lives, many people lost their homes, livestock and any other assets. There was massive infrastructure damage including roads, bridges, public buildings. Cyclone Idai also impacted parts of Zimbabwe and Malawi. Barely six weeks later, Cyclone Kenneth hit the northern parts of Mozambique. Around 52[2] lives were reported lost and at household level there were losses of homes and other assets. The effects of Cyclone Kenneth were less severe than Cyclone Idai.

While the Cyclones had little direct effect on the InovAgro districts, they are having impacts on project implementation issues. Our current and potential partners based in the Sofala and Manica provinces (mainly seed companies) were heavily affected by Cyclone Idai. Phoenix Seed and Klein Karoo reported losses of between 50% and 60% of the maize seed in their fields. Though Cyclone Kenneth did not hit any of the districts directly, flooding from the rains reached InovAgro's Chiure, Erati and Namuno districts and massive infrastructure damage especially of roads and bridges. This increases the operating costs of our partner CATs and agro-dealers.

Development response activities may pose a risk to some of InovAgro's market systems interventions. The Government has the responsibility to respond to the crisis, especially to help farmers in the affected areas to get back on their feet by supplying them with seed for next year, after losing all their crops and seed. The development communities are applying concerted efforts to provide immediate relief through provision of food, clothing, temporary shelter and reconstruction support. Additional support was given for the reconstruction of infrastructure especially bridges and roads destroyed by the Cyclone. The donors injected a lot of money into Sofala, Manica and Cabo Delgado provinces for recovery and livelihoods restoration. A two-day international pledging conference in the central Mozambique city of Beira – one of the areas worst hit by the two Cyclones wrapped up with development partners committing financial and technical resources worth $1.2 billion to support recovery interventions as the country deals with the challenging devastation[3]. This was focused on livelihoods restoration and infrastructure development. A major theme of the conference was to build back better to ensure resilience as cyclones are anticipated in the region in future.

Some of the pledges went into restoration of livelihoods, including kick starting agriculture, including provision of free inputs. As we go into the summer season for 2019/20, there is a tangible risk that the government, donors, and NGOs could wipe out years of progress building the seed market by passing lucrative tenders to seed suppliers, leading to little seed remaining for the companies to meet smallholder requirements. Since the seed companies have spent the past five years building relationships with the farmers and learning how to approach them, a sudden failure in providing seed would destroy the trust and confidence developed over these years. This would have a negative impact on the overall market system and productivity. InovAgro has engaged the seed companies to bring to their attention the importance of maintaining momentum in establishing the input distribution channels. The seed companies committed to maintaining their drive on developing the agro-dealer networks. Most of the big seed companies have capacity to import any seed for the Cyclone efforts from the region.

In Zambezia and Nampula, during the marketing season, there were many buyers for maize to send to Cyclone affected communities. This nearly doubled the price of maize to MZN 10/kg in 2019, from MZN5-6/kg in 2018. This was good news for the farmers. Many of the buyers for the Cyclone efforts had better liquidity than the CATs, this increased the competition to CATs in certain communities' due to high prices that some CATs' output markets could not sustain.

Cyclone Kenneth induced rains received at the end of April 2019 positively affected sesame and pigeon pea that were in the vegetative phase. However, the rains damaged crops that were drying in the fields especially groundnuts or and crops that were stored in the silos (maize and groundnuts) causing outright losses or loss of quality of the produce. This was felt in the districts of Erati, Chiure and Namuno

[2] https://reliefweb.int/report/mozambique/tropical-cyclones-idai-and-kenneth-mozambique-national-situation-report-2-17-may downloaded 22 May 2019

[3] https://news.un.org/en/story/2019/06/1039651. The pledges included support from the World Bank, UN, European Union and Africa Development Bank

Figure 1: felled sesame crops (top left) and poor quality of the produce caused by the cyclone (maize-right and groundnut in shells - bottom)

Cyclone Effects on infrastructures

Roads and bridges were damaged/destroyed by the cyclones. The eastern parts of Erati and Chiure districts were the worst affected due to their proximity to the coastal line. In Erati, critical sections of the road linking the district capital, Namapa and the agriculture rich area of Odinepa were washed away, leaving the later area inaccessible by car for several weeks. Judging from previous experiences in places such an Namarroi where infrastructure damage from flooding in 2015 is still to be restored due to limited funding, it may take several years to restore road traffic in these rural areas. This may adversely affect the operations and profitability of the project supported CATs, agro-dealers and other rural development actors. The pictures below show the level of damage of sections of the roads linking Namapa, Odinepa, in Erati district, after the Cyclone Kenneth.

The district governments and private sector companies, Plexus, the local cotton contract farming promoter, and Jacaranda Farms, have supported some rehabilitation of the roads.

Figure 2: damaged sections of the road linking the township of Namapa and Odinepa village in Erati district.

Economic Developments

Local Currency Value

The Metical has fluctuated by 8% over the course of the year. During the first half of the year, it depreciated by 8%, bottoming out against the US Dollar on 25th of April 2019 (64.074). The second half of the year has seen it reappreciating, reaching a peak of MZN59.8659 (14th August) before starting to lose value again, ending the reporting period at MZN 61.3/USD. The changes have an impact on imported seed as the companies need to increase prices when the Metical is losing value. Since the seed companies planned their purchases when the metical was weak, it affected some of their ordering decisions. At the same time, the metical started firming against the USD at the start of the marketing season in May. This meant exporters had to change more USD to buy metical, leading to a lowering of prices to farmers. See figure below showing the daily trends for the Metical against the USD.

Figure 3: Movements of the Mozambican Metical Against the USD Oct 2018 - Sep 2019

The Rand fluctuated significantly over the past year, leading to five cycles of losing value and firming against the Metical. These many changes were in the first half year, partly caused by the weakening Metical but the many swings were largely caused by the changes in the Rand, as per figure 2, below. This exchange rate volatility is challenging for commercial operators especially as South Africa is the biggest source of imports for Mozambique, accounting for 41.9%[4] of total imports. The seed companies engaged in importation of assorted seed products indicate that the instability of the Metical makes it very difficult for their planning as commercial companies. The InovAgro PFU has noted an increased interest by seed companies to multiply seed locally (to reduce imports and risk) as a strategy to cushion themselves from the constantly fluctuating effects of the Metical[5]. The figure below shows the changes in exchange rate of the metical against the South African Rand during the reporting period.

Figure 4: Movements of the Metical against Rand Oct 2018- Sep 2019

[4] Source https://countries.bridgat.com/Mozambique_Trade_Partners.html downloaded 8 May 2019

[5] Klein Karoo has established partnerships with 3 Commercial Farms for local multiplication of seed - in Mocuba (Mocotex Farm), in Montepuez (Plexus Farm for multiplication of sesame, cowpeas and sorghum seed), in Erati (Jacaranda Farm for maize seed). SeedCo has contracted AC Matama in Niassa to produce 180MT maize seed for northern Mozambique

Major Investments

President of the Republic, Filipe Nyusi, announced the final investment decision of the Rovuma Basin Area 1 natural gas exploration project by Anadarko on 18th June 2019. The investment is calculated at an estimated US$20 billion, with potential revenues of US$2 billion per year for a period of 25 years. It is already the largest investment ever in Africa, and will place Mozambique among the three largest producers of liquefied natural gas in the world[6]. The investment decision gives impetus to start full-scale construction with a target to start production of LNG in 2022.

Subsequently, President Filipe Jacinto Nyusi announced on September 27 the completion of the transaction for the sale of [former] Anadarko's assets in the Rovuma Basin Area 1 project, a transaction sealed between Occidental Petroleum and Total. The government expects to earn $880 million capital gains tax from this transaction.

The negotiations to facilitate the investment by ENI is also at advanced negotiation stages. President Nyusi recently met ENI in Rome.

These investments are ongoing and will in future present effects on the opportunities for different value chains and farmers. The large investments in Cabo Delgado province will lead to an appreciation of the metical making the exports uncompetitive and imports more competitive. The increasing local economic activities in the province will increase demand for food crops and horticulture products. Local poultry production is already being discussed involving Noves Horizontes and would lead to increasing demand for maize and soya bean especially in the districts in or near Cabo Delgado. This will present opportunities for viable offtake markets, allowing farmers to have incentives to invest in farming technologies such as seeds, fertilizers and chemicals.

On a smaller scale but more short term and inside the InovAgro districts, the AfDB and Government of Mozambique funded Poultry Processing plant that includes a feed production plant in Magige/Lioma and abattoir was recently installed in Gurue. This will be linked to a chicken broiler production. The feed production is being outsourced to the Zambézia Farmers' Cooperative (COPAZA). The plant installed is expected to be finished by March 2020. This will increase demand for maize and soya in the area leading to competition with the current supplies to Noves Horizontes in Nampula and Abilio Antunes in Chimoio.

Rainfall season 2018/2019

Meeting the optimum crop water requirements is central to achieving good yields and quality produce in agriculture. In rainfed conditions, such as those in which most of the InovAgro beneficiaries operate, meeting these requirements depends not only on the total amount of rains received, but most importantly, on its good distribution throughout the crop life cycle. Maize, soya, groundnuts are the most water demanding crops for optimum growth. Sesame is relatively less demanding and pigeon peas is the most tolerant to soil water shortages.

Rainfall levels across Project Districts

Rainfall data provided by the SDAEs[7] in InovAgro project districts, showed huge variations in the amounts of rains received in each district from October 2018 to June 2019. Among all the eleven project districts, Erati received the least amount of rainfall for the season (787 mm) while Ribaué got the highest amount (1,952 mm). The rainfall data for the other nine districts, lies in-between.

[6] https://clubofmozambique.com/news/anadarko-decides-to-invest-in-rovuma-we-need-to-manage-expectations-better-nyusi-134668/
[7] District Agricultural Services

The figure below shows the total rainfall received per district over the main rainfall season from October 2018 to June 2019:

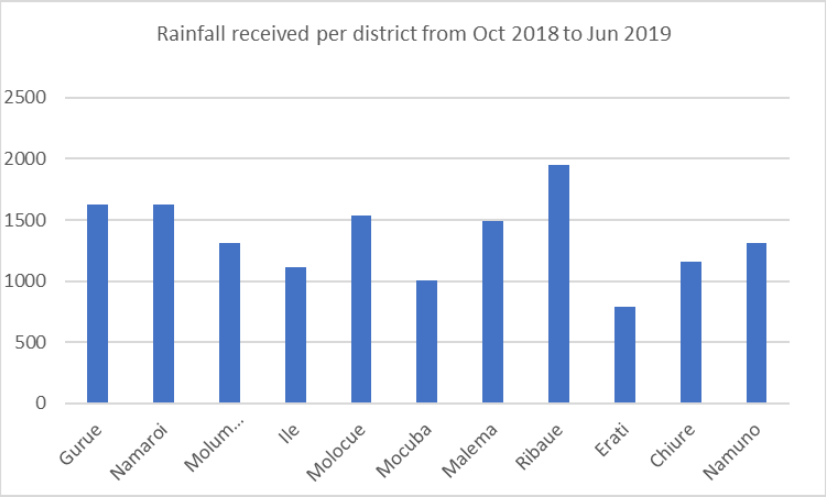


Figure 5: Rainfall received per district from Oct 2018 - Jun 2019

The graphs below represent the spread of the rain by month organized in categories of the low, medium and high rainfall respectively.

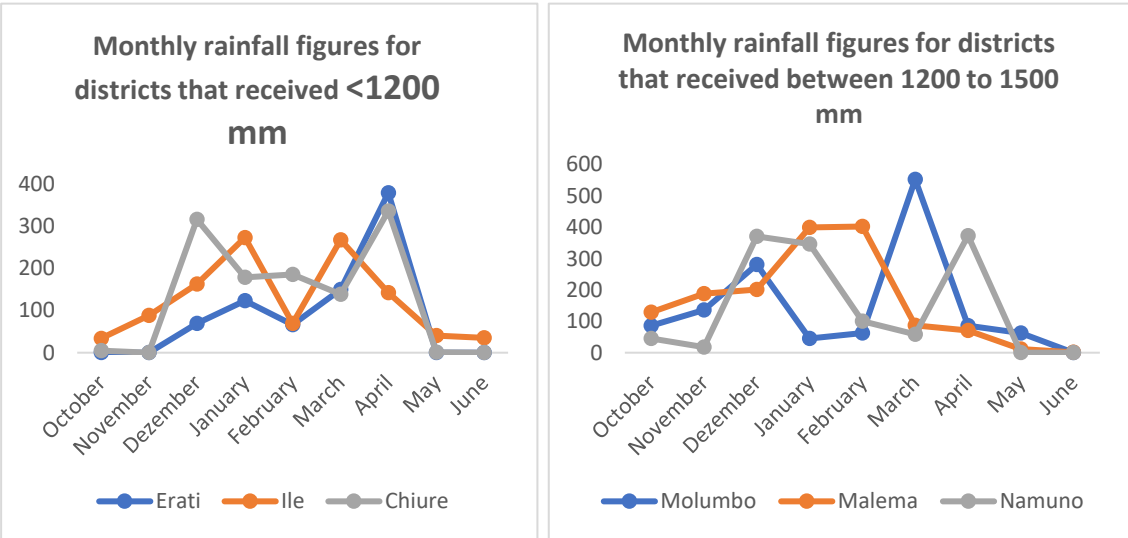


Figure 6: Rainfall figures recorded in the lower and middle rainfall receiving district categories

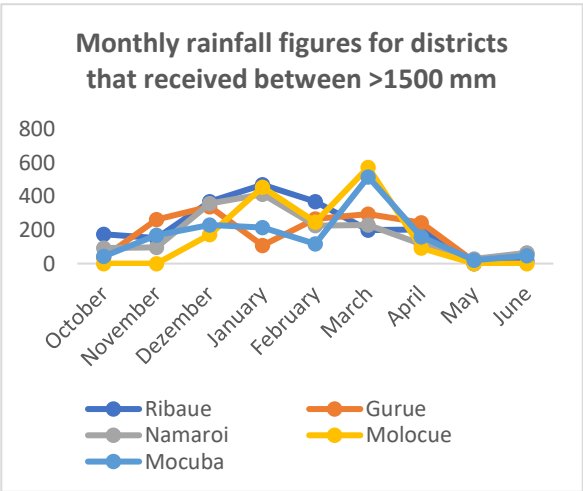


Figure 7: Rainfall distribution by month for the top five districts receiving highest rains

The above graphs show that January to March were the dominant rain months. In some cases, the rains were excessive, causing waterlogging in low lying areas and impairing farm operations, especially planting, weeding and

fertilizing. The districts of Ribaué, Gurué, Namarroi and Alto Molocué, big producers of maize and soya benefited from the high amounts of rains received, given their nature as high-water demanding crops.

Rainfall outlook for the season 2019/2020

The Southern Africa Regional Climate Outlook Forum (SARCOF) recently released its rainfall forecast for the season 2019/20. Good rains are expected in northern Mozambique during the January to March 2020 months. However, the rain forecast for the last quarter of 2019 indicates that below normal rainfall will be received in the northern provinces.

This prediction means that the InovAgro beneficiaries have a high probability of achieving good yields in 2020, if they plant on time and the right varieties. As a risk mitigation strategy for periods of prolonged dry spell, the SHFs living in the eleven project supported districts, need to diversify the crops and where appropriate, adopt drought tolerant varieties or purchase insured seed.

InovAgro PFU worked with the seed companies to be responsive to the changing weather patterns in the product and service offering. SeedCo is tailoring their productive offering, varieties to match the agro-ecological patterns of specific regions. At the same time, they are recommending farmers to diversify their risk by planting some short season varieties especially during the upcoming season when the start of the rain season may be delayed. Farmers are also encouraged to stagger their planting to ensure that the crops have different responses to the weather patterns.

InovAgro PFU contracted an STTA to develop *carta tecnologica* that also gives attention to the changing weather patterns and some responses farmers can undertake.

3

Value chain Analysis

INOVAGRO ANNUAL REPORT 2019

VALUE CHAIN ANALYSIS

This section provides details of the project achievements during the 2018/2019 agricultural season relating to smallholder farmer's productivity and profitability for each of the five value chains supported by the project: maize, pigeon pea, groundnuts, sesame and soybeans. The agronomic performance of each these five crops in the project locations is discussed as well as specific market developments relating to each of the value chains. The performances were measured through two surveys carried out in May 2019 (yield assessment survey for maize, soya bean and groundnuts) and annual end of season survey carried out in August 2019. A conclusion to this section is also provided with key issues for current and future project consideration.

Project Outreach

In the current agricultural season, InovAgro and its partners reached 9,078[8] new smallholder farmers, to reach a cumulative 30,078 SHFs (45% of them women). This was an increase of 43% over the 21,000 repeat farmers supported by the project by end of 2018. These farmers were reached by the project through various interventions including field days (7,462 new attendees), Fundo Agricola groups (5,348 new members) and participation in output markets (10,575 selling through new buying points)[9] and buying of seed. Table below provides an overview of the project outreach disaggregated per crop indicated as the main cash crop and gender.

Table 1: InovAgro Project Outreach in 2018/19 showing number of SHFs indicated main cash crop

Crop	Number of SHFs indicating main crop			Main Crop Share %	% Women Farmers
	Female	Male	Total		
Maize	4,627	5,383	10,011	33%	46%
Pigeon Pea	3,300	3,997	7,297	24%	45%
Groundnuts	3,115	2,581	5,695	19%	55%
Sesame	1,583	2,266	3,849	13%	41%
Soya	1,140	2,086	3,226	11%	35%
Total	13,391	16,686	30,078	100%	45%

The table above shows a significant increase in percentage of women participating in InovAgro, reaching 45% compared to 37% in 2018. This has been driven through the main interventions – more participation of women in Fundo Agricola (55%) and InovAgro making it possible for women to participate in village-based field days, buying posts and selling inputs at village fairs. Bringing interventions to village levels allows women to increase their participation as they can balance this with their other reproductive roles. They are also likely to be allowed to participate by the men if the intervention is local.

Maize Value Chain

Maize production is dominant in northern Zambezia (Gurue, Molumbo, Alto Molocue and parts of Namarroi) and western Nampula districts (Ribaue and Malema). More than 90% of households interviewed during the survey produce maize for food security in the first instance.

Though maize is primarily food security, it is also the most important cash crop for farmers in the project districts, with 10,011 SHFs (33% of benefiting farmers) indicating that maize is their primary cash crop. This is a 44% increase on the 6,967 from 2018. Even though the profitability of maize is modest, there is a vibrant market for maize in the project districts and farmers know that they can always sell. The maize market in the North is cushioned from the competition from supply markets of South Africa, given the high transport costs from the South, where the maize is

[8] This number is 39% of the total new farmers touched by the three main interventions (field days, Fundo Agricola and output marketing)
[9] 141 new buying points with an average of 75 farmers selling through each buying point

imported. With maize being a low value crop, transporting it to processors will make imports less competitive in the North.

Maize is bought by maize flour millers as it is a staple food, especially in urban areas. This market channel is constrained because the government controls the price of maize flour to cushion the poor urban dwellers. In 2019, there was a huge demand for maize fuelled by the need to feed people affected by Cyclones Idai and Kenneth. The World Food Programme and other donor projects were buying large volumes; a differentiated segment from the main maize flour market. This led to the maize price reaching MZN 10/kg and even higher.

The second market channel is the poultry industry, dominated by Noves Horizontes in Rapale, near Nampula and Abilio Antunes, outside Chimoio. The demand from this market channel increased this year as the other suppliers from central Mozambique lost most of their crops from Cyclone Idai effects. A poultry feed plant and abattoir are being installed in Gurue, through an Africa Development Bank and Government of Mozambique partnership with Zambézia Farmers' Cooperative (COPAZA) set to run the feed plant in partnership with IPEME. The plant is set to start operating in March 2020, in time to compete for maize and soya with the established markets in Nampula and Chimoio (if the investment actually functions as planned).

The beer processing company, Cerveja de Mozambique (CdM), forms the last segment in the maize market. They buy large volumes and were buying through Mohammed Enterprises Tanzania Limited (MeTL[10]), who produce maize grits for CdM. CdM does not use GMO maize and therefore sources maize in Mozambique. They need high quality maize and will want to target areas with quality seeds, through established networks of agro-dealers.

The number of the farm outreach for maize, have increased when compared to previous years. Although a large part of the small farmers involved in the production of maize are producing manually, there is a group of farmers who use mechanization services for land tillage.

The graph below shows the evolution of maize productivity and profitability from 2015/16 season to 2018/19 season.

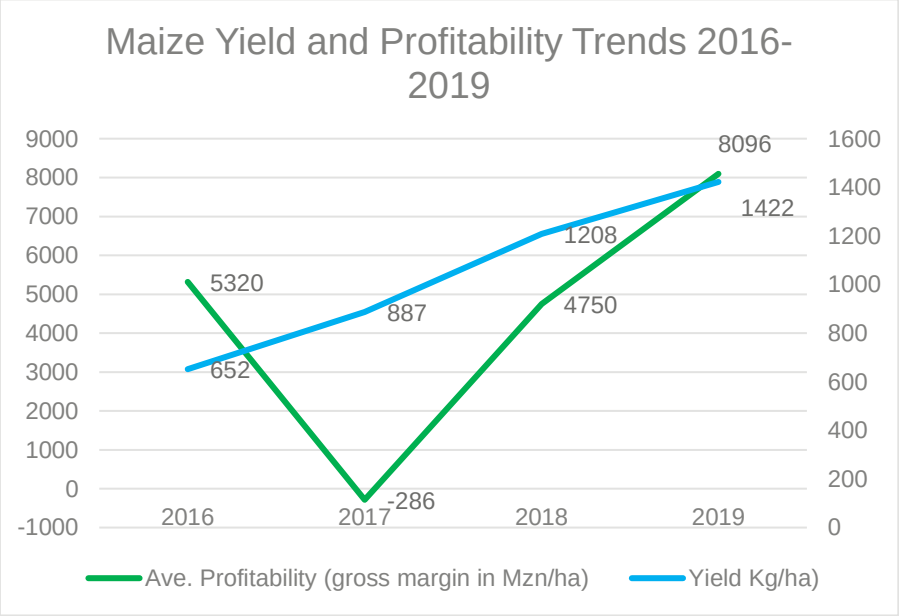


Figure 8: Maize Yield and Profitability Trends from 2016 to 2019

The price of maize has been increasing form 4 MZN/kg in 2017, 8 MZN/kg in 2018 to 10 MZN/kg in 2019. The 2019 profitability of maize was steep as it was driven by both a yield increase (18%) and price of the produce (25%) increase over 2018. This saw the profitability per hectare increase by 68% from $79 per hectare in 2018 to $133 per hectare in 2019. This level of profitability is going to see many farmers increase their commitment to the crop in 2019/20 season as farmers have a one season lag to market developments (which may lead to a price collapse next year). InovAgro PFU anticipates increased purchase of certified maize seed because of the profitable 2018/19 season. Maize profitability is the lowest among all the five InovAgro supported crops. Farmers continue to make

[10] METL Group is Tanzania's largest home-grown company, worth more than $1 billion with a presence in 11 countries in Africa, such as Uganda, Ethiopia Kenya, Rwanda, Burundi, Zambia, Mozambique, Malawi, DR Congo and Tanzania. In Mozambique, it is based in Nampula, and involved in the purchase of maize for processing into flour as well as grits to supply to CDM

this their main cash crop because of the ease of getting markets for maize and ability to delay sells until prices firm up later in the year. Maize had the lowest profitability margin (57%) compared to the other four supported crops.

The yield increase from 1,208 kg/ha to 1,422 kg/ha (18%) was a result of a good rainfall season in the maize producing regions of northern Zambezia and western Nampula, compounded by an increase in the use of certified seed (and fertilizers) and adoption of good agronomic practices training by the companies' contracted lead farmers.

The yield of 1,422 kg/ha compares favourably with the rest of Mozambique, quoted at 1,100 kg/ha but lower than countries in the region. This is in part because maize production in Mozambique is largely by low-input SHFs. Comparative figures are: South Africa 4.5 MT/ha, Tanzania (1.6MT/ha), Malawi (2.3 MT/ha), Ghana (1.7 MT/ha).

Pigeon Pea Value Chain

Pigeon pea was the second crop most identified as the main cash crop by a cumulative 7,297 SHFs in the project locations. This is equivalent to 24% of the InovAgro supported SHFs. This is an increase of 24% over the 5,764 recorded in 2018. The 24% is still below the 39% increase in new farmers all round.

Pigeon pea is grown mostly in Erati, Namarroi, Ile, Mocuba, Chiure and Namuno.

Pigeon pea is recovering from the low demand and price collapse of 2017 (when it reached MZN 4-5/kg), with prices reaching MZN 22/kg in the 2019 marketing season, a 175% increase over the MZN 8/kg recorded in 2018.

Like Sesame, the data regarding pigeon pea profitability was gathered in August as this crop was still in the field when the InovAgro PFU conducted the productivity and profitability survey in May 2019.

In the agricultural season of 2018/2019, the average yields of pigeon peas have increased by 26% to reach 927 kg/ha (up from 735 kg/ha) in 2017/2018. Like sesame, the pigeon pea benefited from the prolonged rainy season especially during flowering stage.

Figure 2: Smallholder Farmer standing in front of her Pigeon Pea Harvest in Erati District

The figure below shows un upward trend of yield in the pigeon pea from 2015 to 2019. However, the price of pigeon experienced a sharp drop from 2016 to 2017 reaching its minimum at 5 MZN/ kg in 2017[11]. From 2018 the price of pigeon pea increased slightly to 8 MZN / kg and it continued increasing to 22 MZN per kg. This improved price, coupled with increased yield led to a sharp increase in profitability of 495% from $45/ha in 2018 to $268/ha in 2019.

Pigeon pea had the second lowest profitability per hectare among the five supported crops. It had a profit margin of 80%.

[11] This resulted from the collapse of prices on the main pigeon pea Indian market, due to surplus production in India that led the Indian government to ban imports of pigeon pea

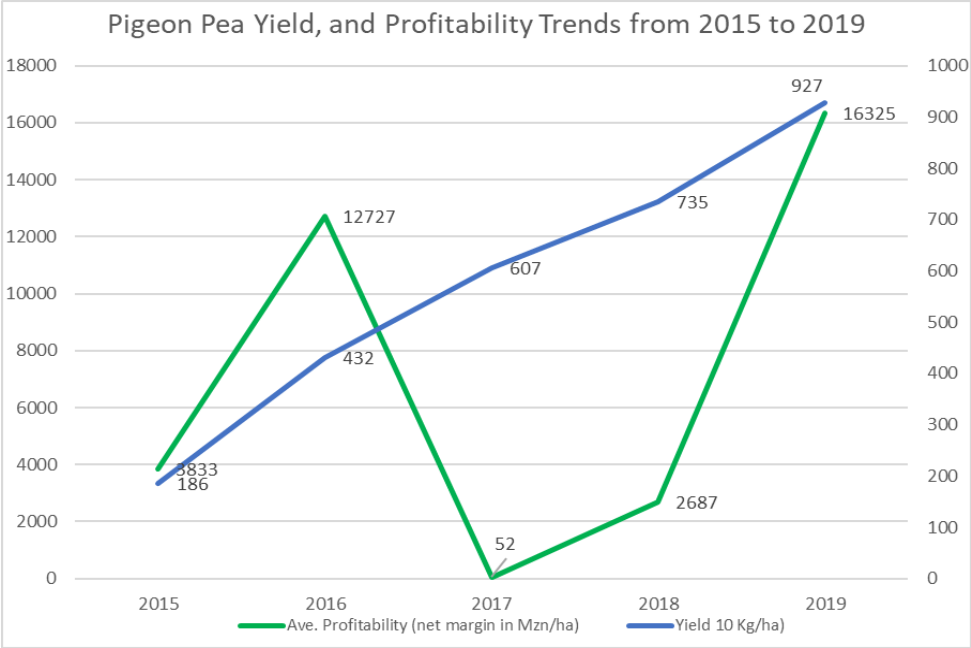


Figure 3: Pigeon pea yield and profitability trends 2015 – 2019

Groundnuts Value Chain

Groundnut was the third most important cash crop for farmers in the project districts, with 5,695 SHFs (19% of cumulative benefiting farmers) indicating groundnut as their primary cash crop. This is a 26% increase on the 4,510 from 2018. A total 55% of the producers for groundnuts were women, largely because women favour crops that provide food security and nutrition to the household.

Groundnut is produced more in the northern districts supported by InovAgro (Namuno, Chiure and Erati). The groundnut is consumed more (per capita) in southern Mozambique, especially Maputo, so most of the groundnut production is sent to the South through commercial networks of intermediaries who buy and aggregate. The groundnut is sold mostly for local processing, i.e. home-made peanut butter, which is part of the daily meals in most households.

Since 2015, the figure below shows that groundnut farmers have enjoyed positive trends in terms of yields and profitability, reaching peaks in the 2017/18). This trend was somewhat arrested in the current agricultural season (2018/2019).

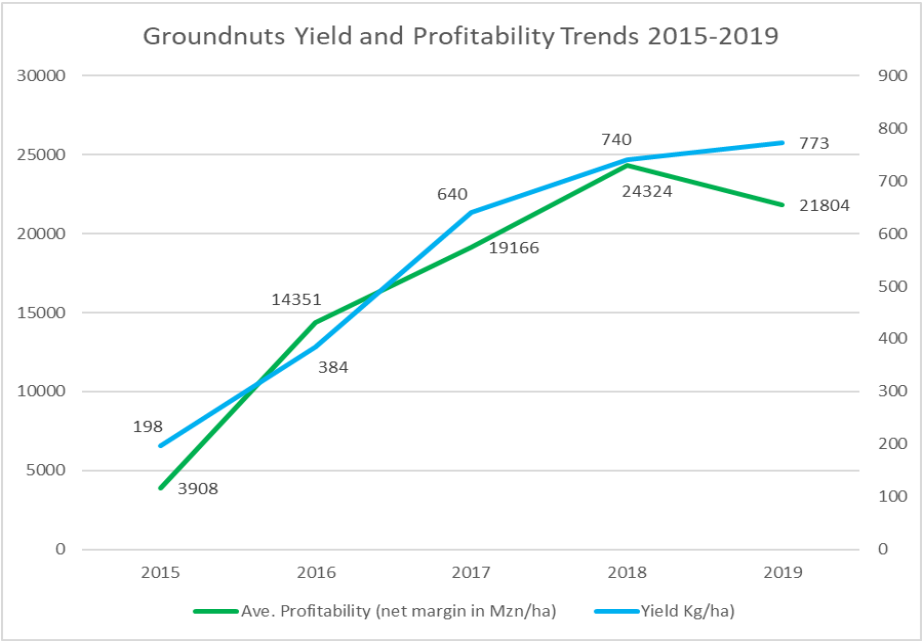


Figure 4: Groundnuts Yield and Profitability Trends 2015-2019

The above chart shows that the profitability per hectare experienced a steady increase from 2015 and reached a peak in 2018 at $405/ha. This decreased to $357/ha in 2019 due to post harvest losses and poor-quality crop caused by the Cyclone Kenneth related rains that impacted the crop which was at harvesting or drying stages. Even though farmers invested in improved technologies (leading to a 9% increase in cost), the yield increased by a marginal 4% in 2019. In addition, the output buying price came down due to the lower quality of produce, leading to a reduction of profitability for the groundnuts in this agricultural season. The average price for unshelled groundnuts went down by 6% to MZN 33/kg from the MZN 35/kg of 2018.

The groundnuts had a profit margin of 85%, being a crop dominated by women and is grown under a low input system.

The average groundnuts yield in the 2018/2019 agricultural season was 773 kg/ha. This figure represents an increase of 4% compared to the 740 kg/ha recorded in 2017/2018. The major factor that contributed to this decrease is the Cyclone Kennedy occurred in the three main groundnut production districts of Chiure, Erati and Namuno from the InovAgro districts. Cyclone Kennedy brought heavy rains at harvesting and drying stages for groundnuts, leading to rotting of the crop. The Cyclone impacted the quality of produce and the price buyers were willing to pay.

Sesame Value Chain

Sesame was the fourth-most commercial crop identified by InovAgro supported farmers as their main crop. The crop is largely grown in the districts of Erati, Chiure, Namuno, Mocuba and Alto Molocue. The crop was considered as the main cash crop by a cumulative 3,849 SHFs (making 13% of the cumulative SHFs). This is a 195% increase over the number of farmers who had sesame as main crop at the end of 2018. Sesame has made the most significant gains in terms of becoming the cash crop of choice for farmers because it has consistently performed well in terms of profitability per hectare for SHFs.

The profitability of sesame increased by 14% to reach $613/ha (from $540 in 2018), making it the most profitable crop per hectare. The profit margin for sesame was also highest for all the crops at 90%. This is because sesame is a low input crop suitable for SHFs. With 3 kg of improved seed required to grow a hectare (costing $15) and pesticides for two sprays costing $7 per hectare, a farmer is set to produce a hectare of sesame at the lowest cost of all of the value chains. A 50-kg bag of fertilizers would significantly improve yields leaving sesame production as having limited entry barriers for SHFs.

The biggest challenge for farmers is labour. Farmers can reduce this significantly if they plant sesame in lines. A second challenge for the value chain is accessing pure improved seeds. Because sesame is a small volume seed, the big seed companies do not see the business case to carry sesame seed as a business line. This leaves the small local seed companies to produce the seed. These seed companies have challenges with research and quality control. There have been complaints of mixed seed with erratic germination performance.

The figure below shows the evolution of profitability and productivity of sesame from 2015 to 2019.

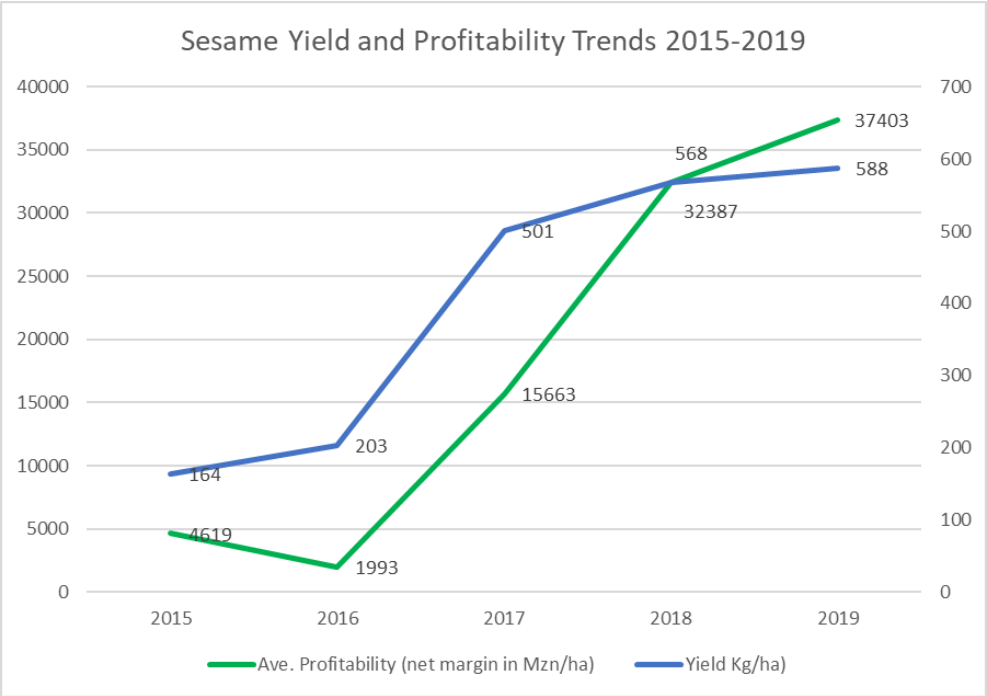


Figure 5: Sesame Yield and Profitability Trends 2015-2019

The average yields of sesame achieved in the 2018/19 season increased to 588 kg/ha, up from 568 kg/ha of last season. This represents an increase of 3.5%. The sesame crop benefited from the prolonged rains in the north of Mozambique that was received to mid May 2019 (in Chiure, Erati, Namuno and Mocuba), in part benefitting from the Cyclone Kenneth rains, in areas where the crop was not damaged. The average price of sesame increased by 13 percent to MZN 71/kg.

Soya Bean Value Chain

Soya bean was the crop least identified as the main cash crop. A cumulative 3,226 smallholder farmers (2,086 men and 1,140 women) in the InovAgro project locations grew soya beans as their main commercial crop during the 2018/19 season supported through the project facilitation systems. This is 11% of the cumulative InovAgro supported farmers. The 3,226 is a significant 31% increase over the 2,456 small holder farmers who grew soya beans as their primary cash crop during the previous season (2017/18). Soya is largely grown in Gurue, Malema, Molumbo and part of Alto Molocue and Namarroi.

The average farm gate price remained at MZN 21/kg soya bean grain (same as in 2017/18) was still considered lucrative for smallholder farmers in the project locations. Manual soya bean producers increased their farm profitability per hectare by 22% to an encouraging US$332 compared to $272 in 2017/18 and US$111 in 2016/17. This is on the back very substantial yield increases of 35% achieving 1,295 kg/ha up from 956 kg/ha achieved in the previous year. The increase in yield was driven by a substantial increased use of certified seed for soya beans in the 2018/19 season through promotion by Agri Con who bought and promoted seed from COPAZA. Klein Karoo also sold a substantial volume of soya bean seed.

The chart below shows how the yield and profitability have increased over the last few years. More details of the profitability statements can be found in the attached Excel spreadsheet.

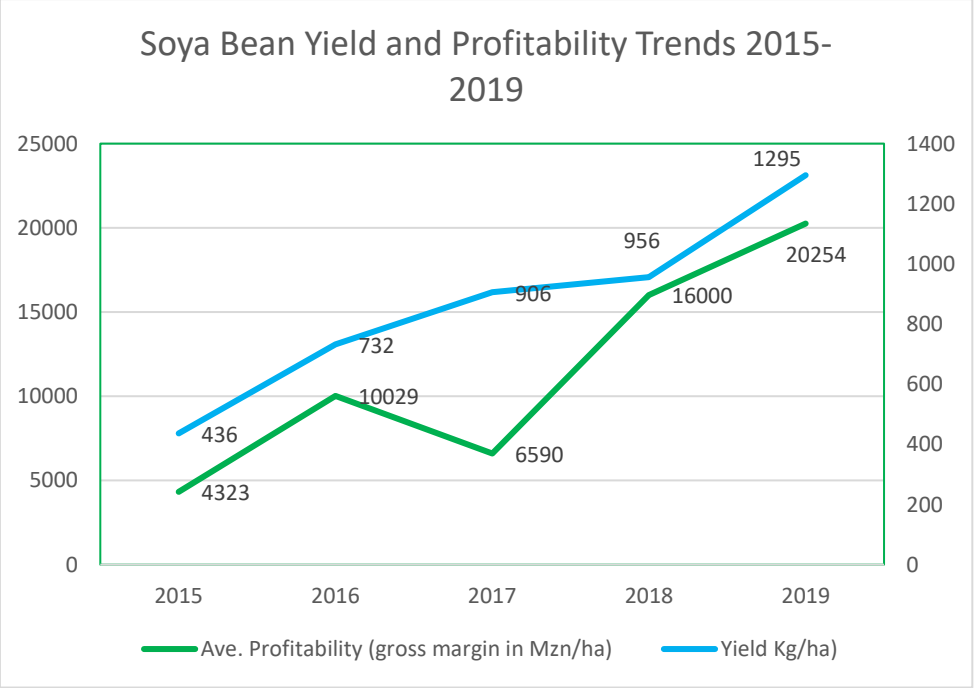


Figure 6: Soya Bean Yield and Profitability Trends 2015 - 2019

The significant increase of profitability is explained by the strong promotion and access to use of certified seed which resulted in high yield per hectare, diluted cost per kg of soya produced, and a significant increase in the profit per hectare.

Overall Comments

Apart from groundnuts, the yield of the crops supported by InovAgro increased when compared to 2018. This is attributed to a good agriculture season in terms of rain coupled with the increasing use of certified seed and applying

good agronomic practices. The most significant increase in use of improved seed was with soya bean SHFs. This resulted from a push for adoption by two InovAgro partners Agri Con and Klein Karoo.

Groundnut profitability was affected by Cyclone Kenneth. While the yield increased slightly, the crop was damaged, leading to low quality, higher post-harvest losses, and lower prices.

Sesame is gaining ground as a cash crop of choice with firm prices consistently increasing over the five seasons 2015-2019. It also had the largest profit margin of 90%. Maize had the lowest profit margin at 64% because maize requires some investment in inputs (seed, fertilizers and chemicals).

Due to consistent demand creation activities being created by input service providers, farmers are changing their behaviours resulting in significant increase in number of SHF using certified seed and applying good agronomic practices. The use of improved seed coupled with price increase in some crops (pigeon pea, maize, sesame) led to a significant increase of profitability of these crops.

4

Outcome 1: Output Marketing

INOVAGRO ANNUAL REPORT 2019

INOVAGRO Moçambique

DAI

OUTPUT MARKETING INTERVENTION

Introduction

Organizing viable and sustainable output marketing channels is central to the achievement of the InovAgro project goal of increased SHFs' income. InovAgro has piloted several models of linking SHFs to output markets particularly contract farming schemes (during programme Phase 1) and supply contracts (during programme Phase II). These models had mixed results due to changing corporate policies and the fragmented nature of marketing in Mozambique. But they presented an array of learnings which have been used to continuously update InovAgro's market engagement strategies.

Midway through phase II, InovAgro identified the Commodity Aggregator Traders (CATs) as a potential vehicle to increase efficiency in the marketing channels through which smallholder produce could reach formal markets. CATs are local entrepreneurs that facilitate the bulking of SHFs' produce at harvest and coordinate the onward delivery of the aggregated produce to larger output buyers such as the Export Trading Group (ETG), Royal Group, Olam and other processors such as the beer company Cerveja de Mozambique (CdM) and leading domestic poultry producers Abilio Antunes and Novos Horizontes. InovAgro's intervention has focused on strengthening the ability of the CATs to open buying posts that use more transparent purchasing practices in deep rural areas which have been previously underserved.

The CAT model has proved popular with SHFs as it promotes more transparency and trust while bringing the buying posts closer to SHFs homes, which is especially beneficial for women who are often denied or hampered from travelling to far afield markets. The small volume sellers (poorer farmers) also get to sell to the markets as otherwise there is no incentive to go to distant markets. Going forward, InovAgro PFU envisions output marketing systems that will continue to provide an environment in which smallholders' farmers have good access to markets close to their homes and with transparent prices and better understanding of market conditions.

During 2019, InovAgro's main activities centered on facilitating the opening of new buying posts, strengthening the governance of the CATs, and assisting the Ministry of Industry and Commerce (MIC) to promote and disseminate its new Regulamento and Cardenetas de Comercialização Agrícola

Facilitation of establishment and operationalization of buying posts

The opening of new buying posts is a very important indicator for InovAgro. During the year, InovAgro PFU carried out negotiations with 27 Commodity Aggregator Traders (CATs) to establish and operationalize 437 buying posts in all project locations. However, two of the CATs could not agree with the terms and conditions of the partnership in the context of market systems development intervention. They requested that the project support them with their working capital needs, which could not be accepted because InovAgro avoids paying for or performing activities that are central to a partner's routine operations. Our support focusses on one-off activities that "open doors" and encourages partners to continue to adopt and invest in new ways of working. As a result, 25 deals were signed and implemented with CATs who, together with the graduated three, collectively operated 423 buying posts in all project intervention areas.

Table 2: Results achieved versus set targets regarding the establishment of Buying Posts.

	Description	Key Indicators	Baseline	Milestone 2018	Milestone 2019	% of Target	Milestone 2020-End
Outcome 1	Commodity traders have improved capacity to serve smallholder farmers in all project locations	**Output Indicator 1.2** No of new accessible commodity trader buying posts distributed evenly across all projects locations (cumulative)	266	316 **Achieved: 351**	366 **Achieved: 423**	116%	416

To select the partner CATs, InovAgro consults key stakeholders including SDAE and other development agencies, after which a due diligence is carried out for final selection based on the following criteria:

- Have better social capital and interest in establishing longer term relationships with the smallholders' farmers and the end market actors;
- Financial capacity for working capital (minimum of 300,000 MZN);
- Output marketing related assets such as warehouses and transport;
- Established good relationships with the local governments and community leaders; and
- Have basic business management skills and experience in output marketing

In addition to the 25 CATs directly supported by the InovAgro project in 2019, three other CATs, supported by InovAgro to 2018, are working with the project in the current season to contribute to project objectives. The three CATs decided they no longer needed project support. Of them Ikuru, has the resources to invest on their own; WINNUA made the strategic decision to expand to Lugela district outside the InovAgro project districts, and Constantino Calisto decided not to open new buying posts but rather to consolidate the existing ones and introduce mobile buying posts[12] to expand his reach. InovAgro will change its approach to supporting CATs next year. Those that have been supported for two seasons and/or with more than 10 buying posts will not be considered for further material support. The idea is for them to learn from and improve the model and then scale it up on their own if it is viable for them.

In 2019, the 25 CATs with deals and 3 CATs that graduated operated 423 buying posts, against the project target of 366 buying posts. The result is 15.6% higher than the target set for the year. The achievement is 20.5% higher than the 351 buying posts operationalized in 2018. This shows, among others, the partners' willingness to invest in the expansion of their businesses.

Many CATs have also closed buying posts, while opening others. Some reasons include stiff competition in an area, volumes not justifying presence, challenges finding an honest agent, among others. Many CATs are improving their assessment of the prospects of a buying point. This will lead to lower incidences of closing buying points.

In terms of geographical spread of the buying posts, 43% (180) are in Zambézia, 33% (141) in Nampula and 24% (102) in Cabo Delgado as shown in the below figure. This is in line with Zambezia also having six of the eleven project districts (55%) and 46% (13) of the twenty-eight active CATs.

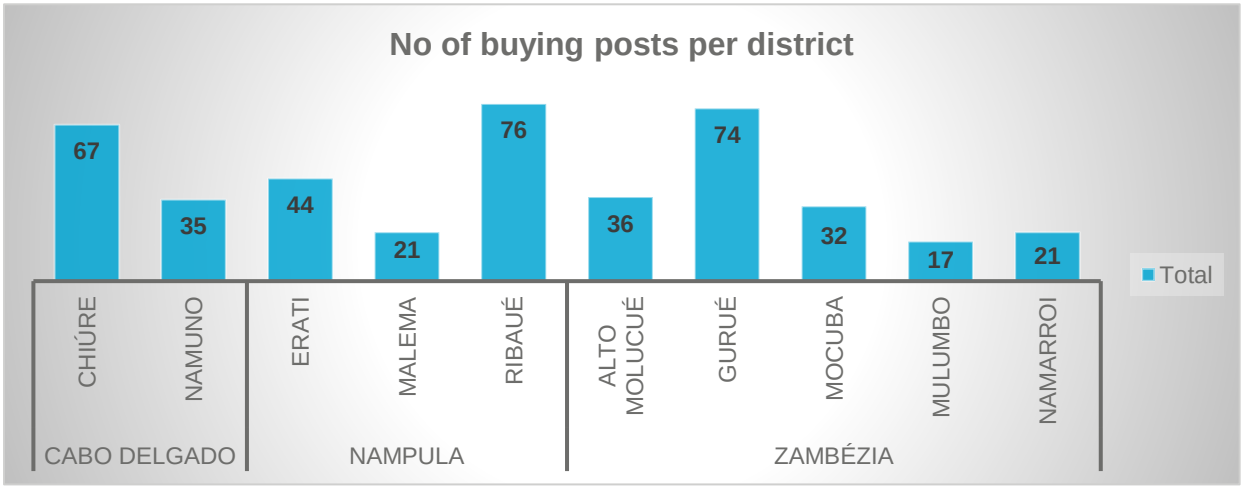


Figure 1: distribution of buying posts per district in 2019

Ribaue and Chiure are among districts with the largest number of buying points due to their easier access to market hubs of Nampula, Nacala Port and Pemba in the case of Chiure. Gurue also has a large number of buying points because it is one of the most productive and commercialised districts of Mozambique. Districts further from markets and with challenges accessing main roads, Namuno, Namarroi and Molumbo and Ile have the lowest number of CATs and buying points.

[12] Mobile buying posts are those established in village market fairs. These fairs' main feature is the fact that they are not permanent. They move from village to village based on set schedule

The increase of number of buying posts this year is in line with the historical pattern since the adoption of the CAT model in 2015. These have been growing steadily because of the joint effort from the CATs and the InovAgro project aiming to expand the output marketing network to facilitate access to the market to more SHFs. The figure below shows the evolution of the output marketing network in the InovAgro project locations from 2015 to 2019.

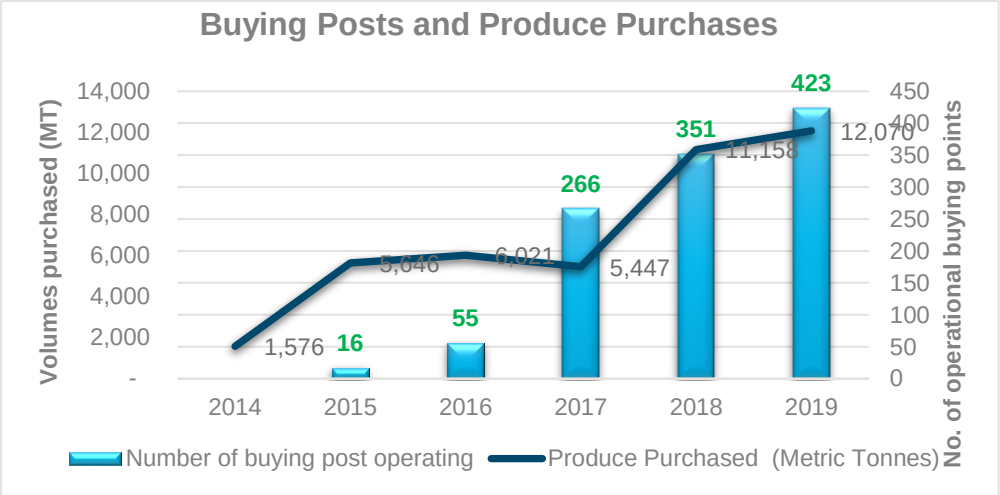


Figure 2: Evolution of buying posts and volumes purchased 2015-2019

The expansion of buying posts into rural areas reduces distances to the buying posts making it easier for farmers to transport produce to nearest market point. Most of the InovAgro districts do not have livestock options to ferry produce to markets.

Purchases in 2019

	Description	Key Indicators	Baseline	Milestone 2018	Milestone 2019	% of Target	Milestone 2020-End
Outcome 1	Improved smallholder farmer sales and commodity trading systems in the targeted value chains	**Output Indicator 1.1** Increase in value of crop commodity sales by smallholder farmers to commodity traders through InovAgro developed trading systems (1,000 MZN)	92,512	104,076 **Achieved: 228,123**	127,493 **Achieved: 330,641**	259%	172,116

To secure the volume purchased in the current output marketing season, the 28 CATs disbursed 330,641,298.00 MZN, up 45% over the 228,122,500.00MZN spent in the 2017/2018 marketing season. The high farm gate prices recorded this season contributed to the value of purchases as volumes of sales were 8% higher. The increased amounts they spent buying the 12,070 MT, meant that they had less working capital available to meet their target volumes committed in the deal notes. The mix of the crop sold also shift towards an increasing share of higher value crops sesame and pigeon pea, leading to a 45% increase in value.

The actual purchases to date amount to 12,070 MT. In respect to the total of assorted produce purchased, 4,939.28 MT were of maize (41%); 1,531.93 MT of soya bean (13%); 2,405.90 MT of pigeon peas (20%); 2,080.60 MT of Sesame (17%), and 1,112.80 MT of groundnuts (9%).

The figure below shows the sales value evolution from 2015 to 2019. It also shows achieved values again target for the third phase (2018-2019).

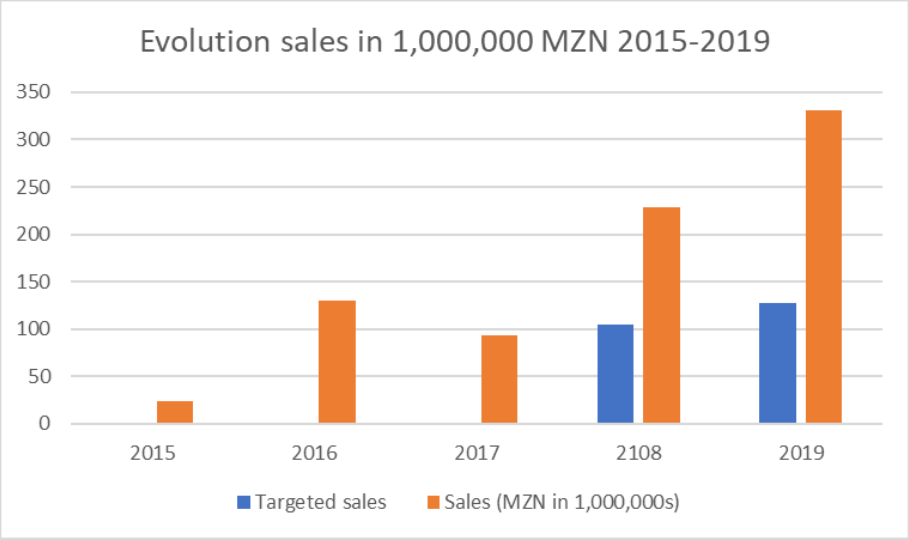


Figure 3: Evolution of Sales 2015-2019

InovAgro PFU expects the sales value figure to increase due to ongoing pigeon pea and maize sales.

Many of the CATs report that the Bangladeshi aggregators are copying them and opening buying posts closer to the SHFs, giving them other avenues for sales. This amounts to a change in behaviour of the Bangladeshi aggregators, advancing InovAgro's objective of development markets close to farmers that allow SHFs to have more and better sales. InovAgro will design instruments and means of capturing these sales going through aggregators copying the CAT model, as this constitutes real systemic change that we did not pay for, just stimulated. Good competition drives innovation.

The table below lists the reasons for under and over achievement of the purchased targets as seen by the market actors:

Table 3: Factors that impacted volumes of purchases by CATs in the 2019 marketing season

Commodity	Explanation
Maize	Fierce competition among market actors increased by demand from cyclone affected areas and the growing demand from InovAgro provinces Limited working capital by most of the CATs prevented their early move into the market – the markets opened much earlier than in previous seasons In some communities, CATs were not able to compete for prices, against traders with strong financial capacity buying for development agencies, who needed to mobilize volumes fast to assist communities affected by cyclones Idai and Kenneth Changing marketing environment- foreign traders (Bangladesh and Chinese) are now copying the CAT model by moving into the villages competing for commodities as opposed to the district level warehouses they previously managed
Soya bean	Delayed payments by the chicken feed processors (take up to 30 days from delivery of produce) was a disincentive for some CATs to purchase soya for them Limited working capital prompt CATs to prioritize and concentrate on commodities that give quick turnarounds. In this instance, priority goes to maize and groundnuts as opposed to soya. Soya buyers from the centre (buying for Abilio Antunes) competing for produce in the north. The production of soya in central Mozambique was reduced by cyclone Idai limiting region's ability to meet part of the strong demand, pushed by the vibrant poultry industry, based in Manica province Soya clusters of producers are getting bigger; some are organising themselves and sell directly to the processors or big buyers, skipping the CATs. This process affected the CAT purchase plan for this crop. However, these farmers would have benefitted from InovAgro supported input sales and attendance of field days
Groundnut	Main producing districts (Erati and Namuno) were affected by heavy rains from cyclone Kenneth during harvesting and drying stages, causing rotting of produce; Fierce competition from other aggregators for the limited volumes available;

	Limited capital by CATs at the time of purchase, limited their ability to compete;
Sesame	High prices paid by the big buyers and eventually end markets, motivated the CATs Produced by SHFs in small quantities, hence, is sold to CATs as local aggregators Sesame marketing started in mid-June when CATs had revenues from other sales to invest with low pressure from other commodities The rains occurred around the maturity time, helping to boost crop productivity in Erati, Chiure and Namuno, affected by the cyclone Kenneth
Pigeon peas	High opening farm gate prices (20-22 MZN/kg) caused by good export market prices, attracting CATs interest Pigeon pea was the last crop into the market starting in August - CATs had revenues from other crop sales to invest, pressure from other commodities low Productivity boosted by the heavy rains caused by the cyclone, increasing availability of produce

The volume of produce purchased by the CATs in 2019 shows an increase of 8% over the volume of purchases achieved in 2018. However, the output marketing season is still ongoing especially for pigeon pea and to a lesser extent, maize. Over time, some SHF have become aware that by selling their grains later in the season, they can increase their income due to higher prices paid when the supply of grains is low. These SHFs sell the total harvest in small volumes over time to cater for specific needs. If the prediction holds, the final volume purchased by the CATs will increase.

Due to changing agro-ecological and market conditions, comparing output marketing seasons is a cumbersome exercise and, sometimes, no clear pattern can be established. The volume of commodities purchased vary according to market conditions, supply and demand, prices paid by the end markets and policies. The below figure shows the volumes of the five project supported commodities purchased by the InovAgro partners since the adoption of the CAT model.

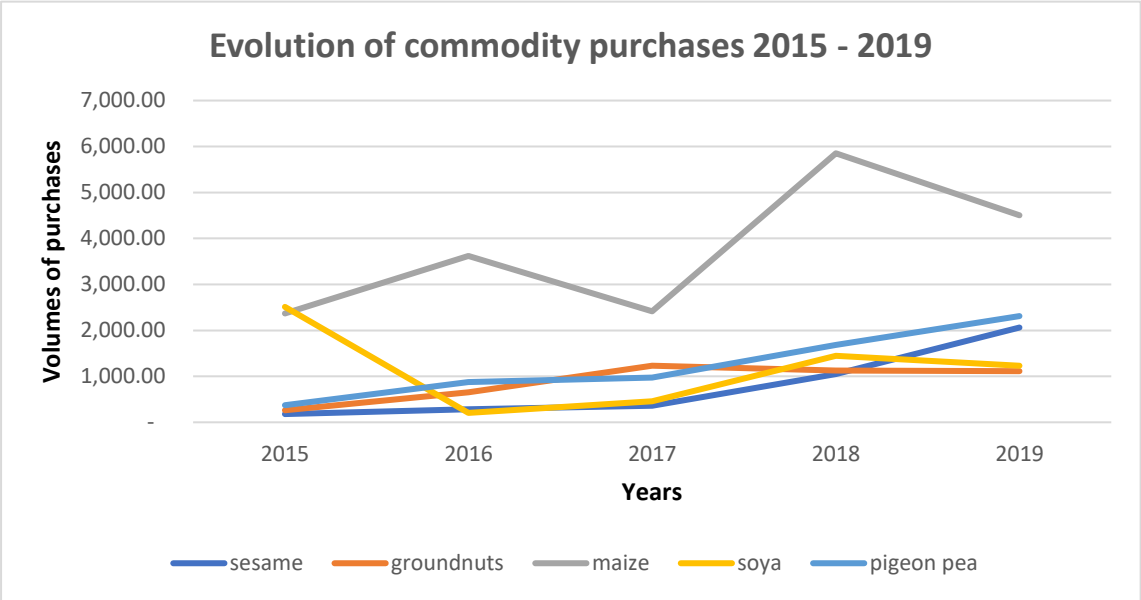


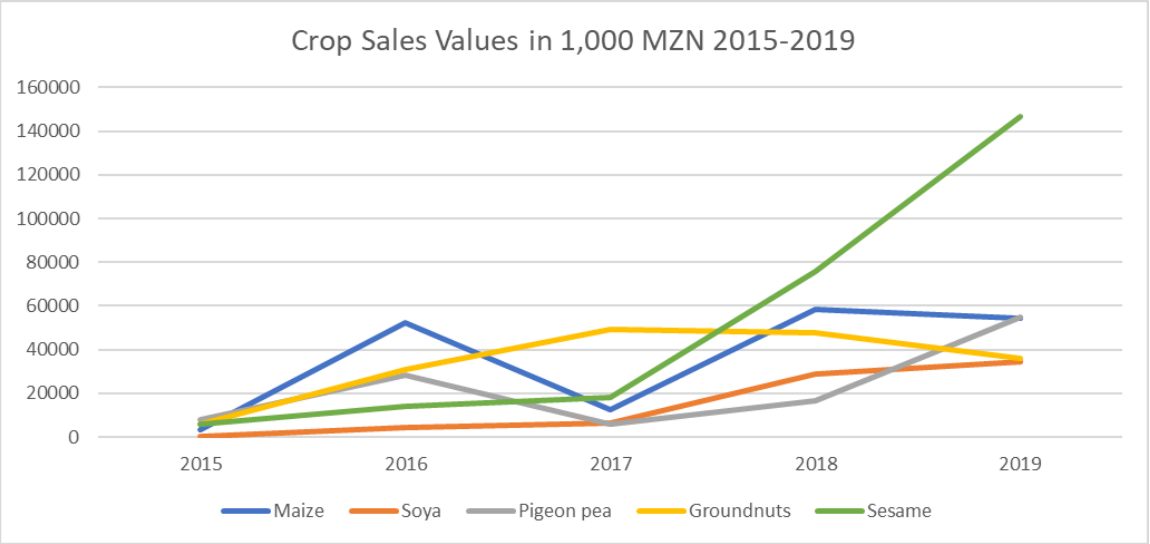
Figure 4: Evolution of purchases of the five project supported commodities.

Maize remains the main crop for farmers by volume, during the current output market season farmers sold 4,939 MT, equivalent to 54,430,854.58 MZN. Farmers also stock larger volumes reserved for domestic consumption and even staggered selling throughout the year. The volumes delivered to market fluctuate depending on the domestic market conditions, as maize is sold mostly in Mozambique. There is a little cross-border trading with neighbouring countries. The above figure shows the evolution of purchases of the five commodities produced by the SHFs for the market, namely maize, soya bean, sesame, groundnuts and pigeon peas. Farmer supply of soya bean for sale dropped in volume from 2015 to 2016, due a sharp reduction of farm gate prices paid in the season. The volumes have since increased in line with prices increasing by the year.

Groundnuts are almost entirely consumed by the domestic market due to aflatoxin scares by the export markets. Even though sesame and pigeon peas are almost entirely exported, the amount purchased by the CATs are increasing with no major fluctuations. Sesame is produced in relatively small quantities and all exported whereas almost most Mozambican pigeon pea output is exported to India under an inter-government MoU signed in 2016.

The graph below shows the sales by value for the crops from 2015-2019. Sesame has become the most valuable crops bought by CATs from 2018 (33% of total value), increasing to 45% in 2019. This is largely because of the firming sesame prices on the international markets. Sesame is also bought when maize, soya and groundnut sales have reduced, allowing CATs to have more focus. In 2015, pigeon pea was the most valuable crop.

Maize has always been the highest crop by volume but low prices have seen it placed second or third in terms of value in all the seasons except 2016 when it contributed to 40% of the total purchase value by CATs.



Gender participation in commodity aggregation

As reported in the half year report, female participation in commodity aggregation and in agribusiness development in general, is weak in the project locations. Male dominance in commodity aggregation is clearly demonstrated in the figure below. Only four (14%) of the 28 CATs working with InovAgro in commodity aggregation are women.

The low percentage of female CATs is explained by the bursts of work, travel and bargaining that has to take place inside short marketing windows. InovAgro PFU will endeavour to encourage women's participation in the output marketing business. This will be a merit-based engagement, ensuring that in the best interest of the SHFs the best CATs will be selected. InovAgro encourages CATs to be responsive to gender dimensions in dealing with farmers. Communities want to deal with buying agents who do not threaten the security of men by behaving with integrity.

InovAgro and Partners' Contribution operationalize the partnerships

During the reporting period, InovAgro provided support to the CATs to open new buying posts in the amount of 38,781.97 USD. InovAgro funds were used primarily to pay for the transparency and quality enhancing technologies such as digital scales and price boards per buying point. This reduction in contribution is a scaling back from a few years back when InovAgro supported with five more additional items such as pallets, empty bags, sewing machines, salaries for the buying agents, etc. The Details of the InovAgro and partners contributions to operationalize the partnerships are presented in the table below:

Table 4: Partners and InovAgro contribution to operationalize the partnerships in 2019.

No.	Partner	2019 Financial Contribution (USD)	
		Partner	InovAgro
1	Ferragem Maleiro	7,790.32	1,790.32
2	Chipangue & Filhos	10,387.10	2,322.58
3	Quedas do Rio Lurio	11,685.48	2,588.71
4	Pensao 12 de Junho	3,895.16	991.94
5	Loncone Comercial	3,895.16	991.94
6	Macua Comercial	2,596.77	725.81
7	Silvério da Costa	5,193.55	1,258.06
8	Indústria Moageira Fátima Bolacha	3,895.16	991.94
9	Anita Catija Sumail	9,088.71	387.1
10	Delta Comercial	12,983.87	2,854.84
11	Carlos Afonso Corneta	9,088.71	2,056.45
12	Agro Trading	12,983.87	2,854.54
13	Lucas Jaime Selemane	3,895.16	991.94
14	Complexo 100% Mussela	3,895.16	991.94
15	Fonseca Jaime	7,790.32	1,790.32
16	Francisco Jaime	1,524.19	1,524.19
17	Gervázio Arnaldo Semblante	7,790.32	1,790.32
18	Tomé Costa	6,419.94	1,524.19
19	Organizações Morgado	10,387.10	2,419.35
20	Estevão Gomes	3,895.16	991.94
21	Assane Mugate	6,491.94	1,620.97
22	Teresa Namutoro	6,491.94	1,620.97
23	Augusto Alberto	5,193.55	1,258.06
24	Manuel Pinto Moreira	6,491.94	1,620.97
25	Salvador Joaquim	2,596.77	822.58
Total		166,347.35	38,781.97

In the 2019 partnerships, InovAgro co-invested 38,781.97 USD leveraging 166,347.35 USD investment from the CATs, totalling 202,129.32 USD of investment equivalent to 19% and 81% respectively, to establish and operationalize the 141 new buying posts in 2019 and invest in the procurement through all the 423 operational buying posts.

Strengthening the business and governance systems of the CATs

During the reporting period, InovAgro PFU developed record books for CATs and provided *in situ* training for all 25 CATs who have signed partnership agreements with the project in 2019. These books aim to improve CATs' ability to record volumes of sales and data management, as the first step in the right direction to facilitating linkages with big buyers and financial institutions. The CATs greatly appreciated this capacity building, which also improved the InovAgro PFU ability collect credible MRM data.

	Description	Key Indicators	Baseline	Milestone 2018	Milestone 2019	% of Target	Milestone 2020-End
Outcome 1	Commodity traders have improved capacity to serve smallholder farmers in all project locations	Output Indicator 1.1 No. of commodity aggregator traders trained and/or supported to improve formal business management capacity & market linkages (cumulative)	2	5 aggregators trained, **Achieved: 6**	10 aggregators trained, **Achieved: 25**	250%	15 aggregators trained, plans

In addition, InovAgro conducted an assessment study of the CAT Model. The study's main objective was to get a better understanding of the CAT's various *modus operandi*, identify skills gaps and determine specific needs. The external consultant found that even though different categories of CATs have been supported by InovAgro, there are common constraints that limit their abilities to expand businesses, the two major ones, of which are: (i) limited access to working capital and (ii) weak business management capabilities.

Based on the study's findings, InovAgro PFU initiated categorization of CATs. This aims to help define these partners strengths and weaknesses, particularly the skills gaps, and the training needs of each category. This will facilitate the development of a training curriculum and its delivery. It will also help facilitate building linkages to end markets and financial institutions.

InovAgro conducted two workshops with CATs. The first workshop's objective was to link CATs with financial institutions and large buyers aimed to share information on financial product options available and the conditions. The CATs in turn shared their financial needs. Because of the first workshop, Industria Moageira Fátima Bolacha secured a loan from GAPI[13] to expand its business; four other CATs (Chipangue & Filhos, Constantino Calisto, Muze Amade and Organizações Morgado) are planning to take loans for working capital early in the season 2019/2020. They see the dealing with financial institutions as a sustainable path to continue growing their businesses.

The second workshop with CATs was conducted to deepen the project understanding about the CATs' models in terms of their visions for growth, opportunities and challenges which helped to validate the findings of the study on the CAT model. Many issues were discussed, among them the fierce competition from the financially better resourced foreign buyers; the struggle small CATs face in trying to sell direct to the big buyers such as ETG; the challenges experienced with each category of buyers – milling companies who pay low prices because the maize flour is controlled by the government; poultry companies who pay after 30 or more days. It was clear that there is a lot of mistrust between CATs and the big buyers. Even then, one of the CATs said he had a 20-year buying relationship with ETG, receiving advances for procurement. However, many opportunities were identified for ways for the CATs to diversify their business and make it stronger by supplying agricultural inputs or other consumables to their clients, tying into the seed companies and lead farmers to sponsor demonstrations (linking to sale of inputs), or even becoming Agent Bankers.

Capacity building on financial and business management came out as a real need. Also developing commercial relationships with the big buyers is a big need for most CATs.

[13] GAPI – Gabinete de Apoio a Pequenas Initiativas, is a financial institution specialized in the provision of loans to micro, small and medium enterprises with focus on rural enterprises.

Figure 5: InovAgro PFU and CATs reflection meeting in Nampula

Strengthening the Ministry of Industry of Commerce capacity

	Description	Key Indicators	Baseline	Milestone 2018	Milestone 2019	% of target	Milestone 2020-End
Outcome 4	A well-regulated and coordinated agricultural market and enabling environment	Outcome Indicator 4.1 % increase in private sector compliance with national agricultural trade standards (cumulative)	0	Regulatory standards disseminated to output companies by the Ministry of Industry and Commerce	50% Achieved: 438 Books were distributed in Nampula and 150 in Zambézia	The new regulations were 100% approved and are being implemented over the country.	75%

In 2018, InovAgro supported the Ministry of Industry and Commerce (MIC) to conduct a pilot of Cadernetas de Comercialização Agrícola. The pilot was conducted in Molumbo and Gurué districts, of Zambézia province.

The introduction of these booklets is a progressive policy developed by the central government to streamline administrative procedures and reduce the red tape in the marketing process while ensuring uniform procedures. With the introduction of these booklets, CATs and other buyers are only required to make a single payment of a licence fee to the SDAEs to operate in each district. Previously CATs were required to pay licensing fees at all levels of the district government system (locality, sub-district and district), taking more time and money.

During the reporting period, InovAgro signed partnership agreements with the Provincial Departments of Industry and Commerce (DPIC) of Zambézia and Nampula to support these institutions to roll out the new output marketing regulation piloted in 2018.

InovAgro support was crucial for the two DPICs to be able to conduct monitoring field visits and seminars to disseminate the booklets to ensure that sector stakeholders (exporters, processors, big buyers, CATs and other aggregators) and local government structures have the correct information to comply with sector regulations. The summary of the activities conducted in the two provinces, under the current partnership agreements are presented below:

» In Zambézia: InovAgro PFU and DPIC Zambézia trained 6 SDAEs representatives in the use and delivered in each SADE district 150 Cadernetas de Comercializaçao in Gurué (25), Molumbo (25), Milange (25), Ile (25), Namarroi (25) and Mocuba (25). The Books were sold to CATs and other buyers and the revenues will be used to purchase additional books for 2020.

» In Nampula (Malema district): InovAgro PFU supported DPIC Nampula to organize a public event to formally launch the 2019/2020 output marketing season including the promotion of the new sector regulations. A total of 438 booklets were distributed in the 23 districts and this was a full Government of Mozambique contribution.

Figure 6: DPIC official explaining the functionality of the booklets in Molumbo

Changes in the market

Over the period 2015 to date, there have been changes in the output marketing environment, directly or indirectly prompted by InovAgro interventions:

» From a nascent concept with few buying posts close to farmers in 2015, the practice is now quite widespread, and is being copied by others, beyond the targeted CATs supported by InovAgro.

» Existing CATs continue to invest to expand their network of buying posts in villages and to improving relationships with local agents and SHFs to secure consistency of supply of produce.

» CATs have invested in adding new services (milling, input supply, supply of consumer goods, information, public and cargo transport, etc, deepening their relationships with the communities they serve).

» CATs who have established good relationships with the big buyers, based on trust, loyalty and transparency are those who hold high levels of integrity. Constantino Calisto in Erati district and Francisco Jaime in Gurué district are good examples. They have been investing, over the years, in building good relationships with big buyers specially with Export Trading Group (ETG). As a reward for their integrity, they enjoy financial support for working capital and have easy access to end markets. Both CATs have formalized their businesses, invested in warehouses, and purchase and sell large volumes of produce. The combined volume purchased by the two CATs is more than 3,285 metric tons (MT) of assorted produce, equivalent to 29% of the total volumes purchased by all project supported CATs, and worth USD 1,252,917. Constantino Calisto (already graduated from InovAgro) and Francisco Jaime plan to increase their buying posts using they own capital.

» Foreign traders (Bangladesh and Chinese) are copying the CAT approach and moving from the district capitals to establish buying posts in the villages, taking the competition to the village level. This forces CATs to improve their value proposition to farmers who then enjoy competitive prices.

Challenges and lessons learned

Output marketing is a very dynamic system and involves different actors and linkages. InovAgro is supporting these different actors to create a well-regulated and coordinated and more efficient agricultural markets that brings better services to SHFs. During the project implementation, different challenges and lessons where identified by the InovAgro PFU, namely:

» Weak linkages between the CATs and the big buyers - although some CATs have acknowledged that investing in relationships with big buyers is a strategic move to guarantee access to end markets and in some cases finance, in most cases, the linkages between the two actors are still weak or even spot trading in nature. Trust between these actors has been historically affected as big buyers have had bad experiences in working with

local buyers, especially when they advanced working capital. The big buyers have shifted their partnership grouping, opting to provide working capital to foreign traders, deemed more reliable. InovAgro acknowledges that building confidence and trust among partners is fundamental for a good business environment. Therefore, the project is taking this as a critical task going forward.

- Access to working capital - working capital is one of the major constraints limiting CATs' ability to expand their businesses. Most CATs face challenges when applying for funds from financial institutions as they struggle to meet the loan conditions. In addition, most of the financial products offered by financial institutions are not appropriate for the needs of the CATs. The InovAgro PFU is working on a capacity building programme that includes supporting CATs to become more formalized and develop growing relationships with big buyers, processors and financial institutions.
- Limited business management capacities of the CATs- during the CAT model study and from field visits and workshops, the InovAgro PFU concluded that in the majority of cases, CATs have weak capacities to administer and manage their businesses. The absence of proper records, weak contract negotiation and administration skills, hinders their ability to develop relationships with big buyers and financial institutions. InovAgro started training all CATs to capture and analyze trade records. The PFU plans to scale this up by continuing to invest in capacity building of CATs for the remaining period of the project, and a specific training curriculum will be developed to support CATs.
- CATs fit into three distinct categories in terms of their business knowledge and capacity:
  - There are small CATs that are mostly informal and happy to get some money. These usually do not yet have CATs as their main business lines. They have a few buying points, limited infrastructure and logistical systems. They use their own resources and are spot sellers.
  - The second category is bigger, a little more formal and with some warehouses and own transport for buying in communities. Most use own funds but pay attention to the business when in season.
  - The last category consists of the bigger CATs, with warehouses in a few places, adequate transport and have relations with end buyers, often getting advances to purchase produce.

InovAgro PFU is designing capacity building programme tailored to the needs of each category, to allow them to graduate to the next level

Exit and sustainability plan

The main objective of the output marketing intervention is to provide SHFs with good access to markets opportunities closer to their homes, offering transparent prices and better understanding of market conditions. To attain this objective, InovAgro has been giving material support and technical assistance to CATs to expand their network of buying posts. The project acknowledges that the CATs need to be sustainable, and to reach that stage CATs need to understand the buying posts model to a point where they will invest on their own to expand their businesses.

For the 2019/20 season, InovAgro will no longer provide funds for new buying posts or equipment for existing CATs. These are expected to learn from their experiences and expand the model in a pure commercial setting. InovAgro PFU will welcome and support new CATs to begin using the model, especially going to underserved communities. InovAgro will adjust its support to the CATs to overcome major constraints identified, which are challenges to access working capital and weak business and financial management capacities, and weak relationships with bigger buyers/processors and financial institutions.

InovAgro's approach to address this challenge is to invest in capacity building for CATs through coaching and mentoring from experts with knowledge of commodity trading systems or experienced capacity agribusiness SMEs. The training will be tailored to the needs of each of the three categories of CATs identified in the last lesson in the above section. The training will be progressive starting with those aspects that give quick wins with little investments and then build on other essential capacities. Commonly required skills include financial and business management skills. The InovAgro PFU has identified a training around which to tailor the training for CATs. This is based on a model done by the Nigeria Agricultural Enterprise Curriculum for Agro-dealers (NAEC), which has a 3-5 days training that covers business planning, financial management (including cash flow management and record keeping and analysis), developing business opportunities, finding and accessing credit, stock management, etc.

In a recent reflection meeting with some selected CATs, there were mixed views on the behaviours of the big buyers. Some felt strongly that the bigger buyers lack fairness in commercial transactions they undertake, specifically, about lack of clear criteria in the concession of credit, allegedly because they seem to favor certain categories of aggregators. This was countered by other CATs who have enjoyed good relations and support of the bigger

commodity buyers, including ETG and OLAM for many years. The InovAgro PFU is documenting best practices that informs the curriculum to help those who chose to fight and complain about the system rather than start adopting best practices, consistently. Building relationships starts with formalizing one's business – keeping records of their trade and developing a meaningful trading capacity with the same buyers will get CATs noticed and eventually start receiving support, including credit. That trade record will eventually lead to getting loans from financial institutions as the track record with agribusiness is objective evidence of business scale and performance of the CATs. This is a process with no short cuts.

Over time, the delivery of trainings to CATs needs to be sustainable. InovAgro will identify a local trainer to develop an adapted course and study a cost sharing model to allow access to training but recognizes that the first few rounds of training will need to be subsidized to prove the value proposition. InovAgro will also continue to support facilitation meetings between output market actors at district level and provincial levels.

Focus areas for 2019 – 2020

- Review all 2019 deal notes to understand the achievements against targets and deepen InovAgro PFU understanding of the market system dynamics. This will feed into most of the interventions below
- Output marketing retail network support:
  - Geographic mapping of the CATs and buying posts to be able to share with other partners: an STTA has been identified by the project to implement Geoportal system to support the data collection and mapping process of CATs buying posts
- Linkages with Output marketing stakeholders:
  - Support linkages between CATs and farmers- work with CATs to identify mechanism and additional services to entrench their relationships with farmers. These services could include milling, transport, inputs supply, etc
  - Support linkages between CATs and Big Buyers through demonstrating increased scale and reliability of CATs
  - Support linkages between CATS and Financial Institutions through facilitating workshops and district level meetings and the InovAgro PFU will following up on the agreed action steps with both partners
- Capacity Strengthening of CATS
  - Support CATs to address the poor record keeping at the buying point and proper book keeping at CAT level; business and financial management
  - Provide capacity building support to CATs to address lack of business planning and management
- Support Ministry of Industry and Commerce to monitor and promote the new regulation including distribution of Cadernetas de Comercialização regulatory guidelines to all CATs and other value chain actors
- Sharpen data collection to assess buying point sales, sustainability of each buying point; means of assessing prospects of a buying point; optimization of a buying route for a CAT

5

Outcome 2: Extension services and Finance

INOVAGRO ANNUAL REPORT 2019

INOVAGRO Moçambique

DAI

ACCESS TO FINANCE

The PFU continued with its dual approach towards improving smallholder farmers access to finance: by promoting smallholder farmers' capacity to generate own savings particularly for purchase of agricultural inputs (seed) and establishing linkages with formal financial institutions.

Since InovAgro Phase I, the project made concerted efforts to link SHFs to financial institutions. While most activities had poor repayment rates, there was some success with Opportunity Bank of Mozambique (OBM) but was limited in scale due to the regulatory constraints. However, in 2018 OBM changed ownership and their strategy, which left no bank immediately willing to lend to SHFs. However, during the reporting period, the project is mobilizing formal financial institutions such as Banc ABC and Letshego Bank to secure their interest to come and invest in Agent Banking in InovAgro target districts. Hollard insurance is collaborating with InovAgro to develop agri-insurance products tailored for smallholder farmers.

The project introduced the FA model in 2015 aiming to leverage the extensive Village Savings and Loan Association (VSLAs) networks promoted by different development projects since 2005. The new initiative was piloted in three out of the eleven target districts from 2015 to 2017, using local co-facilitators. In 2018, the FA was rolled out to five other districts, and one more district (Gurué) was added in 2019. In the meantime, InovAgro ceased the direct support to the district of Ile, in Zambézia province.

Fundo Agrícola (FA)

The existing VSLAS have two other products: the Loan Fund and the Social Fund. The FA was a third product that was introduced to allow the members to save money during the saving cycle (that runs from February to October each year), to cater for the purchase of certified seeds, agrochemicals and pay for other agribusiness services such as labour, land preparation and spraying services at planting time.

The purchase of the inputs and other services is coordinated by the District Management Committees (DMCs). The DMCs coordinate the aggregation of the demand for agricultural inputs from the FA members. They also negotiate purchase deals with the input companies, taking advantage of group purchases to get better prices for the members.

Partnerships with Co-Facilitators

At the end of the 2018 savings cycle, InovAgro PFU reviewed the results from each of the eight districts and co-facilitators. The performance worked out to be very different. The best district Erati had savings of $51,056.50. On the other hand, the worst district was Namarroi with savings of only $433.25. The InovAgro decided to replace the co-facilitators that were not performing well (Nana and Terra Amiga) and Ophavhela, who refused to buy into the concept of adding FA to VSLAs. During the reporting period, InovAgro has engaged five co-facilitators to promote the FA in the VSLAs in the targeted project locations as shown in the table below. To increase chances of success, the InovAgro PFU facilitated the writing of a FA manual and trained all the co-facilitators in its use. The PFU has also intensified coaching and mentoring of co-facilitators and supervising quarterly progress reports.

The total number of members the planned to receive direct assistance from these Co-Facilitators, amounts to 17,217 (men and women).

Table 1: InovAgro investment for the promotion FA and planned membership targets, 2019.

Partner	Location	Target 2019	Investment USD
UATAF	Gurue	1,110	7,630.65
UATAF	Alto Molocue	2,071	8,837.94
UATAF	Erati	3,223	12,990.14
Terra Nossa	Namarroi	1,399	11,496.48
Terra Nossa	Mocuba	2,636	4,504.22
Association of Animators of Ribaue	Ribaue	2,083	4,537.50
Association of Animators of Malema	Malema	2,595	4,522.38

UDACC	Chiure	2,100	10,567.13
Total		17,217	65,086.44

The average cost of facilitation for each member is estimated at $3.78. This cost covers the facilitation for expansion of the FA (new members) as well the strengthening of the existing groups and District Management Committees (DMCs). The cost for each new member is $8.00 and $1.00 for strengthen of DMCs.

Facilitation of partnerships between the DMCs and seed companies

In previous years, InovAgro realized that the FA groups lacked coordination at district level to be able to mobilize savings and negotiate deals with seed companies. After the DMCs were introduced, in October 2018, InovAgro organized a meeting between DMCs and seed companies for the seed companies to market their offerings. As a result, $59,550 worth of various crop seeds were bought through the DMCs in a number of districts. The sales could have been higher had the DMC and seed companies coordination meeting been organized earlier. Some seed companies failed to deliver in time because the orders were confirmed late. This led some farmers to find alternative seed options. This year, the InovAgro PFU has facilitated a business meeting between the DMCs and seed companies on August 08, 2019 in Nampula. The meeting's objective was to facilitate sharing of information between the two parties. The DMCs shared information about their levels of savings and demand for certified seeds in the upcoming agricultural season while each seed company provided information about the performance, availability, the price of seeds, its distribution channels and plans for demand creation for the upcoming season.

The meeting was attended by 24 people representing the eight DMCs and representatives from four input companies, namely: Klein Karoo, SeedCo, Oruwera and Casa do Agricultor. The figure below shows participants engagement in the meeting.

Figure 9: Participants of the engagement meeting between Fundo Agrícola DMCs and seed companies

Main achievements

During the reporting period InovAgro engaged, through the five Co-facilitators, 17,445 members (55% women) in FA saving groups, including 5,348 new members.

Table 2: Savings groups achievement versus log frame targets

Description	Key Indicators	Achieved 2018	Milestone 2019	Achieved 2019	Target 2020
Small scale farmers have improved technical & financial capacity for enhanced crop productivity, skills and technologies	Number of smallholder farmers participating in Saving Groups to establish an Agricultural Funds in project locations (cumulative)	12,097	7,500	17,445	10,000

The number of members participating in FA continues to increase and the model is being adopted by VSLA members in new project locations. A growing number of VSLA members are embracing the FA initiative after understanding the value proposition of using certified seeds. The table below presents the breakdown of FA members getting support from the project, per district and gender.

Table 3: Actual number of savings groups members participating in FA versus targets

District	Target	Men	Women	% of Women	Achieved Total
Gurue	1,110	513	840	62	1,353
Alto Molocue	2,071	815	1,369	63	2,184
Erati	3,223	1,255	2,018	62	3,273
Namarroi	1,399	760	656	46	1,416
Mocuba	2,636	1,485	951	39	2,436
Ribaue	2,083	517	1,566	75	2,083
Malema	2,595	1,387	1,134	45	2,184
Chiure	2,100	1,067	1,112	51	2,179
Total	17,217	7,799	9,646	55%	17,445

Erati has the largest membership of 3,273 because of the quality of facilitation provided by UATAF. At the same time, the local DMC has successfully articulated and explained to the VLSAs, the value proposition of the FA initiative, which was critical to attract new members. This is followed by Mocuba, the oldest district to introduce the FA in 2016. The lowest membership is 1,353 in Gurue, the district added in 2019, followed by Namarroi, with 1,416 because of the district's lack of previous exposure to VSLAs before it was introduced by InovAgro, for the first time, in 2018. On the other hand, the poor performance of the Terra Amiga, the Co-facilitator engaged in 2018, did not help to create the basis that would facilitate the consolidation of the work in the current saving cycle.

Ribaue has the largest percentage of women members at 75%. This is because Ribaue received strong donor support for the implementation of many development initiatives in the past, with a strong gender component, while Mocuba (39%) has the lowest rate followed by Malema (45%) and Namarroi (46%). The overall women representation is 55% of membership. This has come down from 58.4% in 2017. InovAgro PFU pays attention to ensure that the influence of women is not diluted through gender imbalance where men dominate at all levels of the decision-making process.

The consolidated number of FA members saving for FA in 2019 has potential to reach over 18,555 members. As reported in the half year report, there are 1,110 members who were exposed to the FA methodology in the Ile district in 2018 and maybe saving on their own in the current year. InovAgro PFU is conducting verification survey to assess the status of membership and level of savings achieved in Ile. It is expected that actual figures will be reported in the half year report 2020.

Three districts in the above table, namely: Malema, Mocuba and Namarroi show relatively low percentages of women participating in FA activities. This is largely because of social norms that restrict women participation in projects outside their home. Some women are not allowed to take part in mixed gender VSLAs. This scenario prevents women from achieving economic empowerment in these districts. To mitigate this constraint, the DMCs are currently promoting female only groups, facilitated by women animators, to allow those who have restrictions imposed by spouses, to participate.

Despite all the constraints, women are still the dominant group in FA activities making up to 55% of the total membership in 2019, up 4,5% compared to the 50.50% reached in 2018.

Figure 2: Members of a savings group in Namarroi district

Improvements in women participation has been achieved through engaging women animators to target female dominated VSLAs. Overall, the FA initiative is growing steadily. The figure below shows the evolution of the FA initiative from 2015 – 2019.

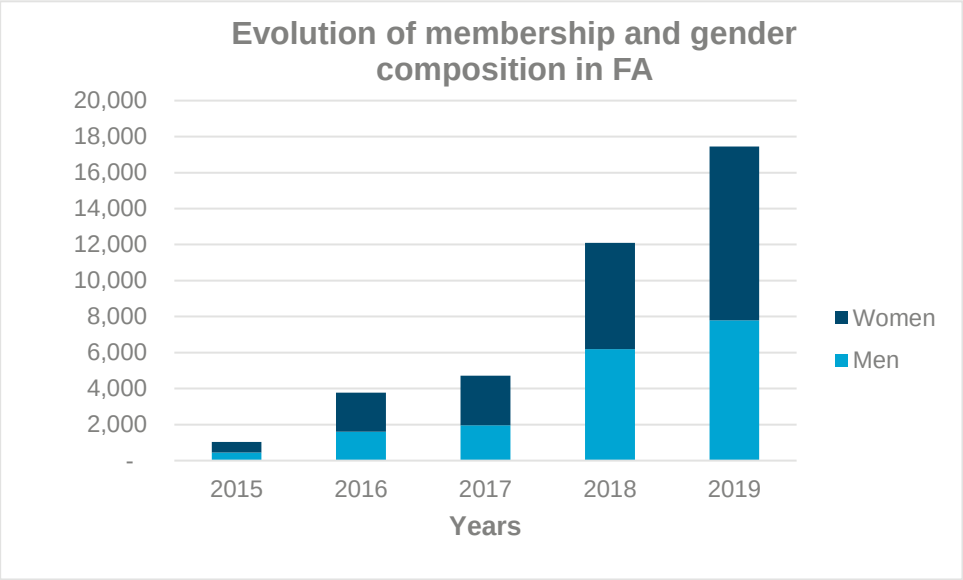


Figure 3: Evolution of gender composition in Fundo Agricola

The high participation of women in FA is tied to its genesis – the VSLAs where women save money to purchase consumer goods. However, men are showing increasing interest in participating in FA activities as it is seen contribution to the promotion of cash crops –traditionally a male dominated area of interest. InovAgro PFU endeavors to counter the risk of women voice and interests being undermined by insisting that no group is complete without women in meaningful leadership roles.

Performance of FA

For most of the groups, the FA savings cycle started in February and will run up to the end of October when the boxes open and money is distributed to the members for the purchase of seeds. The table below provides the overview of performance of savings in the current cycle until 31st of August 2019. By the end of August 2019, the 17,445 members who were directly supported by InovAgro, collectively saved $187,715 in the FA with an average of $10.76 per member. The table below provides details on the savings of the FA per project location as at the end of August.

Table 4: Performance of savings for FA

District	# of members	Actual Savings at 31st August 2019 in USD				
		FA	FA Savings per member	Loan Fund	Social Fund	Total
Gurue	1,353	22,861	16.90	21,179	2,257	46,297
Alto Molocue	2,184	46,848	21.45	3,618	636	51,102
Erati	3,273	31,004	9.47	47,508	6,006	84,518
Namarroi	1,416	670	0.47	838	354	1,862
Mocuba	2,436	25,456	10.45	30,917	1,303	57,675
Ribaue	2,083	9,642	4.63	9,220	833	19,695
Malema	2,521	17,127	6.79	49,217	3,104	69,448
Chiure	2,179	34,107	15.65	16,766	4,415	55,288
Total	17,445	187,715	10.76	179,263	18,907	385,885

The FA methodology assumes leveraging existing VSLAs that have already been trained in the fundamentals of group management and lending and saving. However, in Namarroi district, the FA initiative was introduced to complement the land intervention taking place in the communities of Mussano and Mutaliua. These two communities and the districts had never been exposed to VSLAs intervention. This will slow down the pace and the level of the savings until the model and value proposition are fully understood.

In Alto Molocue, Erati and Chiure, FA was introduced in 2018 and they have increased the number of savings members and it has resulted in increase of value of money saved in FA. The main reason for this positive scenario is the fact that these groups have been exposed to the saving methodology before, they tested the performance and benefits of using certified seeds as translated into improved productivity and income. The average savings per member was planned at MZN 800 ($13). Alto Molocue ($21.45), Gurue ($16.90), Chiure ($15.65) have already exceeded that figure while Erati would be expected to be in that category of the higher potential districts. It is possible that because of the large numbers of membership, some groups are not saving. An analysis will be done at the end of the saving cycle in November and reported in the Progress Report of 2020. Ribaue would be expected to have much higher savings. Together with Malema, the co-facilitators are district farmers' representatives and may fail to drive as effectively as the NGO co-facilitators.

The Namarroi experience, where they started from scratch by forming VSLA groups, has proven slow and inefficient. This validates InovAgro's decision to build on previous work done by other development agencies and introduce the FA product.

The table above shows that the amount saved for FA is higher than that saved for the loan fund. This significantly contrasts with the scenario in previous years. For example, in 2018, the members of VSLAs saved in FA less than half the amount saved in the Loan Fund, $135,150 and $295,052 respectively. When the FA members, including the DMC, started to realize, and are convinced about, the positive correlation between the use of certified seeds and other agricultural inputs and the increase in productivity, profitability and improved quality and homogeneity of the produce, they started to save more money for FA.

The table below shows the forecast of savings by the end of 31st October 2019, where it is expected that a total of 17,445 members will saved for FA approximately $240,528. This will be 78 % higher than the $135,150.45 saved in 2018. Corresponding savings for the loan fund is projected at $221,332 and $23,628 for social fund. This will lead to a total saving of $485,488.

Table 5. Forecast of savings by the end of the cycle

District	# of members	Forecast of Savings at closing of the cycle 31 October 2019 USD			
		FA	Loan Fund	Social Fund	Total
Gurue	1,353	29,626	27,944	2,483	60,053
District	# of members	Forecast of Savings at closing of the cycle 31 October 2019 USD			
		FA	Loan Fund	Social Fund	Total
Alto Molocue	2,184	54,128	1,820	1,000	56,948
Erati	3,273	43,005	59,509	6,551	109,066
Namarroi	1,416	1,614	1,782	590	3,986
Mocuba	2,436	33,576	39,037	1,709	74,321
Ribaue	2,083	12,975	10,886	1,180	25,041
Malema	2,521	21,328	53,419	5,338	80,085
Chiure	2,179	44,275	26,935	4,778	75,988
Total	17,445	240,528	221,332	23,628	485,488

Evolution of FA

The figure below illustrates the relationship between the amount saved for FA versus the amount used for purchase certified seeds and number members saving in FA since the beginning 2015 to 2019.

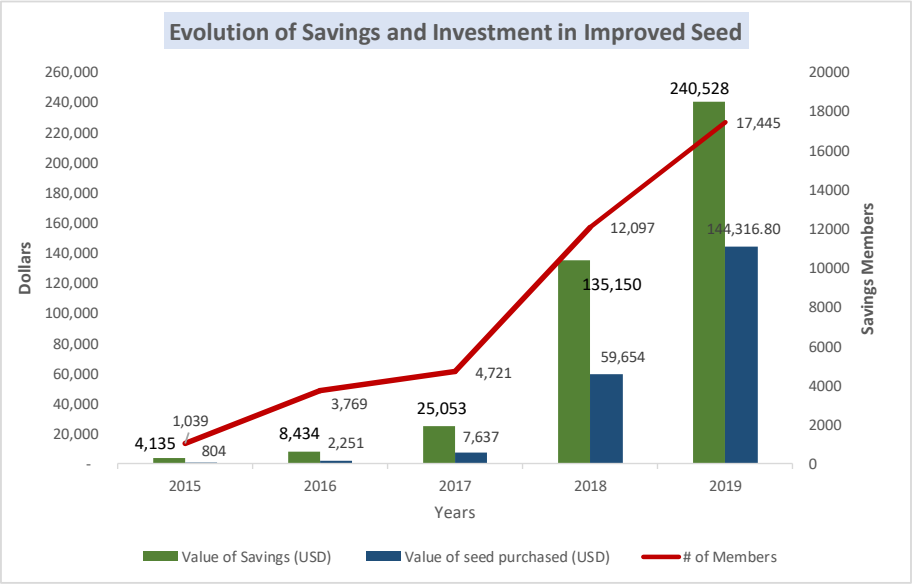


Figure 4: Evolution of savings and investment in improved Seed

The figure shows a steady growth of the FA intervention since its inception in 2015. The more VSLAs members perceive the value proposition of the FA initiative, the more members participate. At the same time, the amount of money saved for the FA initiative and the amount of that re-invested in FA activities is also growing as shown in the figure above.

The above figure shows that there is a growing amount of certified seeds being purchased. When the FA was introduced in Mocuba in 2015, few numbers of SHFs participated in the purchase of seeds. The SHFs did not fully understand the importance of using certified seeds and the seed companies were not organized to deliver the demand creation services. Through InovAgro's promotion of market fairs, the number of SHFs accessing certified seeds has grown consistently, prompting increased demand. In 2016, the FA model was introduced in Ribaué and

Malema districts where the uptake of certified seeds by the SHFs remained low and the same strategy – promoting certified seeds in fairs - was successfully used. In 2017, savings members demanded the establishment of a coordinating board to govern, with clear responsibilities, and represent the voice of others savings group members before the seed companies. The coordination by DMCs has seen that besides the provision of agricultural inputs, the suppliers are also delivering connected services such as the establishment of demonstrations plots and realization of field days close to FA groups that will buy their seeds.

The amount invested for purchase of certified seed via the FA system has grown from $804 in 2015 to $59,654 in 2018. In the current saving cycle, 2019, the total amount to be saved by the FA members is expected to reach $240,528. The farmers estimate that at least 60% of this amount, (144,316 USD), will be spent on purchasing assorted certified seeds in eight districts through the system established by the DMCs. This was confirmed by DMC in the planning meeting with the seed companies. The target figure for input sales looks high but the DMCs explained that the members who bought seeds in last year's cycle did a wonderful job of marketing the FA. This explains why this year the FA savings are higher than the loan fund.

The value saved per FA membership has been increasing. In 2015 the average member saved $3.98 against the expected savings of $13.80 in 2019. This is evidence that the FA is gaining more attraction in rural communities.

Partnership with Formal Financial Institutions and Insurance providers

BancABC

InovAgro has been exploring collaboration with BancABC since 2018 to support them to pilot and establish their agency banking model in InovAgro supported provinces. While there seemed to be some hesitance in 2018, they have now piloted agency banking initially in Maputo/Matola. BancABC has confirmed agency banking as being at the core of their strategies. Their next stage is to roll out the pilots to Tete and Sofala. They have since brought forward their plans to pilot Nampula, Cabo Delgado provinces because of the presence of InovAgro as a partner.

Some of the developments that occurred during this reporting period:

Field Evaluation of a sample of CATs

InovAgro invited the Maputo BancABC team to attend a CATs meeting held in Nampula in May 2019. BancABC presented their agency banking product and interviewed a few CATs at the workshop to understand their business models. This led them to undertake a field visit to some districts in Cabo Delgado and Nampula provinces and meet prospective agents (CATs) and SDAEs. In Nampula province, they visited eight CATs and selected two to start the pilot. The meeting and field visit convinced them that there are some prospective CATs to become their pilot agents.

Piloting the Agency Banking Model in Nampula

BancABC selected two agents and a few promoters to immediately start the pilots. The agent is the one with machine for savings and withdrawals. The promoters are the once who look for potential clients to explain the model and get customers to save. These are in Namapa and Meconta districts. The one in Namapa has worked well and already mobilized 34 accounts and deposits of MZN 86,000 in the first month. The Meconta one has been slower but now going in the right direction with five accounts at the of August 2019. BancABC is at advanced stages to set up agent banking with three Mutiana shops, including the InovAgro supported shop in Erati.

BancABC will start with the Nampula districts and Chiure so that they are supported from the existing agent in Nampula. Their strategy is to expand to Zambezia in 2020.

Partnership Agreement

InovAgro PFU has held three meetings in 2019 with the BancABC senior management to facilitate the partnership. The agreement was that BancABC will do field visits to assess feasibility of finding enough agents to appoint a provincial supervisor to make a viable project.

In August 2019, the partners started discussing the partnership agreement details. BankABC is working on the plan and partnership agreement should be signed in October 2019.

BancABC anticipates expenses around the equipment, where they are emphasizing digital solutions. They would also want to do training and awareness campaigns for both agents and prospective first clients. They would use branding, road shows and radio programme for awareness.

Letshego Bank

InovAgro PFU has been discussing with Letshego Bank, possibilities to support the development of their products, primarily the agents banking product and the community commerce (Com-Com) banking product. Letshego piloted Community Banking with MasterCard Foundation in Maputo/MAtola. They reached 400 agents and more than 60,000 clients (depositors), much higher than their targets. Community banking has received relaxed regulation as you can have clients with no “Know You Clients” qualification since this is in the first instances deposit taking and disbursements of savings.

In early September, InovAgro and Letshego mapped out the starting districts for Letshego to evaluate, using mostly InovAgro supported CATs, Agro-dealers and VBAs (who can serve as an Agent or a promoter). Once the team returns from the field, the next meeting will discuss Letshego’s next plans with the view to roll out.

Letshego is fully committed to roll out the two products and will prioritize provinces where there are partners who can vouch for or do cost sharing to buy down the risk.

Hollard Insurance

The InovAgro PFU has been talking to Hollard with the view to promote use of insurance in agriculture markets. Hollard has piloted a few products with support of development agents, such as the World Bank, who underwrote insurance for 40,000 farmers on a pilot basis. Hollard provides insurance against input loss to reduce the risk for farmers and make them more willing to invest in inputs. The risk covers loss from poor germination, droughts and flooding. They can also underwrite cost of production.

InovAgro sees the product as important for farmers to participate in markets. As an MSD project, InovAgro continues to engage our seed partners and hub agro-dealers to take insurance so that farmers who buy their seed have a chance to restart if the seed is lost or does not reach acceptable production targets due to external weather factors.

Mutiana Investimentos, is also working with Hollard Insurance, to offer Seed Insurance for its clients (insuring inputs against drought or flooding). The company is bringing awareness to farmers on the importance of the insurance in the light of unreliable weather patterns. Awareness is shared through community radios and the technicians working for Mutiana.

Lessons learnt

This section summarizes information related to the main lessons learnt through the implementation of the finance intervention area, during the reporting period:

- InovAgro’s innovative approach to driving savings led financing for agricultural inputs seems to be delivering validating results. Small investment in teaching the VSLAs to save for agricultural inputs has now reached 17,445 SHFs. A growing number of SHFs understand the purpose of FA within VSLAs and want to build finance resilience, by taking part in the initiative. This underlines the importance of clearly explaining the value proposition for farmers to participate in the FA from the very beginning. Animators are encouraged to continue to repeat the message to encourage more savings into the FA. Demand for participation by existing VSLA groups is prompting animators to expand services to new groups;
- As the farmers become more accustomed to the approach and see the benefits, they are saving more each year. The amounts being saved by smallholder farmers are increasing for the entire VSLA but for the first time, SHFs are increasingly saving money in the FA for the purchase of seeds and other inputs aiming to improve income more than they are saving in the loan fund. This will lead to increased productivity from their farming, leading to better income and better savings. This is an accelerating virtuous cycle.
- The capacity of the co-facilitator is important for driving the proper implementation of the intervention. The more professional NGOs have been more successful in organizing solid groups and helping them to generate more savings per person. The results have been much higher than where we have used district farmers’ representatives.
- DMCs need more engagement with the saving groups to improve their relationships and become a trusted voice in the linkages with the other agribusiness actors. The better coordination that they are establishing with the seed companies is leading to increasing purchases, but this will require a continuous effort to further build the capacity of the DMCs;
- FA management bodies still have weaknesses in recording the savings of their members and farm planning skills, particularly in defining their inputs requirements.

- There have been numerous examples this year of local innovation and replication: animator led replication of the approach, other development partners copying the approach (SNV into Niassa and Cabo Delgado, Otumia into Alto Molocue); UATAF is getting agro-dealers to engage with DMCs in the InovAgro districts where they are the co-facilitator; UATAF, one of our co-facilitators, has already adapted the model to use it for focused savings for health and education services.
- New banking approaches are finally taking root in Mozambique. The development of agent banking over the past two years with a more flexible regulatory environment for taking small deposits is opening new opportunities for InovAgro to leverage its savings led approach for inputs. The two financial institutions which want to promote the methodology are working with InovAgro to work through our CATs and Agro-dealers. By integrating agent banking with agro-dealers, some agro-dealers could set up individual savings accounts for seed in conjunction with the agro-dealers.
- With access to agent bankers, FA groups may have a safer place to deposit their money.

Exit Strategy

- The beauty and strength of the VSLAs are that they are inherently sustainable, and their numbers can increase organically. Once operational, they are easy for the members to manage and easy for others to copy. The InovAgro exit strategy for the Fundo Agrícola approach is based on two elements: maintaining the groups who are already working and allowing them to grow organically while also strengthening their structures, and on promoting and publicizing the approach for others to copy for expansion into other districts.
- Animators are central to the sustainability of the FA. We have seen already some animators forming as many as 13 FA groups in Chiure. These animators would be paid by the FA members to provide essential services and are the core of the DMCs.
- Co-facilitators need to adjust their engagement with FA groups to encourage them to invest in own material such as boxes, booklets, etc. This aims to reduce the spirit of dependence from donor support;
- Co-facilitators to accelerate FA members' mobilization to put aside money to be paid to the animators as an incentive for the time spent in the facilitation of the FA groups;
- Strengthening DMCs' to skills aggregate demand for inputs by the FA groups and negotiate these commercial deals with the seed and other inputs companies;
- The seed companies and agro-dealers will be seeking out the DMCs and FA groups to promote their seeds (including demonstrations) and links to their VBAs;
- Other NGOs will copy and expand the FA model to new areas.

While the FA methodology is proving itself, there are many opportunities for it to evolve and adapt to different situations. InovAgro will be testing it into the agent banking model for individualized savings for inputs and will also be investigating with the seed companies how they might use VBAs to serve as aggregators of demand from the FA groups.

6

Outcome 3: Inputs and Extension

INOVAGRO ANNUAL REPORT 2019

INPUTS AND EXTENSION INTERVENTION

Introduction

The inputs (with a focus on certified seeds) and extension intervention has been the cornerstone of the InovAgro project since InovAgro II. A key outcome for InovAgro Phase III is a vibrant inputs and extension market system characterized by competing private sector companies providing a wide array of quality input products (certified seed, agrochemicals, fertilizers and related farm implements) as well as extension services to Smallholder Farmers (SHFs).

The inputs and extension section has a final vision for each the supply and demand side visions that are complementary:

- Towards the impact goal, InovAgro wants to see an increasing number of farmers accessing better information and buying improved inputs to steadily increase their productivity, leading to food security and improved income.
- On the supply side, InovAgro wants to see seed and input companies that are increasingly partnering with agro-dealers to improve seed access and are steadily investing in organizing demonstration plots and field days, radio, information at point of sale, to create demand for seed and increasing sales

This section reports on the progress achieved in implementing the inputs and extension intervention during the reporting period, covering October 2018 to September 2019. It provides relevant information on the partnerships established by the PFU and the activities implemented in the 11 project districts. Report will also cover exit and sustainability strategies, the upcoming 2019/20 season being the last season of InovAgro III.

Partnerships during the reporting period

InovAgro partnerships with private sector partners are designed to enhance their capacity to develop and implement demand creation strategies and deliver the products and services to the target beneficiaries in a manner that ensures the companies and farmers alike attain growth, profitability and sustainability.

InovAgro signed 17 partnership deals for the 2019 season, bringing the total number of input and extension partners supported by the project to 20. Three of those partners (Oruwera, JNB and Agro Dalton) no longer receive project support, but continue to practice elements developed with InovAgro – they carry out demand creation activities (establishing demonstration plots, holding field days, distributing small distribution packs) and operating inputs outlets to sell certified seeds and other agricultural inputs to the smallholder farmers. Five other InovAgro partners (SEAG[14], AFAP[15], Syngenta, Nzara Yapera, Rei do Agro) have worked with InovAgro from 2015 to 2017 in the provision of seeds, extension and facilitation of access to fertilizers bringing the total number of partners since the adoption of the Inputs and Extension model to 25. Some of these partners are working in the project locations on their own whereas others have re-defined their business models.

Partnership deals were signed with the five leading seed companies (SeedCo, Pannar, Klein Karoo, IKURU and Phoenix Seed) and two hub agro-dealers (Helder Comercial and AGRI CON), who supply inputs to ten other agro-dealers. In turn, some agro-dealers reach the last mile farmers through 54 village-based agents (VBAs). The table below shows the list of inputs and extension partners who received InovAgro support during the reporting period.

During the reporting period InovAgro committed $104,583 to developing the sector and generated $374,664 in partner investments, for a total of US$ 479,24.64 to implement activities for demand creation, expanding the inputs retail network and linkages, and provision of extension services to smallholder farmers in all project sites. Since all of the private partners invested more than the project, and InovAgro only covered 22% of the total investment, this is seen as a strong sign of the leveraging power of InovAgro's work.

[14] Gurué Extension Agriarian Services (Serviços de Extensão Agrária do Gurué)
[15] African Fertilizers and Agribusiness Partnerships

Table 1: Summary of Partnership Deals Signed with Input Companies in 2019

Partner	Financial Contribution (USD)		Partnership Duration	Scope of the Signed Partnership	Results achieved in 2018/2019 season
	Partner	InovAgro			
Klein Karoo Seed Marketing Lda.	14,725.00	9,040.00	Jan-Dec/2019	45 demo plots established; 4,500 SHFs participate in field days; 5,000 minipacks of certified seeds distributed; 2 bill boards fixed in prominent locations; Five agro-dealers trained and their shops branded;	38 demo plots established; 1,491 (819 women) participated in nine field days; 2,000 (100 grs) minipacks of certified maize seeds distributed to 2,000 SHFs including 640 women; three road shows realized in Namarroi, Gurué and Erati respectively; two new agro-dealers selected to be trained in quarter 4; Two bill boards produced to be installed in quarter 4 of 2019.
Phoenix Seeds	36,781.00	9,581.00	Jan-Dec/2019	Ten agro-dealers trained and shops branded; 60 demo plots established; 20 field days realized and 2,000 packs (5KGs grs) distributed; 2,000 SHFs participate in field days;	36 demos established; 873 participants in 20 field days (531 women); 2,000packs of certified hybrid maize seed distributed to 2,000 SHFs including 532 women. 10 agro-dealers to be selected and shops to be branded in quarter 4/2019.
PANNAR	21,050.00	7,400.00	Jan-Dec/2019	45 demo plots established; 30 field days realized; 3,000 SHFs participate in the field days; 500 minipacks of maize seed distributed to SHFs. Eight agro-dealers trained and shops branded.	51 demos established 1,504 participants in 13 field days (787 women); 500 minipacks of certified maize seed distributed to SHFs including 127 women; 11 agro-dealers' shops branded.
Seed Co	219,735.00	31,125.00	May 2018-March 2019	300 demo plots established; 45 field days realized; two distributors selected, trained and branded; three extension officers hired and trained (one per province). Eleven district level farmers meetings in InovAgro project locations held. Hundred (100) lead farmers selected and trained in demo protocols; SeedCo to procure three motorbikes for the field staff.	257 demos established 2,300 participants in 15 field days (968 women); Three extension officers recruited and trained; One distributor engaged and trained and distributing in Nampula, Zambezia; one distributor identified and in negotiations for engagement; More than 11 district level farmers meetings in InovAgro project locations were held. Three motorbikes purchased and allocated to field staff.
IKURU	16,339.00	5,602,00	Jan-Dec/2019	13 demo plots established; 10 field days realized; 500 SHFs participants in the field days; linkages with 15 VBAs established. Advertisement in local	18 demo plots established; 310 (93 women) participated in ten field days; 13 days of inputs sales in village market fair realized in Ribaue and Malema districts. 10 VBAs selected and trained; Two months

Partner	Financial Contribution (USD) Partner	Financial Contribution (USD) InovAgro	Partnership Duration	Scope of the Signed Partnership	Results achieved in 2018/2019 season
				community Radios. Select and hire one Private Seed Inspector	of advertising in community radios in Malema and Ribaué; 36 SHFs received minipacks of groundnut certified seed (six recipients were women).
					One technician selected and hired to become Ikuru's Private Seed Inspector.
Olima Farm Lda	5,137.10	4,452.61	April-Dec/2019	Five demo plots established; 10 field days realized; 1,000 small-holders' farmers (SHFs) participants in field days; 24 days of inputs sales and local village fairs realized. 150 minipacks of sesame seed distributed to SHFs. Bill board to be fixed agri-shop branded	Five demo plots established; 1,088 (251 women) participated in ten field days; 30 sessions of radio programs aired for three months; 179 minipacks of certified seeds distributed (5 maize, 17 soya beans and 157 sesame), benefiting equal number of SHFs including 12 women; 18 days of inputs sales in market fairs realized in Malema; Bill board fixed and agri-shop branded.
Helder Comercial (HC)	3,508.06	2,303.92	April-Aug/2019	Three demo plots established; three field days realized; 500 SHFs participants in the field days. 24 days of inputs sales in local village fairs realized. Linkages with three VBAs established	Three demo plots established; 219 (99 women) participated in three field days; three VBAs and three agro-dealers identified, trained on Helder Comercial products; 02 billboards fixed in strategic locations in Ribaue; agri-shop was branded; 51 of days of input sales in village markets realized in Malema and Ribaue districts; 33 sessions of radio advertisement programs realized for three months;
AGRI CON	9,155.00	6,084.00	Jan-Dec/2019	Two agro-dealers and nine VBAs trained. 20 field days realized in partnership with SeedCo; 1,000 SHFs participants in field days; Billboard procured and fixed; days of sales of input in village market fairs; One agri- shop opened and branded in Mocuba. One banner procured and fixed.	06 field days realized in partnership with Seed Co. 718 (268 women) participated in six field days; One new shop opened in Ile district (one shop in Mocuba to open in quarter IV/2019); three agro dealers and four VBAs selected and trained; one billboard fixed in strategic location in the Ile district; One banner fixed; five days of sales in market fairs in Gurue, Molumbo and Ile districts realized; Ten sessions radios advertisement programs realized;
Kafuma Comercial	1,733.87	1,258.17	April-July/2019	Three demo plots established; six field days realized; 300 SHFs participate in field days; 51 days of inputs sales in local village fairs; linkages with three VBAs established.	Three demo plots established; 203 (89 women) participated in field days; three VBAs selected and trained; one agri-shop branded; 56 days of inputs sales in market fairs in Gurué district;
	2,379.03	964.05			

Partner	Financial Contribution (USD) Partner	Financial Contribution (USD) InovAgro	Partnership Duration	Scope of the Signed Partnership	Results achieved in 2018/2019 season
Janeiro Comercial			April-July/2019	24 days of inputs sales in local village fairs realized; establish linkages with three VBAs. Three months of Community Radio Advertising in Alto Molocué and Malema.	48 days of inputs sales in market fairs realized in Alto Molocué and Malema; two VBAs selected and trained.
CERELH	1,895.16	996.73	April-June/2019	4 demo plots established; 4 field days realized; 200 SHFs participate in field days; 36 days of inputs sales in local village fairs	Four demo plots established; 182 (31 women) participated in three field days; 41 days of sales in market fair days realized, in Gurue district;
ADECOZA	2,951.61	2,205.88	April-June/2019	18 demo plots established. Eighteen field days realized; 1,100 SHFs participants in field days; 24 days of inputs sales in local fairs. Three VBA engaged.	18 demo plots (Ile eleven and eight Namarroi) established; 1,009 (180 women) participated in 13 field days; 26 days of sales in market fairs days realized Ile district; extension officer hired.
Aulado Consulto-ria	8,258.06	5,580.07	Jan-Dec/2019	Six demo plots established; 12 field days realized; 600 SHFs participants in the field days; 36 days of inputs sales in local village fairs realized. linkages with four VBAs established.	Six demo plots established; 708 (162 women) participated in eight field days; 117 days of input sales in market fair days realized in Ile and Gurue districts; One new agri-shop opened in Mulumbo district; five VBAs selected and trained.
Agro-Trading	11,500.00	5,939.54	Jan-Dec/2019	One new shop opened in Ile; 28 demo plots established; 1,400 SHFs participants in field days; 28 partnerships established with VBAs; 30 days of inputs sales in local village fairs.	28 demo plots established; 246 (175 women) participated in three field days; 21 days of sales in market fairs realized in Mocuba, Ile and Namarroi districts; One new shop opened in Ile district; 23 VBAs (07 women) were identified and engaged.
Olima Agro-Negocio	6,806.45	4,583.33	April-Dec/2019	One new agri-shop opened and branded in Namuno; 10 demo plots established; realize 20 days of inputs sales in village fairs. Hire extension officer; Procure one bill board to be fixed in strategic location.	10 demo plots to be established in quarter 4/2019; One new shop opened in Namuno district; 13 days of sales of inputs in market fair realized in Namuno; One bill board fixed in strategic location in Namuno district; agri- shop branded; extension officer hired.
Agro Rural e Servicos	11,048.39	6,274.51	Jan-Dec/2019	25 demo plots established; 25 field days realized; 2500 SHFs participants in the field days; two new shops opened and branded (one in Iapala/Ribaue and one in Chiure). Two extension officers to be hired.	33 demo plots established; 1,810 (966 women) participated in 22 field days; twenty two days of input sales in village market fair realized in Ribaue and Chiure districts; Three new shops opened in Molocue, Iapala/Ribaue and Chiure; 18 days of sales market fairs realized in Chiure, Molocue and Ribaue; Two extension officers hired.

Partner	Financial Contribution (USD)		Partnership Duration	Scope of the Signed Partnership	Results achieved in 2018/2019 season
	Partner	InovAgro			
Lancheque Comercial	1,661.29	1,192.81	May-Dec/2019	16 days of sales of inputs in local village fairs; linkages with two VBAs established; branding of own and VBAs' shops. Procure and fixed 01 bill board.	36 days of inputs sales in village market fairs realized in Ribaue and Malema; two VBAs selected and trained; One agri-shop branded.
TOTAL	374,664.02	104,583.62			

Input demand creation activities

Building a market system for inputs requires farmers to understand the benefits of the use of inputs to build their demand. During the reporting period, InovAgro mobilized its private partners to organize events to share product and technical information with SHFs as part of their strategies to bring about changes in the SHFs behaviour. Key messages delivered through the private sector-led extension includes: the benefits of using certified seeds, right planting time; planting techniques; crop husbandry, soil nutrition management and pest and disease control. Seed companies are also supporting SHFs to be responsive to the increasingly erratic weather pattern. Among other varieties, the companies are encouraging farmers to include short-cycle, drought tolerant seed varieties as well as stagger their planting to diversify their weather risk, especially the rainfall pattern.

The information was conveyed to the SHFs to change their attitudes, knowledge, and practices through multiple channels, such as training in demo plots (mostly targeted at lead farmers who in turn lead other farmers in technology adoption), field days, promotional road shows and mounting of billboards and product information displayed in agro-dealer shops. While field days are used to transmit information to farmers, for many seed companies, a demo plot can have the primary objective of providing visual evidence of the seed's performance to reinforce what they learned in the shops and at field days, rather than be an explicit training site.

Klein Karoo and Phoenix Seeds share video contents promoting their certified seeds and good agricultural practices using road shows. Mutiana Investimentos used the local Community Radios to convey messages about the inputs in its shop located in Erati district. SeedCo has also facilitated a radio program called ''A Hora do Produtor'' with the Alto Molocué Community Radio. InovAgro PFU facilitated a program planning session involving an Alto Molocué Community Radio Manager and the staff involved in the production of the program, on good agronomic practices from December 2018 to March 2019, running on the SeedCo funded community radio program.

Establishment of demonstration plots

InovAgro partnerships with seed companies and agro-dealers are designed to ensure that the companies are entirely responsible for establishing and managing the demos. These are important tools that can be used by the input companies to demonstrate the functionality and performance of the proposed agricultural technologies, e.g. seed technology as compared to the recycled seed. During the reporting period, 294 demo plots were established in new project locations across all target districts. In addition, seed companies organized 406 demonstrations on previous sites, reaching a total of 700 demo plots. This figure represents 72% increase in demos from 2018, and 23% above the target of 570 demos foreseen for 2019.

Table 2: Demo plots log frame Indicator

Log frame Indicator	Baseline 2017	Target Milestone Target 2019	Actual Achievement 2019	2020 target
No. of demonstration plots established for stimulating input demand by smallholder farmers (cumulative)	297	570	700	770

The steady growth in demonstrations by the seed companies since the idea was introduced in 2014 is due to the commitment of the project and private partners alike to take certified seeds closer to SHFs homes. The table below shows the evolution of numbers of demos established per season from 2015 to 2019.

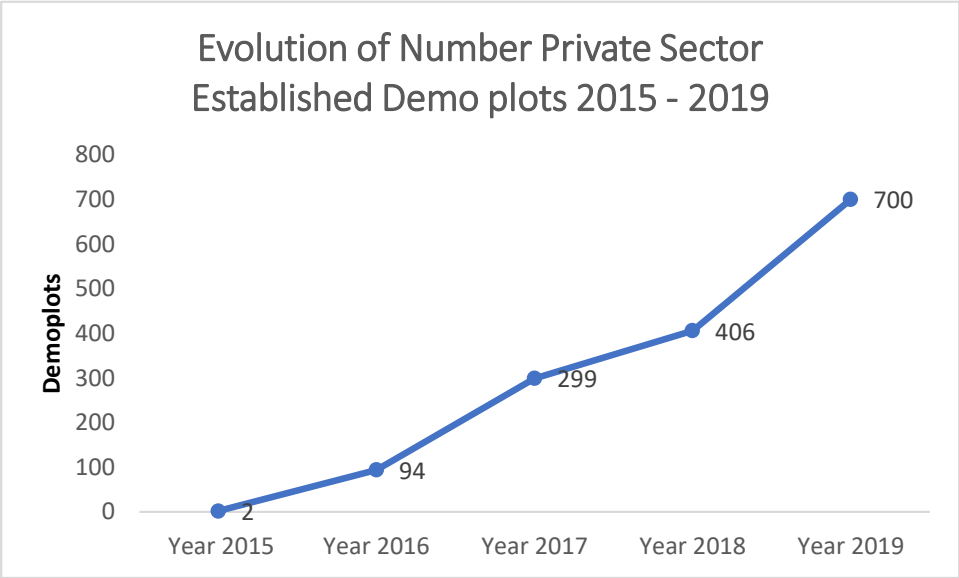


Figure 1: Evolution of Demo Plots Established by the Private Partner

SeedCo was the main contributor to the achievement of the 2019 set target with 257 plots established. The demo plots were an important part of SeedCo's strategy to re-enter the Mozambican seed market by showing the performance of its products in communities they target to develop their distribution network.

To reduce dependency on the big companies in the promotion of demand creation activities, InovAgro PFU started to incentivise the agro-dealers to establish demos in their areas of influence, especially in remote areas in the villages - since the big companies tend to establish their demo plots along the main roads or in peri-urban areas. In addition to SeedCo as a new partner, seven other agro-dealers started doing demo plots for the first time in the partnership, organising 79 of them to promote their own sales. This strategy aims to achieve two objectives. First, it takes knowledge about the performance of certified seeds and good agricultural practices closer to the SHFs homes allowing more project beneficiaries to access knowledge. Second, it creates an opportunity for the input companies to enter in collaboration with the agro-dealers to share costs and ensure permanent oversight of the demos.

Realization of field days

The seed companies continued to conduct field days as the main channel for dissemination of extension messages to target SHFs. The field days are used primarily to get farmers to understand the essential agricultural practices as well as to understand the seeds being promoted.

Table 3:Participants in field days – Log frame Indicators

Logframe Indicator	Baseline 2017	Target milestone 2019	Achieved 2019	Target for 2020
No. of target SHFs participating in project supported extension services (cumulative)	8,807	17,000	19,624	20,000

The current model of inputs and extension intervention was adopted in late 2014 and has consistently produced positive results. Figure 2 shows the evolution of the numbers of field days realized and participants that have attended these field days.

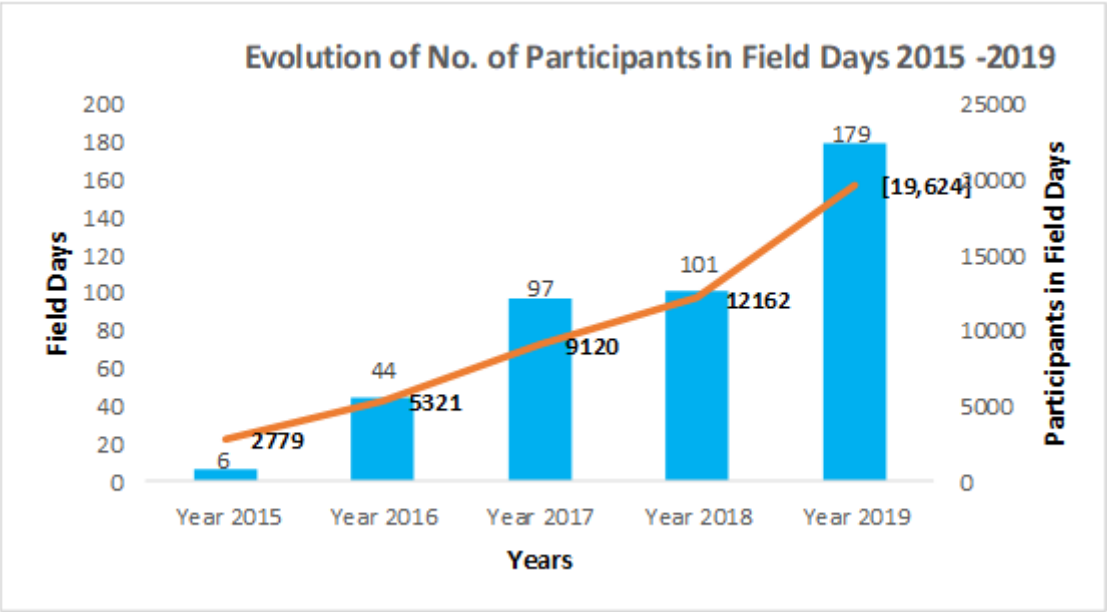


Figure 2: Evolution of No. of Participants in Field Days 2015 - 2019

In 2015, only two companies conducted field days - Pannar and Oruwera. Only six field days were conducted by these pioneering companies. The number of field days and their participants has risen ever since thanks to the Co-Investments made by five seed companies and nine hub agro-dealers and distributors.

In the last five agricultural seasons, 19,624 SHFs have participated in field days organized by the private sector, of which 11,690 (59.5%) were men and 7,934 (40.5%) women. Most importantly, the number of farmers reached with field days this year was 7.662 more than last year, showing a sharp upward trend. This shows the commitment of the seed companies and agro-dealers to develop the seed market in northern Mozambique, which is a big achievement, bearing in mind that no seed company was selling seeds directly to the SHFs in this region before 2014.

For the first time, in the 2018/2019 agricultural season, the seven project-supported agro-dealers organized 43 field days for the SHFs in different locations, attended by 4,558 SHFs (2,857 men and 1,516 women). The picture below reflects participants of a field day facilitated.

Figure 3: SHFs attending a field day in Nauela, Alto Molocué district, promoted by Klein Karoo

Distribution channels for selling seeds

Seeds were sold primarily through the establishment of an agro-dealer retail network. This reached 46 retail stores throughout the project districts. However, to reach the last mile, seed companies and their partners have explored other sales channels that do not require physical shops but get the seeds closer to the farmers. These include seed fairs, sales to the Fundo Agricola groups, and village-based agents.

Seed retail and distribution network

The project outreach activities are aimed at ensuring that seed companies have effective distribution channels to reach SHFs located in the project implementation areas through relationships with established retail outlets. During the reporting period, InovAgro has supported investments to setup six shops and input distribution centres near the SHFs communities.

Table 4: Log frame target for number of sales outlets

Log frame Indicator	Baseline 2017	Target Milestone Target 2019	Actual Achievement 2019	Target for 2020
Number of accessible, cost-effective & financially sustainable certified seed distribution outlets promoted in all project locations	26	40	46	50

During the 2018/2019 agricultural season, the project supported private sector partners to operationalize six new agricultural input shops, bringing the total to 46 to date. InovAgro supported the partners with branding, radio advertising and installation of bill boards. This achievement is up 15% from the 2019 target of 40 operational agricultural inputs shops. The table below shows the distribution of the newly opened outlets per district.

Table 55: new agri-inputs shops opened per district per partner

Partner(s)	# new agri Agri-inputs shops	Districts
AgroRural Serviços	1	Alto Molocue
AgroTrading AGRICON	2	Ile
Aulado Serviços	1	Molumbo
AgroRural Serviços	1	Chiure
Olima Agro-Negócios	1	Namuno

Some of the retail outlets were fully funded by the private partners. AgroTrading, a private partner based in Mocuba and owner of three input outlets in Mocuba, Namarroi and Gurué and has just opened a fourth shop in the Ile district using own funds. The picture below shows the Ile district Administrator leading the ceremony for the opening of the shop.

Figure 4: Ile District Administrator Mr. Onório Vaz, officially opening an Agro Trading Retail Outlet in the capital of Ile district

Many of the agro-retailers are expanding the numbers of their outlets, to help them better serve their markets as shown in table below:

Table 6: List of Agro-dealers Owning Multiple Retail Outlets

Partner	No of outlets	Locations
AGRI CON	**3**	**Gurué, Molumbo and Ile**
AgroTarding	**4**	**Mocuba, Ile, Namaroi and Gurué**
Agro-Rural & Serviços	**3**	**Alto Molocué, Ribaué and Chiúre**
Aulado Serviços	**3**	**Ile, Molumbo and Gurue**
CERELEH	**2**	**Gurue (Lioma)**

Even though the retail network has been increasing because of InovAgro facilitation, there is still a challenge of reaching the last mile, benefiting those who are based in very remote but productive areas. Bearing this reality in mind, InovAgro partners are adopting other strategies and tactics aiming to attain growth and sustainability selling inputs in the village market fairs, conducting road shows and / or establishing a network of VBAs.

Seed sales in village market fairs

To increase access to good quality agricultural inputs and services where it is sometimes difficult to have some physical input sales outlets, InovAgro PFU established partnership agreements with eight agro-dealers to pilot the use of village-based fairs as a distribution channel to increase their client-base and grow sales. These are multi-purpose fairs where members of the villages go to sell their produce and with the income, purchase consumer products and agricultural tools and inputs. Village fairs have been established over the years by development projects and local governments and are currently the preferred market place for sellers and buyers of a wide range of goods and services. As a pilot, InovAgro supported investment for gazebos, cost sharing of transport from and to the fairs, and radio advertisements to build awareness.

In 2019, the eight agro-dealers collectively sold inputs and agricultural tools in village fairs during 232 days in the districts of Malema, Ribaué, Alto Molocué, Namaroi, Mocuba, Ile and Chiure. InovAgro support was crucial for these agro-dealers to reach remote, but high potential agricultural areas. Where profitability is guaranteed, these partners will continue to participate, in these events, on their own. InovAgro and partners will review the sustainability of this model and see if the agro-dealers can carry all the costs and still make money. The high potential market fairs will continue while the low potential regions would have to be dropped.

Figure 5: Agro-Rural selling inputs in local village Fair in Iapala/Ribaue.

Village Based Agents

Establishing networks of Village Based Agents (VBAs) to aggregate demand and to sell inputs at village level has become a necessity for some agro-dealers to reach those who are far from the conventional points of sale. During the period under review, ten of InovAgro partners (seed companies and agro-dealers) have established networks of VBAs, totalling 54 agents, as a strategy to reach those areas that are currently unserved. The VBAs role is to promote the products of the companies they are engaged with, aggregate demand for inputs and assist in delivering the orders to the customers.

This strategy is suited to InovAgro's strategy of overlapping interventions to take the most out of the synergies created when they work in collaboration as opposed to isolation. For instance, some Fundo Agricola groups living in remote areas could not purchase seed in the previous season because the seed companies did not spend enough time selling the seeds in the villages. This scenario can be changed when a VBA is based in the village and connected to an input company willing to make transactions with the Fundo Agricola groups. The table below shows the list of companies that have established relationships with VBAs during the season 2018/2019.

Table 7: Number of Partnerships Established between Private Sector and VBAs

#	Partners	# of VBAs Connected	Location
1	Kafuma Comercial	03	Gurue
2	Phoenis Seed	05	Alto Molocue
3	Helder Comercial	02	Ribaue
5	Adecoza	03	Ile and Namaroi
6	Agro Trading	23	Mocuba
7	Janeiro Comercial	02	Alto Molocue
8	Aulado Comercial	05	Gurue and Molumbo
9	Lancheque Comercial	02	Ribaue
10	Agri Con	09	Gurue, Ile and Alto Molocue
Total		54	

The numbers of agro-retailers are increasing beyond those supported by InovAgro. In 2019, two new companies have emerged in Nampula city to sell inputs to the farmers. They are willing to collaborate with InovAgro to expand their outlet in the upcoming 2019/20 season. The table below presents the list of mentioned companies and the range of services supplied:

Table 8: New Input Companies entering the market

Company's name	Representative	Range of services	Comments
PROMA	Mr. Promise Sabau (owner)	Sell of assorted brands of certified seeds; agrochemicals and agricultural tools	Mr. Sabau, a former Klein Karoo Regional representative, based in Nampula, resigned to open own inputs retail business. Owns two outlets in Nampula and Pemba, respectively. The company's expansion plan will target Erati and Ribaué districts and establishment of demo plots in villages, especially, in areas of high concentration of Fundo Agricola groups.
Snow International Trading Lda	Mr. Girissh Potnuru, Sales representative in Mozambique	Nampula shop: Sell of certified seeds; fertilizers; crop protection products, agricultural equipment and provision of extension services.	A crop protection company founded in Mwanza, Tanzania in 1973, established in Beira, Mozambique in 2013 and in Nampula in 2018/2019 season. The company's Nampula brunch operates as a hub distributor supplying a variety of inputs to, among other clients, Casa do Agricultor.

The evidence above shows that input distribution and retail is becoming an attractive business. New companies are crowding in and existing companies are expanding to areas not serviced before but with potential to grow their businesses. This scenario paves the way for a business environment were companies will compete to supply their services at competitive prices, benefiting the SHF and contributing to the development of a vibrant agribusiness sector in northern Mozambique. When companies operate in an environment of healthy competition, the farmers have a variety of choice, in terms of suppliers and range of products and will ultimately enjoy competitive prices.

Seed Purchases by Smallholder Farmers

During the reporting period 19,744 SHFs (of which 6,863 women, 35%) purchased and used certified seed, against 17,360 SHFs from last year, an increase of over 14%. The number of SHFs reached with improved agricultural technologies in the current season is 25% higher than the target of 15,750 SHF. This result signals that an increasing number of SHFs have understood the value proposition of using certified seeds and they demand it. The percentage of women buying and using improved seed was 35% compared to the 40% target. This reflects the fact that men are more inclined to participate in cash crops (which have more incentive to invest in improved seeds) while women major in food crops (maize and groundnuts).

Table 9: Log frame Indicator Tracking for SHFs purchasing and applying improved inputs and services

Log frame Indicator	Baseline 2017	Milestone Target 2019	Achieved 2019	Target for 2020
No. of smallholder farmers (40% female) reached, purchasing and applying project supported improved and climate resilient agricultural inputs and services[i] in all project provinces	10,500	15,750	19,744	16,800

Again, a growing number of SHFs are accessing improved agricultural technologies due to the project activities conducted under this intervention. InovAgro PFU mobilized its private sector partners to deliver inputs and extension services; established demo plots in all project locations, realized field days; expanded the retail network, promoted products in community radios, road-shows and the companies are rewarded by increased purchases of services available by the farmers.

Evolution of Seed Sales in 2016 - 2019

During the reporting period, 621.22 MT of certified seed worth MZN 330,641,298.00 was sold in all InovAgro project locations, as shown in the graphics below.

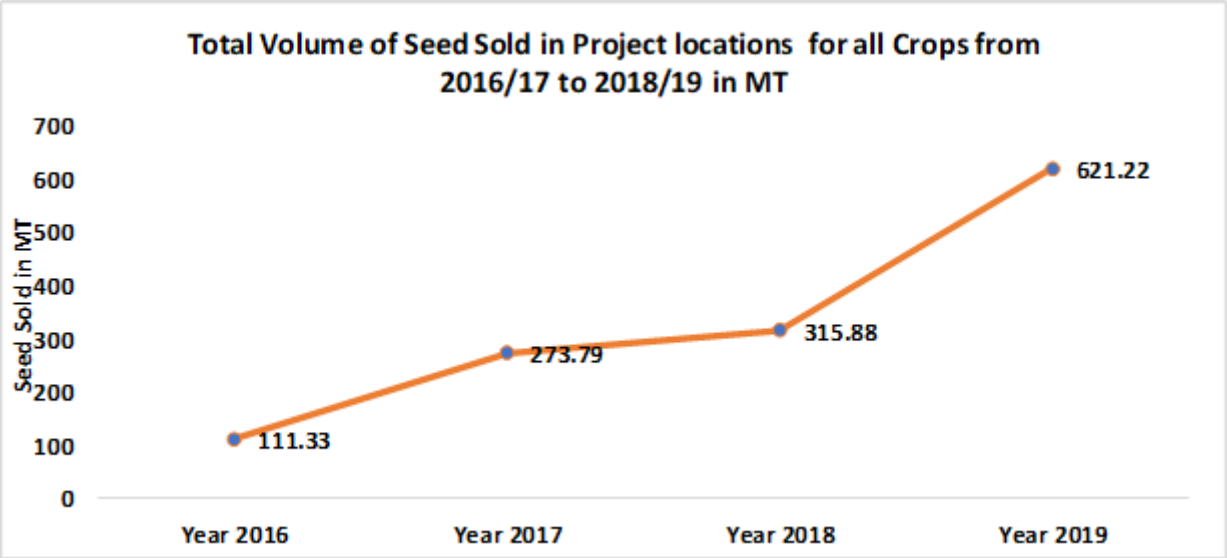


Figure 6: No. of Field Days Carried out and Farmer participation 2015-2019

The above graph shows upward trend of seed sales by InovAgro partners since the adoption of the current Inputs and Extension Model having soared from 111.33 MT of assorted seeds in 2015/16 to over 621.22 MT in 2018/19, an increase of more than fivefold. The graph below shows the evolution of the various crops' seed from 2015/16 season to the current 2018/19 season. From the graphs, there is a general upward trend for the all crops except for pigeon peas that was interrupted by the depressed prices in 2017 and 2018, leading to lower investments in seed.

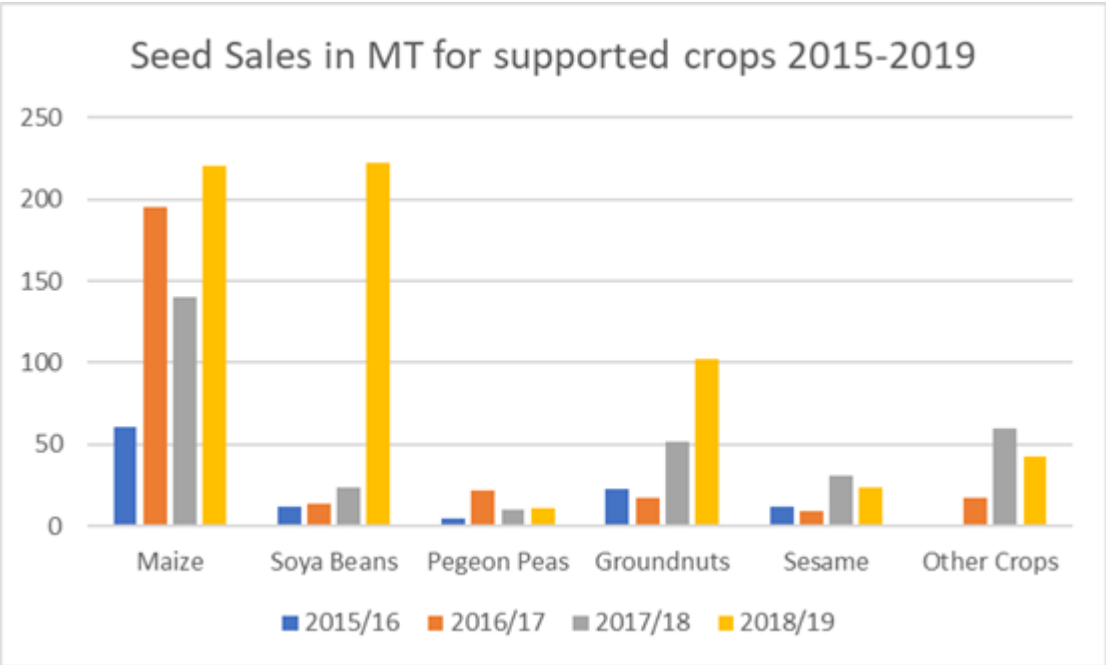


Figure 7:Seeds Sales Evolution from 2016-2019

The drivers for the strong growth in seed sales is a result of increasing demand for certified seed prompted by several private sector-led promotional initiatives as well as the expansion of the retail network. The table below compares the seed sold in the last agricultural seasons by InovAgro partners:

Table 10: Volumes of assorted seed sold in 2017/18 - 2018/19 agricultural seasons (Units - MT)

Agriculture Season	Maize	Soya Beans	Pegeon Peas	Groundnuts	Sesame	Other Crops	Total Sales
2015/16	**60.67**	**11.84**	**4.81**	**22.2**	**11.82**		111.34
2016/17	195.1	14	21.3	17.5	9.14	16.75	273.79
2017/18	140.48	23.5	9.8	51.2	30.8	60.08	315.86
2018/19	220.72	222.05	10.65	101.86	23.08	42.855	621.215

The above table shows that the volume of seed sold in the 2018/2019 agricultural season is 97% higher than sales from the season 2017/2018. For the first time, soya bean has surpassed maize as the most sold seed. This is a sign that soya farmers are becoming more aware of the benefits of using certified seed for productivity and profitability of the crop. It also means that the companies are endeavouring to meet the demand. For instance, Klein Karoo, sold 70 MT against the 9 MT reported last season, an increase of more than seven-fold. In addition, AGRI CON was awarded a contract to market 120 MT of soya seed processed by Sociedade de Beneficiação de Semente (SBS) in Magige in Gurué and sourced from its network of 28 members of a local soya seed producers. It is expected that the price increase of soya grains paid at farm gate in the current marketing season, of 23 MZN up from the 21 MZN paid in the previous season will push the volumes higher in the coming agricultural season, as new farmers may want to participate in this increasingly attractive crop and some old farmers will be willing to expand their businesses.

The volume of sesame seed sold in the 2018/19 has reduced from 30 MT in the 2017/2018 to 23 MT of seed sold in the current season. The demand for certified seeds was high, particularly from the Fundo Agricola members who see sesame as an opportunity to increase their incomes. However, the companies failed to deliver due to inadequate seed production planning.

Maize seed sales remained the largest, increasing by 57%, up from the 140 MT to reach 220 MT in the current season. The significant increase may be a result of the work conducted by InovAgro partners in intensifying demand creation activities and expanding the retail improving the accessibility of seeds in the remote areas.

Groundnut was the third most sold type of certified seeds, primarily because of Ikuru's strategy to sell on credit, repayable at the end of the season. The 101 tons were up 99% from the 51.2 MT sold in the last season. The increase in demand is justified by the good prices paid for the grains this year and for the stable demand for the groundnuts secured by the traders in the south of Mozambique.

Pigeon pea seeds were least sold with a total of 10.15 MT (of which 9.62 MT was supplied by Phoenix Seeds). However, it is expected that for the next agricultural season, the demand for pigeon pea seeds may increase because the price of grain at farm gate level has risen by 340% since last year (from 5.00 MZM/kg in 2018 to 22.00 MZM/kg in 2019).

Additionally, five agro-dealers have contributed to the total sales volume of certified seed in this agricultural campaign. The seed was sourced from non-InovAgro partner seed companies. The agro-dealers Agro Rural and Services, and Aulado Serviços sold together, 1.1 metric tons (MT) of maize from Companhia de Zembe, located in the Manica province while Olima Farm Lda sold 10 MT of maize, 5 MT of soybeans and 2.5 MT of sesame seed. Most of Olima Farm's certified seeds is supplied by its own farm and only a small quantity was sourced from a network of seed multipliers "outgrowers" supported by the company in Malema district.

Lessons Learnt

1. Seed companies, especially Pannar and SeedCo, display a high degree of risk aversion expecting to find well established partners who are very solid, with collateral to reduce their risk of partnership. This has led them to rely largely on cash sales, leading to low sales. The InovAgro PFU will increase their focus in supporting developing relationships between seed companies, agrochemical manufacturers distributors and with hub agro-dealers. In addition, the seed companies are struggling to find the right systems for credit management and debt collection. Getting the systems right will facilitate establishment of long term relationships between the seed companies, distributors and agro-dealers.

2. Large formal seed companies are deciding that it is more effective for them to focus on seed supply and promotion and not run retail seed shops themselves, as this requires a costly management and overhead structure not justified by a limited range of products. For example, Klein Karoo has disinvested in running its own shops and now focuses primarily on sales through distributors and hub agro-dealers and has signed an agreement with Casa do Agricultor to handle its distribution.
3. Seed companies and agro-dealers use demonstrations primarily to show off their product and to market their seeds. Training of farmers, which they acknowledge to be essential, is a lower priority. This leaves farmers with improved inputs but not able to apply optimum agronomic practices. The PFU is giving this extra attention with the seed companies this next year by focusing on the training and capacity of the lead farmers and other low extension methods.
4. The cost of extension is expensive to seed companies, especially when the market is immature; they cannot cover an increased cost of sales promoters/cum Extension Officers at this point in the life cycle of market development. For instance, SeedCo has one Sales Promoter per province, prioritizing 3-4 districts. There is need to increase their outreach in terms of demos and extension. InovAgro PFU will work with the companies to find low cost extension models such as central training of lead farmers with more emphasis on field days, provision of technical training material, radio messages.
5. While demos and field days have been the primary means of demand creation, the seed companies and agro-dealers are finding additional ways of increasing their outreach. Almost all the hub agro-dealers are selling through village fairs. Some big seed companies such as Klein Karoo are also doing road shows to both promote their seed as well achieve actual sales. Many agro-dealers are using village-based agents to aggregate demand and assist with sales.
6. The promotion efforts are paying off with steadily increasing and accelerating sales of seeds. The growing sales for seed and fertilizer shows that with demonstrations, access to the technologies and off-take market incentives, the farmers are buying the promoted technologies previously considered beyond the financial capacity of smallholder farmers in the project locations; while encouraging, there is still a long way to go for commercial sustainability.

Focus Areas for the 2019-2020

The focus areas for 2019-2020 will build on the successes achieved so far while weaning our established partners from project support. This will lead to our objective to establish mature and sustainable market systems. The current status that we seek to address consists of:

1. A steadily increasing trend in the sales of seed, yet which has not yet reached to volumes needed for seed companies to fully own and drive an aggressive promotion programme;
2. A growing but still small agro-dealer network characterised by high levels of mistrust and largely cash trading;
3. A network of agro-dealers with potential to grow but with high levels of informality;
4. A large number of demo plots that are not yet yielding their full potential because they are low on quality due to the low and weak extension coverage; and
5. A wide geographic spread that needs to sharpen focus on high potential areas and increase last mile distribution.

InovAgro acknowledges the good progress made towards developing input markets in northern Mozambique. However, further work is required to get this market into maturity. The InovAgro PFU will work with the seed companies and agro-dealers to determine which aspects of the support can be forgone and what new tools for cost reduction and sales promotion can be promoted for greater sustainability. Key activities will include:

- InovAgro PFU will work closely with the seed companies to understand, help refine, and support their business models. This could include use of STTA to review their business models and develop effective alternatives.
- InovAgro PFU will change the emphasis of our support from promoting large numbers of demonstration plots to facilitating deeper capacity building of, and relations between, the institutions, especially agro-dealers and the seed companies. InovAgro will support and reinforce seed company practices to incentivize good performance by the agro dealers.
- The project will support models of aggregation of demand for inputs through the VBAs to reduce transactions costs and to better organise the last mile delivery;
- InovAgro PFU will work with the seed companies and agro-dealers to develop low cost extension models to promote good agronomic practices to farmers using different channels such as pamphlets, community radios, selecting and training strong lead farmers who will set up demos and provide extension to other farmers, organizing better field days and availing of information at the point of sales (focus on agro-dealers)

- InovAgro will support the seed companies and agro-dealers to promote their seed more effectively in areas with high production and marketing potential and where systems are being used to mobilize funds to purchase seeds, such as the Fundo Agrícola and nascent agent banking networks:
  - Strengthen linkages between the distribution companies with District Management Committees in the FA areas;
  - Establish and strengthen linkages with the financial institutions that will be setting up agent banking and introduce business models to the agent bankers that can promote savings for seeds.
- In addition, the project will support closer integration with the output marketing CATs to establish synergies between lead farmers running demos, VBAs, availability of inputs, and offtake capacity.
- Evaluate the alternative seed promotion models such as village market fairs and road-shows for effectiveness and areas where they are best applied.

7

Outcome 4: Enabling Environment

INOVAGRO ANNUAL REPORT 2019

INOVAGRO Moçambique

DAI

ENABLING ENVIRONMENT

Outcome 4: A well-regulated and coordinated agricultural market operating in the value chains

InovAgro promotes several initiatives focusing on improving the enabling environment to promote the increased productivity and marketing by smallholder farmers in Mozambique focusing on policy dialogue in the seed sector, improving the seed certification services in Mozambique, and increasing the efficiency of commercialization of agricultural products.

The section discusses the work done to support the Association for the Promotion of the Seed Sector (APROSE), the National Seed Authority (NSA), and the Ministry of Industry and Commerce (MIC) to fulfil their mandates in a manner that helps grow and sustain the market systems in the seed sector and to increase the efficiency of agricultural marketing.

APROSE – Seed platform for dialogue

Since 2012, InovAgro has been facilitating the establishment of a vibrant multi stakeholder dialogue platform to allow for rigorous technical debate and stakeholder engagement for a more competitive and commercially sustainable seed sector. This was done through the establishment and ongoing capacity building and support of a national *Seed Platform for Dialogue*, which became the Association for the Promotion of the Seed Sector (APROSE) initiatives. In 2019, InovAgro continued to support APROSE with i) staffing support; ii) some operational support for events; and iii) the development of a new three-year strategy.

Operational and institutional capacity improvements

APROSE was formed through InovAgro II facilitation with the objective to represent stakeholders in the seed sector. APROSE has 42 members including seed companies and seed traders (71% of the members), government departments with seed certification and regulation mandate, national and international research institutes (7%), civic society representing farmers (10%) and development agencies with an interest in promoting seed production, distribution and adoption by farmers (12%).

APROSE held its annual national assembly in April 2019, to receive progress from the secretariat and approve plans and proposed work plans for 2019. Quarterly management meetings at Central & Northern Mozambique levels continue to be weaker and irregular compared to the South due to the distances and limited budget for secretariat to travel. Some of the members have tended to travel to Maputo for key meetings.

APROSE hired a Communications Officer in November 2018. She has managed to develop several communication products for motivating participation in dialogue workshops. She has also managed to create content and set up a website: www.aprose.org. This is set to go live during the first week of October 2019. APROSE also hired an accountant during the reporting period.

Expanding Partnership and Support

To support APROSE during these early years, InovAgro financed 50% of the salary of the Executive Secretary, 10 months' salary for the Communications Officer and rentals in 2019. InovAgro financed the consultancy for the three-year strategy development, the AGM and costs related to meetings of the management committee.

APROSE also receives salaries and other operational costs support from FAO, which supports a few programs. Seed Trade supports specific programmes. Other development organisations including AGRA and Inova have received proposals and plan to support specific initiatives. The increasing interest to support APROSE is an indication of their relevance in the market. The challenge is for them to define and stick to their mandate. The table below shows the areas of support from development partners

Table 1: Support to APROSE in 2019 by Development Agencies

No.	Organisation	Areas of Support	Value USD
1	InovAgro	Institutional support – some salaries and operational costs Programme costs (AGM, Workshops, General Assembly,	44,500
2	FAO1 FAO1	Institutional support – some salaries and operational costs Programme Support – Promote production and marketing of local varieties, potentially appropriate to climate change for food security	119,000
3	Seed Trade Project	Facilitate the dissemination of SADC Harmonized Seed Regulations revitalization of MOSTA	100,000
4	Inova	Seed company competition	
5	AGRA	Submitted proposal in July, awaits approval	

Before the end of 2019, InovAgro will support APROSE to carry out a study of the unique challenges members face, what members would consider the value proposition from APROSE and their overall perception of the APROSE services so far. The outcome of the study will inform programme proposed for 2020 and to be presented in the AGM in November 2019. This will also inform programs that APROSE presents to prospective sponsors for 2020.

Three Year Strategy

InovAgro financed and facilitated the formulation of a new three-year strategy for APROSE for 2018-20. The draft strategy was produced by consultants at the end of 2018 and discussed in the Annual General Assembly (AGM) of April 2019. The AGM gave inputs into the strategy and mandated the management committee to finalise. The strategy has since been completed and is being implemented even though it awaits endorsement in the 2019 AGM set for November 2019. The annual work plan and budget were developed and approved by InovAgro and partnership agreement signed.

National seed policy & advocacy dialogue events appropriately facilitated by APROSE

The main mandate of APROSE is to advocate for conducive seed policy formulation and implementation and organize dialogue events for members to engage with policy, knowledge, opportunities in the market, etc. APROSE must be able to conceptualize the needs of the members and market them to prospective donors.

Up to end of August 2019, APROSE had facilitated six workshops this year on dialogue, advocacy and training / member awareness, bringing the cumulative total to 12, against InovAgro's log frame target of 10.

a. APROSE carried out its general assembly for 2018 belatedly in April 2019 in Nampula. Major business was to discuss the three-year strategy and receive plans that includes support from development agencies and financial report for 2018. Forty members attended.
b. APROSE facilitated a discussion on the findings of a study on the extend and effects of free and subsidized seed in the country in May 2019. The study mapped the quantities of donated / subsidized seed distributed by GoM, NGOs / projects and FAO in the period 2013/14 – 2017/18, disaggregated per crop (including varieties) and per province. The study estimated the areas planted with that seed. As per the study the quantities distributed per year were below 3,000 tons, except in 2016/17 (4,200 tons) when areas of the country were affected by El Niño and floods. In general, the greatest effects were felt through the government programme, which has come down due to limited funds from government treasury for programs. The consensus is that the seed should be sold through agro-dealers and can only target the poorest farmers in a controlled manner.
c. Procedures for Seed Varieties Evaluation Registration and Release – Including SADC Harmonised Seed Regulation Procedures on 18 June 2019. This was done in partnership with FAO. APROSE invited a consultant for the SADC harmonisation of seed registration to explain the procedures and overall objective whose import is that once a seed variety has been registered in two SADC countries that are signatories to

the harmonised registration protocol, the company only needs to provide evidence of registration for their seed to be automatically registered in other countries.

d. MOSTA Revitalization Workshop, 21 June 2019 – The Mozambique Seed Traders Association (MOSTA) was formed in 2013 with the objective to advance the interests of seed traders in marketing of seed within and outside the country, safeguarding the common interests regarding seed sales, certified quality and transparent transactions. Seed traders, who are 71% of APROSE membership, have been expressing interest to revive an association that specifically addresses seed traders' interests. Twenty-seven people attended.

e. OECD Seminar, - Benefits of Acceding to Organization for Economic Cooperation and Development (OECD) Seed Schemes in Mozambique July 2019. The harmonisation objective is the establishment of adequate legal and institutional framework for implementation in countries that are signatories to the SADC MOU. The workshop sought to improve seed quality control and quality assurance standards through in-country domestication of the SADC harmonized regulatory system. Workshop brought awareness and sought commitment from stakeholders to uphold and benefit from the use of the harmonised protocols. Thirty-five people attended.

f. Local Variety registration and release validation workshop, August 2019. The first meeting held in March 2019 was to discuss the importance of facilitating registration and release of local varieties and designing the terms of reference for the study. A consultant was commissioned to study motivated by the slow pace of registration and release of local seed varieties. The validation workshop was carried out in August. Thirty-five people attended.

Two more publicity and dialogue events are planned before the end of 2019.

Perception of APROSE Members on Appropriateness and Effectiveness

During the InovAgro annual end of season survey, the number of APROSE members interviewed was too small to make their views representative. However, in 2019, APROSE's programmes and activities have found a solid subscription from their stakeholders in many ways. APROSE has carried out six workshops related to dialogue and information dissemination. In addition, the APROSE brand has attracted the attention of donors and development agencies as they have ended up receiving increasing support from reputable international organisations as discussed in an earlier section.

InovAgro and APROSE agreed to carry out a perception and membership feedback survey whose findings will inform APROSE plans for 2020 to be presented at the annual general meeting in November 2019.

National Seed Authority (NSA)

InovAgro has been assisting the National Seed Authority (NSA), to develop a structured mechanism to facilitate dissemination of information to the seed sector stakeholders and to put in place a system for Private Sector Seed Inspection to help it become more efficient at inspecting and certifying seed.

The support to NSA is a continuation of the work of 2018 when InovAgro supported NSA to carry out the first training of the private sector seed inspectors in August 2018 at Phoenix Seeds, near Chimoio. InovAgro also supported NSA to start putting together information and the concept of developing a website and certified seed database.

Training of Private Sector Seed Inspectors

Building on the training and accreditation of the six private sector seed inspectors in 2018, the NSA staff in Chimoio provided supervision of the performance of the six accredited inspectors. Of the six, four remain active after one resigned from their company and the other is no longer working in seed inspection. The three companies with certified inspectors expressed appreciation of the importance of having a PSSI in-house to daily keep an eye on quality and practices and facilitate engagement with the NSA.

For the 2019 season, NSA decided not to train PSSIs but to evaluate the first batch of trained PSSIs and then do the new training during the active growing season, in March 2020.

InovAgro and NSA reflection sessions showed that being a new concept, some companies do not yet understand the value proposition from having their own in-house seed inspectors to stimulate their demand to pay for training.

InovAgro and NSA are at advanced stages to hire a consultant to carry out an analysis of the value proposition for private seed companies to invest in the training of seed inspectors. This will be used by NSA to directly market the programme to the seed companies. The next training is planned for inspectors to be trained in early March 2020, which is the ideal period. The four trained in 2018 will participate in part of the training to refresh and provide practical experiences.

InovAgro recently supported NSA to develop a business model to ensure that the costing of the seed inspectors' training can be recovered from fees paid by the candidates rather than having to rely on donor support and / or disbursements from the National Treasury. However, it is not certain whether the market is ready to pay 100% of their costs, so InovAgro will most likely continue to subsidize some of the private sector participation in the training this coming year, but at a lower level than the first round.

A new work plan has been developed with the NSA that is aligned with the agriculture season. The starting pointing is to develop a value proposition that will be used by NSA, supported by InovAgro, to market the value proposition for training to the seed companies. NSA would then need to contract someone to prepare staggered fields to allow training over a two weeks period for various crop cycles.

Website and Database Development

InovAgro has been supporting the NSA in developing an operational system for dissemination of relevant information to seed sector stakeholders. Seed companies and prospective buyers need to have access to a database where they can understand which seeds are certified, the process for seed certification and release and the formal process for importing seeds into the country. In addition, there is need for prospective and existing seed actors to understand the whole process leading to seed certification (registration and release).

In 2018, InovAgro financed NSA to develop an information dossier to populate the website with relevant and user-friendly information. This process continued into 2019 leading to the website finally being established as www.dev.ds.co.mz (operational but not yet fully launched). The website has since been populated with registered certified seed varieties in Mozambique and information on seed quality control and legislation. The website will be launched by end of October 2019 once partner projects have been uploaded on their system. InovAgro will support NSA through the launch of the website and ensuring quality of posting.

The question of managing the website remains outstanding. NSA needs to collect and populate the website with information of interest to stakeholders, but the NSA does not have this capacity. In a second stage, the website could be organized as an open digital platform to facilitate dialogue between NSA, its clients and other seed sector players.

APROSE has advised that they can host the website. NSA needs to get approval for the hosting to be done through APROSE, who already have a full-time communications person. The NSA must also be able to monitor hits, track views of the website and attend to requests / feedback provided by viewers and preparing and posting new and uploading information to the website.

In the new agreement, the partners agreed to evaluate NSA's management constraints and what type of assistance can be provided by InovAgro to improve the website management.

Support to the Ministry of Industry and Commerce on agricultural marketing

In 2018, InovAgro supported the Ministry of Industry and Commerce to pilot new legislation meant to streamline the license fees and processes for trading in districts. Previously a trader was required to pay fees from the district, administration post and locality levels. This was more expensive but more importantly took time. The new system requires that traders register at the district level to cover all their trading in that district, saving time and money.

In 2019, InovAgro supported the Provincial Departments of Industry and Commerce (DPICs) to roll out the new licensing books to the districts. Awareness sessions were held for district government structures and the traders, who were required to immediately switch to the new system. This is discussed more under output marketing.

8

Outcome 5: Knowledge Management, Gender Inclusion and Project Results Measurement

INOVAGRO ANNUAL REPORT 2019

KNOWLEDGE MANAGEMENT, GENDER INCLUSION AND PROJECT RESULTS MEASUREMENT

At this stage of the project, both Knowledge Management and project results measurement are critical to capture the project results and achievements as well as to communicate and influence adoption of Market Systems Development (MSD) approaches by other stakeholders.

Knowledge Management

Dissemination of knowledge emerging from InovAgro's interventions should be a central part of the project work. After nine years of implementation, with many changes to implementation models and strategies, and innovations, it is very important that the evidence-based approaches be documented and shared to influence existing and future projects in Mozambique. The PFU continues to be guided by the knowledge management strategy developed in 2018 and has initiated the delivery of Knowledge Management interventions and the milestones below were achieved during the reporting period:

Capturing of Key Knowledge Generated since Phase I

As part of the knowledge management strategy, InovAgro set out to look back on the life of the project to capture, distil and package the learning and knowledge generated in all three phases. We have archived the various project reports and studies that carry a lot of lessons. These can inform the current project and other development organisations. It is very important for the project to revisit some of the underlying situations that led to the development of interventions and the assumptions behind those interventions, as it is important to measure how key development issues and stakeholder behaviours are changing. This is particularly important for the technical team going into the last year, as most have only joined the project in the last two years.

Documents from all phases have been captured in the InovAgro SharePoint and kept on a secure InovAgro server with easy to follow folders. This allows for easy access and the information will be retained beyond the life of the project.

Participation in the SDC Bern Meeting in Switzerland

InovAgro was invited to participate in the annual SDC Bern face to face meeting in early May 2019. InovAgro, together with SDC prepared presentations for a stand to showcase the history, approaches and results of the project. InovAgro prepared the project Timeline that captures major milestones, events and activities, and the evolution of our interventions. InovAgro developed a large poster and smaller handouts of the project interventions capturing the results over the last five years and the key lessons learned. Represented by William Grant, the DAI Technical Director, Fauna Ibramogy, the SDC National Programme Officer, InovAgro had been selected to present along with eleven other SDC's leading private sector development projects. InovAgro was voted as the most adaptive MSD project by the Face to Face participants, who represented the SDC economic growth staff.

Figure 1: Fauna Ibramogy of SDC and William Grant of DAI celebrate InovAgro being voted most Adaptive MSD Project

Market Systems Development Best Practices Dissemination Workshop

The InovAgro PFU organized a *"MSD Best Practices Dissemination"* workshop in Maputo in July 2019. Sixty-two people (44% women) attended representing key donors in Mozambique, agribusinesses, financial institutions, civic society, government and development partners. The workshop shared InovAgro approaches alongside other projects using market-based approaches and private sector actors developing interventions together with InovAgro.

The International Food Policy Research Institute (IFPRI), who are contracted by the SDC to conduct an independent quantitative evaluation of the impact of a market systems development project on households, presented preliminary study findings and short policy briefs.

From the end of workshop evaluation, 89% of the respondents said they were satisfied or very satisfied with the workshop. Only 10% of the participants said they had a good understanding of MSD approaches before the workshop and 93% said they left the workshop better informed about what MSD approaches are like and try to achieve. Eighty percent (80%) of participants said they had learnt something new from the workshop and would like to implement in their current or future projects. With most participants willing to try to adopt some approaches discussed at the event, this presents a challenge and focus area for InovAgro PFU. The next stage is following up, engage and support individual institutions on their journey to starting MSD approaches.

MSD Symposium

The Maputo InovAgro MSD workshop was a precursor to the regional MSD Symposium that InovAgro wants to facilitate in Maputo in the first half of 2020. The Symposium will be organised in collaboration with ELIM, an events management and consultancy company, on a "limited loss coverage" basis. ELIM will organize a self-financing symposium, where InovAgro is a co-organiser to help ELIM learn how to organise the content and structure of the symposium. In addition to participating in the content development, ELIM will assume the marketing, administrative, and logistical arrangements related to the event. They will experiment with fundraising from various market actors and donors to facilitate delivery of this initiative. The conference, among others, will showcase the achievements of InovAgro as a flagship project.

At the conference, InovAgro seeks to capture the knowledge coming out of the three phases of implementation and share it with other development actors (donors, government, other development agencies and the public sector) in Mozambique. Using this information, corroborated by learnings from other participating MSD projects in Mozambique, we will hope to gradually influence how development approaches are conceived and implemented. This conference will provide a platform for the discussion of emerging lessons from both public and private practitioners who are implementing assorted market-based interventions in the agribusiness sector.

The InovAgro PFU together with ELIM, attended the MSD conference in Cape Town in April 2019 with the view of learning and stocktaking on the various stages and elements making up an international MSD symposium. The planning for organising the symposium has started with core elements of raising resources identified and the key steps. The next stage is to identify a suitable date before the end of June 2020[16], lay out the technical format, start a website, and engage key note speakers, before advertising for participants.

Participation in the Market System Development Network

The InovAgro PFU, together with SDC, were among the pioneers to kickstart the National Market Systems Development Network, a national platform that is meant to share best practices and influence the way agricultural development is done in Mozambique. While the network started with participation of senior practitioners, this has slowed down with the attendance mostly confined to middle managers. From the MSD workshop in July 2019, InovAgro has engaged senior management from other development agencies with the view to reinvigorate the network and see senior management participation. The challenge is for InovAgro to take a more proactive role, from its location in Nampula, and influence the focus areas and share InovAgro approaches and success stories.

Case Studies

InovAgro produced a case study on "Applying a Market Systems Approach to Stimulating Land Titling in Mozambique". The case presents a model for land titling that is cost-effective and sustainable through capacity building of local land governance structures – the Land and Natural Resources Management Committees and the Paralegals, that lowers the cost of delimitation and pegging plots. The case study was published in the SDC e+i Newsletter of June 2019 accompanied by blogs presented on the BEAM Exchange and in the DAI Publication

[16] The planning takes note of the fact that the Annual Market Systems Symposium of Cape Town has been penciled for April 2020. Because some of the experts to be invited are the same, the date should not be back to back with the already established Cape Town Symposium

"Developments". The lead author was William Grant with support of Nephas Munyeche, former InovAgro Team Leader and Carlos Mugoma, InovAgro Deputy Team Leader.

A Fundo Agricola case study has been drafted and will be finalized by end of October 2019. The case explores "the complexity of building a market for certified seeds". It explains how InovAgro has introduced a cost effective and innovative response to the perennial problem of helping SHF to access funding for the purchase of inputs at planting season. InovAgro sees this approach as one which can be responsive to the needs of the SHF, but also recognizes that there is a lot of room for improvement and innovation. The same saving culture can be upgraded to farmers saving through agent banking.

Influencing ongoing projects in northern Mozambique

In addition to influencing the thinking around the importance of implementing an MSD approach at national level, InovAgro continued to influence ongoing local projects to jointly reflect on project outcomes and to prevent crowding out of our interventions by direct delivery interventions. The InovAgro PFU has polled the projects operating in the districts of interest and drew a preliminary view of their approaches summarised in terms of collaboration and areas that seem to conflict with MSD approaches. The PFU has been engaging other projects at every opportunity to share InovAgro approaches. InovAgro has presented its approaches at an agribusiness workshop coordinated by the Ministry of Industry and Commerce in Maputo, presented InovAgro CAT model at the launch of the provincial marketing season workshop organised by the Nampula Department of Industry and Commerce in Malema, and at the Erati agribusiness investment forum.

Alignment and collaboration with other DAI implemented projects

InovAgro is exploring increasing collaboration and alignment with other DAI implemented projects, primarily INOVA and FSDMOZ. A learning and experience sharing workshop, funded by INOVA, was organized on the 1st of April 2019 in Nampula. There was an intense exchange of approaches, experiences and shared views on partners and consultants/STTAs. The partners have since started working in collaboration. Both projects worked with METL, a company who buys maize for making grits for Cerveja de Mozambique beer brewery, to design a model that builds on the CAT model. InovAgro PFU is also collaborating with FSDMOZ in relation to the launch of the BancABC and Letshego Bank agent banking models. FSDMOZ is supporting the broad product development while InovAgro is supporting the piloting through agro-dealers and CATs.

Collaboration among SDC funded projects in northern Mozambique

At the end of March 2019, SDC facilitated an experience exchange workshop involving SDC funded projects – InovAgro, HortiSempre, Helvetas and Banco Futuro. The teams came up after the meeting with a matrix that showed opportunities for collaboration. Among them, three of the partners apply the MSD approach and could learn from each other. Meeting was held with Helvetas and they were in turn invited to share their experiences during the InovAgro MSD workshop in Maputo. There was also interest in finding solutions to financing of smallholder farmers and SMEs in agribusiness. InovAgro PFU is fostering ongoing collaboration with the partners.

Monitoring and Results Measurement

The Monitoring and Results Measurement (MRM) team helps to track performance of the project and provide regular feedback to ensure that the project is able to take appropriate measures if there are any deviations. MRM also helps the project team and partners to plan activities / interventions, monitor outputs and measure outputs and impacts. The results from MRM create a historical overview of efforts made, problems faced, results delivered, lessons learned and objectives achieved, which is used to deepen and share the knowledge about factors that influence implementation performance and project results.

INOVAGRO III developed the MRM guide to be followed by the team to ensure that the basic tasks are accomplished, and that the implementing partners are equipped with enough tools for the development of appropriate information required to keep managers well informed for making appropriate decisions.

Activity Planning for 2019

The preparation of the annual activity plan for 2019 started in October 2018 and was shared with SDC in November 2018 at the annual planning meeting held in Quelimane, Zambezia Province. A detailed plan was drawn up in January 2019, including budgeting and targeting. The planning session involved the SDC, SAC and DAI senior project management team so that key recommendations were captured and clearly understood. To allow a better monitoring of the implementation of the annual plan, it was decided, based on the annual plan, to draw up periodic plans every three months.

The InovAgro PFU has been producing quarterly plans. These are reviewed quarterly and these are captured through updating in Intervention Guides.

Revision of tools and methodology of carrying out surveys

The InovAgro PFU revised the MRM framework to ensure alignment with the log frame. During the first semester, an STTA was hired to support the revision of the instruments used for the monitoring and evaluation of the project: the log frame; intervention guides; survey methodologies and tools.

In previous years, InovAgro struggled with collection and systemization of data collected through partners. Private sector partners are more interested in finance related figures and will struggle to capture some of the developmental information that feeds into InovAgro MRM data needs.

The STTA also supported with the development of survey instruments for the annual end of season survey again to ensure all the indicators are covered by the questionnaires generated.

Introduction of tools for data collection on physical progress

For the systematization of data on the physical progress of activities at ground level, information collection instruments were developed for use by InovAgro's partners to fill in monthly. The instruments developed cover all components of the InovAgro project. The instruments were put in books that duplicate the records so that the partners keep a copy and InovAgro receives the other. The information collected is made available monthly to the PFU and the intervention managers use this regular feedback for the follow-up of the achievements made by the partners and the introduction of corrections as necessary. A total of 308 books were printed for recording MRM data at partner level.

These books were primarily conceived to help partners to develop a record keeping habit that would help them to improve their business management by checking the progress of their business.

These books were distributed to all the InovAgro partners of all the main interventions (Inputs and extension, Finance, and Output Marketing) in the 11 districts. The partners are required to share their records, with InovAgro, on a monthly base.

From June 2019, most partners have been sharing their records helping the intervention managers getting more accurate data from the partners' activities. The challenge in using the books has come from some CATs. InovAgro will review with the CATs and see what changes are necessary to make the forms more user friendly.

Figure 10: InovAgro staff explaining how to use the data recording book to an agro-dealer staff member in Ile

Yield Assessment and Annual End of Season Survey

The yield assessment survey was conducted by the PFU team to measure yields for maize, soya bean and groundnuts. InovAgro measured the yields of 297 households in eight of the eleven districts (except Chiure, Malema and Ile). The results feed into the production and profitability report.

Preparation for the annual survey was also done by preparing the necessary tools, identifying survey communities and finalising the survey plan. To be aligned to the log frame indicators that seek to see percentages of households realising changes, the sampling method was agreed to measure the same 450 households surveyed in August 2018, thereby providing longitudinal data. The survey ended up interviewing 510 households, adding new households, including new beneficiaries.

InovAgro upgraded its survey data capturing to tablets compared to the previous pen and paper-based approach. The tablets were loaded using free Open Data Kit (ODK) software which is increasingly common for development projects and easy to programme. Using tablets has a huge advantage of data quality when compared to the traditional pen and paper data collection system. By using the ODK software, data quality is dramatically improved through validation conditions, automatic question skip logic and the elimination of data entry errors. Additionally, tablet-based data collection allows the survey manager to check data while the survey is being implemented and detect and address any issues before the survey is complete. Finally, survey implementation is faster because data entry is no longer needed.

Ten new tablets were bought to ensure that for the end of season the survey could be conducted using the tablets. This eliminates data entry stage. The tables will also be used for many other MRM data collection including the geo portal mapping.

Geo-referencing System to track InovAgro partners activities

InovAgro partners and interventions are distributed in all eleven project districts. InovAgro PFU is developing a geo referenced database that will allow us to map out the outreach of the various interventions. This information can be used to show partners the potential in various localities and where there are synergistic activities (FA, CATs, demos and agro-dealers). It can also be used for accountability to the donor as well as partners accountability to InovAgro. InovAgro has contracted an STTA who will start this exercise after the end of the pigeon pea season at the end of September. Exercise will use the tablets acquired for MRM data capturing. The STTA will work with InovAgro geoportal experts from DAI Washington. The data will be collected in DAI's platform, which is web accessible, collect.dai.com. This site is advantageous because it is on DAI servers and we will be able to retrieve the data in the future and will be able to provide support to it. In addition, it is secure and meets all the international data protection requirements.

Gender

The InovAgro project has fully embraced the importance of mainstreaming gender across all its interventions. This section provides an overview of the work that has been done during the reporting period in relation to Gender.

From the gender scoping that led to the gender strategy in 2018, it was found out that there is a lot of 'gender inequality' from the project partners to the end beneficiaries. Women continue to lack voice, and decision-making power both in their households and in society at large; in addition, their access to economic opportunities remain very constrained.

Gender Champion

In 2018, the InovAgro PFU developed and disseminated the InovAgro Gender Strategy. Ms. Nina Blid, the STTA who supported the PFU to develop the Gender Strategy for Phase III was contracted to provide further technical backstopping. One of the deliverables was capacity strengthening of the InovAgro Gender Champion. She worked with Eduarda Veiga to jointly develop a gender plan for 2019.

With Eduarda leaving the project in May 2019, the InovAgro PFU appointed Jacquiline Mweli the new gender focal person. Jaquiline has been oriented on gender by the Team Leader and has had a few online sessions with Nina Blid to understand better and move the work plan from where Eduarda left.

Training of Staff on Gender Mainstreaming

In March 2019, the STTA trained all InovAgro project staff on gender mainstreaming leading to the development of gender action plans. The team further developed the action plans in subsequent team meetings that were shared in the Progress report for 2019.

The gender plans were meant to ensure that gender is truly mainstreamed in all interventions and the PFU would use spaced repetition to ensure partners become familiar with gender. Some of the new evidence of project staff embracing gender mainstreaming is that now all the intervention managers' report gender-disaggregated data and give an explanation where the numbers do not meet the targets. Regularly in meetings, the team discusses the gender dimensions in the intervention.

Partner Gender Training and Action Plans

A lesson learnt from the interviews with partners in 2018 was that most private sector partners understand the importance of putting gender at the centre of their work but lack technical knowledge on how to build concrete action plans to transform their willingness and intention to be gender inclusive into concrete action plans.

The PFU organized a workshop for InovAgro partners in Nampula in March 2019. The partners were trained to understand why gender mainstreaming was good for them and their businesses from employees to their buyers and suppliers. They were then given templates to develop gender action plans.

In June 2019, the PFU followed up to understand and support the development and implementation of the gender actions with partners. These plans were partially developed during the workshop and were to be finished in consultation with other members of their staff. Below are the areas of focus the InovAgro PFU has been impressing upon our partners by thematic area.

Gender in Output Marketing

Various studies confirm that women are more involved in production than output marketing. Women and men carry out different roles in marketing each commodity, due primarily to spatial mobility. Women tend to work in consumption crops, such as maize and groundnuts for the food and nutrition benefit of the family, while men take a leading interest in cash crops soy beans, pigeon pea and sesame. While the food crops benefit the whole family, the men take control of the commercial crops and make the decisions on income distribution.

The majority of the 28 CATs supported by InovAgro in 2019 are male (86%). Women involvement as CATs is still a struggle due to access to working capital and ownership of major marketing assets, such as vehicles, portraying a male dominance in the agricultural marketing systems. Even with InovAgro PFU encouraging women CATs and promising to give them more technical assistance, the numbers remain low. InovAgro encourages the male CATs to pay attention to gender dimensions to encourage more women farmers participating in marketing their crops. Encouraging and incentivizing CATs to venture into new communities without buying points increases the likelihood for women to start participating in and learning how markets work. When the market point is in the villages (within

five kilometers of their homes), women are likely to have the time to go to the markets directly and be allowed to participate by the men in their lives.

Gender in Finance

Women entrepreneurs and farmers are less likely to get finance from the formal financial sector than men. This is because women tend to have less ownership of assets to put up as collateral, they have lower levels of literacy and in rural areas, most of the women lack identity cards and NUITs. InovAgro realized that adding the Fundo Agricola product to existing savings clubs (often dominated by women), would overcome the formal market barriers. Women participation in the FA would promote their participation in formal value chains aided by technologies such as certified seed that enhance their production and productivity.

More women are being involved in Saving Groups and saving for agricultural inputs. As reported elsewhere in the Fundo Agricola section, women dominate the FA in the eight districts that the project is supporting. This year saw 66% of the new members in the FA were women, bringing female participation back up to 55.29%.

InovAgro PFU has oriented the co-facilitators to ensure that the implementing structures are aware of the importance of gender dimensions in savings groups. One of the requirements for a group to be considered registered is that it should have women in influential positions (President, Vice President and Secretary). Those women selected and struggling should be provided additional support and training to ensure they can effectively discharge their duties.

Gender in Inputs and Extension

The structures involved in input and extension intervention include the seed companies, their staff, the distribution channels (distributors, agro-dealers, village-based agents), the lead farmers and the farmers. There is also the products and services provided through the networks, inputs and extension services.

All structures of the seed intervention need to understand windows for gender mainstreaming. InovAgro PFU has explained to partners all the opportunities they have to encourage women and men to purchase their products. The seed companies need to ensure that their products encourage men and women to buy and use appropriately to get the best benefit. InovAgro PFU engages the seed sector to deliver small packages (1 kg seed packs) as this is cheap enough to encourage women to buy and start experimenting with the seed. The packaging should provide information that is easy to understand and some of the information should be available at the point of sale both through pamphlets that are written in simple language and using a lot of graphics. The sales person must be knowledgeable and patient to explain how to use the seed as most women have lower levels of literacy. The sales people must exhibit integrity for women to feel safe to come to the shop for information.

For the extension, women should be encouraged to participate in field and training days. This could be made easier by encouraging women to bring their spouses or a male relative to training events. The lead farmers should explain the good agronomic practices in local languages. The seed companies are encouraged to employ extension officers who speak local languages and are familiar with local cultures.

Gender in Land Tenure

According to the Mozambican constitution, women and man have equal right to land, but there are restrictions to women due to customary rights. Northern Mozambique's society is matrilineal, meaning upon marriage men usually move to live on women's land. However, the women still do not have right to the land as key decisions, effective owners and custodians of lineage and family land are the elderly men in her family. Women can lose the land when their husband dies.

Thanks to the land tenure titling work done by InovAgro in Namarroi and Mocuba, women do now have a right to land leases (DUATs). This reduces the woman's vulnerability from expulsion especially in the event of death of the spouse.

The project has engaged and partnered with Terra Nossa to facilitate the implementation of titling activities in Zambezia province in the district of Mussano - Namarroi and have managed to assist the farmers to get 354 land title deeds (DUATs) of which 63% were women.

Lessons Learnt

1. For most of InovAgro partners, the knowledge of gender was limited to the number of women participating or involved in an activity, without examining how to influence greater female participation. They did not understand that assigning of reproductive roles entirely to women limits their ability to participate in and their potential in the productive function

2. Most private sector actors would prefer to employ young men to do sales and travel in many districts due to the pressure on women to fulfil reproductive roles. They fear that the women are in more danger of missing work during crucial moments for making money. They did not realize that, be that as it may, there are still many opportunities to be gender inclusive in how they interact with communities, how they package, label their products, etc.

9

Land Tenure Security

INOVAGRO ANNUAL REPORT 2019

INOVAGRO Moçambique

DAI

LAND TENURE SECURITY

Introduction

In Northern Mozambique, a growing number of investors in agribusiness, forestry and mining sectors are seeking land to implement their investment plans. These economic initiatives require large continuous tracts of land, resulting in high threat levels to smallholder farmers' land tenure security. Since 2017, SDC requested InovAgro to pilot innovative ways of establishing a market system for land titling in districts at risk of large business interests.

InovAgro successfully piloted the delimitation of land of four communities in Namarroi and Mocuba districts of Zambézia province. Delimitation provides first level protection to the beneficiary communities. To ensure full protection for the smallholder farmers' land tenure security, InovAgro took a step further, to facilitate the issuance and delivery of individual land titles to the legitimate occupants. InovAgro complimented this with promoting local development initiatives to facilitate profitable and sustainable use of land. This would incentivize farmers to seek and hopefully for securing land tenure.

Land Tenure Security

During the reporting period, InovAgro engaged Terra Nossa to facilitate the realization of the following activities, in the four delimited communities:

- Revitalization of the Land Natural Resource Management Committees (LNRMCs) and Paralegal Networks;
- Geo-referencing of individual plots;
- Issuance and delivery of DUATs;
- Facilitation of learning and exchange visits between the delimited communities and the stakeholders; and
- Promotion of Business and Investment Opportunities in the delimited communities.

Revitalization of the LNRMCs and Paralegal Networks;

InovAgro PFU strengthened the two LNRMCs with 18 members (six women) and 16 Paralegals (five women) in the communities of Mussano and Mutaliua in Namarroi district to provide a cost-efficient, effective and sustainable means to strengthen the community engagement on local level land administration issues, especially the titling processes. They were capacity built to be the drivers for the systemic uptake of land titles by smallholder farmers in the program locations. These trained structures worked towards titling of the first 1,095 individual land plots.

In August 2019, Terra Nossa facilitated a three-day refresher training session of the 31 members (nine women) of the LNRMCs[17] in Mussano and Mutaliua in Mocuba. The training aims to provide basic knowledge about the land legislation as well as the requirements and procedures to assist individual farmers to register their land.

Geo-referencing of individual plots

In the half year report, InovAgro PFU reported the successful completion of geo-referencing of 1,095 land plots in the two delimited communities of Namarroi.

Terra Nossa, set up two technical teams to work with the 31 members of the LNRMCs in Mocuba. These have started the process of geo-referencing an additional 1,100 individual plots. This process will be completed by the end of October 2019.

The teams have already done community outreach sessions and are now working on land boundary recognition. Thereafter, they will provide assistance to land occupants in the public exhibition of land data collected in the field, for validation. By the end of October and once the validation of land data has been completed, the geographical information will be uploaded in the Land Information Management System (LIMS), paving the way for the generation of individual DUATs[18].

[17] In Mocuba, the members of the LNRMCs also play the role of Paralegal Agents.
[18] Land Use Rights Title (Direito do Uso e Aproveitamento da Terra (DUAT) in Portuguese)

Land titling

To expand the titling initiative into the two delimited communities in Mocuba, InovAgro PFU hired Terra Nossa to undertake the work in 2019. The facilitation work is underway at the time of writing this report. At the end of the assignment in Mocuba, Terra Nossa is expected to issue and hand out to the legitimate land occupants 1,100 individual land titles in coordination with the Provincial Cadastral Services of Zambézia province.

Table 1: results achieved against the targets in land titling

	Target 2018/19	Achieved in 2018	Achieved in 2019	Total achieved	Comments
Geo-referenced plots	2,000	1,095	117	1,212	Work in progress in Mocuba to geo-reference 1,100 plots and proceed with DUAT application
Titles issued	2,000	351	0	351	Land conflict in Namarroi hampering issuance and delivery of 744 titles. Additional 1,100 titles to be issued in Mocuba.

As reported in the progress report of 2019, in Namarroi in 2018, Terra Nossa, with the support of the LNRMC and paralegals, pegged out 1,095 plots of land leading to 351 DUATs being confirmed and issued. Ninety (90) of the DUATs were handed out to the legitimate land occupants, in a ceremony in March 2019 in the Mussano community of Namarroi district. This was witnessed by an SDC monitoring mission together with the district and provincial government structures. The remaining 261 DUATs were delivered to the legitimate occupants.

Of the 354, 63% of the DUATs were issued to women. This outcome is an outlier compared to the national average of 33% of women receiving formal land titles. This scenario is explained by the matrilineal nature of the societies in northern Zambézia. Even though the proportion of women in Namarroi delimited land outnumber the men, it is the male relatives of the women who make decisions over the land owned by the family. More outreach is needed to empower and encourage women to effectively ownership and control of their land.

Figure 1: land interventions beneficiaries showing of their titles, in Mussano Community, in Namarroi.

The balance of 741 plots of land were found to be conflicted as the land was on a DUAT issued to Portucel, an agri-forestry company. These are made up of 541 from Mutaliua and 200 from Mussano communities. In the half year report, InovAgro PFU pointed out that public infrastructures such as schools, hospitals, government buildings and sacred community places such as cemeteries, churches and mosques were also captured in the Portucel DUAT, which is a breach of the rules of the country's land administration system.

The map below, shows (in red), the individual plots geo-referenced by Terra Nossa in Mutaliua community, surrounded by a mass of green areas signalling Portucel concession.

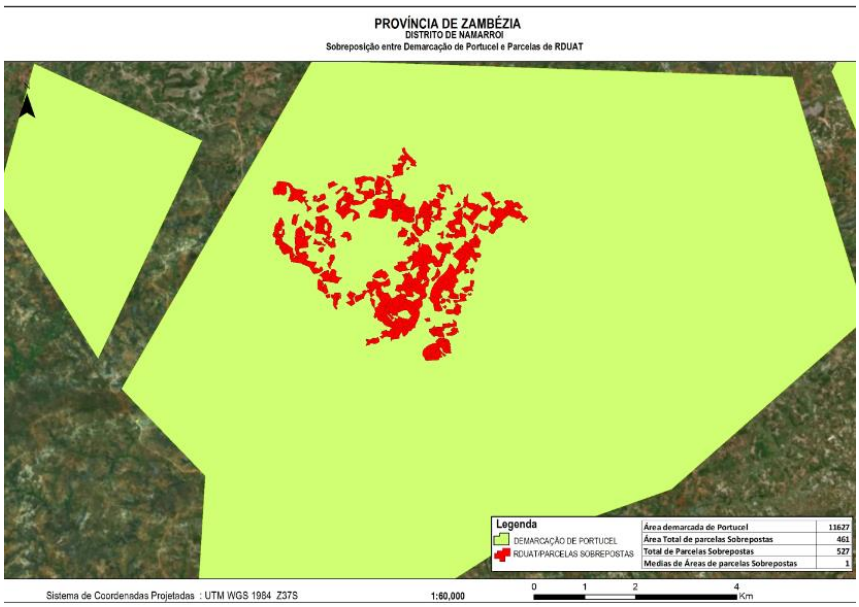


Figure 2: digital map showing the overlap between Portucel and the individual plots occupied by members of Mutaliua Community

To resolve the issue of the 741 conflicted plots, Terra Nossa moved the conflict resolution to national level because the Mozambican land law imposes that any changes in DUATs with over 10,000 hectares, such as the Portucel DUAT is only authorized by the Council of Ministers - the entity that authorized the issuance of the DUAT. Terra Nossa facilitated a meeting between the National Directorate of Lands (DINAT) and Portucel Senior Management to agree on the terms for the detachment of the overlapped areas from Portucel's DUAT. Portucel was required to submit a letter to MITADER requesting the detachment of the overlapped areas from its DUAT. Portucel, which initially committed to make the request, has since reneged on that understanding citing the risk of setting precedence for other communities. Instead, Portucel alleged that they have an agreement with the communities where no individual DUAT can be issued to land occupants in areas where the company is operating. However, this claim is contested by the affected communities who are demanding the issuance and delivery of DUATs. Eight members of the Mutaliua LNRMC and a local traditional leader have written a letter for resolution in favor of farmers that they represent, which opens the door to administrative measure to be taken by DINAT should Portucel fail to submit its formal request for the detachment of the area in conflict from its DUAT, by the end of September 2019. This implies that DINAT will give instructions to the SPGC in Zambézia to proceed with the issuance of the 741 pending DUATs.

Facilitation of Exchange Visits

In the half year report, Terra Nossa facilitated the realization of an exchange and learning visit in the two delimited communities of Namarroi. The event took place on December 20th, 2018 and was attended by 45 people (12 women) representing the two delimited and surrounding communities and land stakeholders such as iTC; ORAM and AENA. The event's main purpose was to create an opportunity for the visitors to get an understanding of what was done and achieved in the delimitation work tied to the promotion of local economic development. The visit showed how the use of the local land governance bodies can greatly reduce the cost of land titling. The visitors showed a keen interest to emulate the model since the iTC approach is limited to community delimitations and the establishment of the land governance bodies, by not providing the full package of services that would ensure the profitable and sustainable use of the delimited land.

Figure 11: Family photo of participants of the learning event in Mussano, Namarroi

Update on land conflict in Erati district.

In the half year report, InovAgro PFU reported a conflict between Jacaranda Farms and four communities of Mirrote locality, of Erati. The conflict was caused by the eviction of 11,491 SHFs in 2014 from the land that they had occupied for generations as the land was allocated to Jacaranda Farms. The 6,000 hectares area in conflict is located along the Lurio river and is part of an 8,000 hectares land concession allocated to the investor. It is regarded as very fertile, hence, suitable to produce high value crops such as sesame, vegetable, fruits and maize.

The InovAgro team followed up with a joint visit together with SDAE to understand the issues and what support can be given to these communities, that also receive support from some of the InovAgro interventions. The farmers argue that they got little compensation for huts and trees and no compensation for the land. They were relocated to areas with sandy soils and no water for irrigation and little support for livelihoods restoration.

For InovAgro, the question is about the national policies to protect and support SHFs who get displaced by the bigger enterprises – from consultation process, compensation and support with livelihoods restoration.

Promotion of investment and business opportunities in delimited communities

An important part of the InovAgro land tenure model is to raise the awareness of agribusinesses on the value proposition of a community with a certificate of delimitation as a catalyst to attract investors. This in turn increases the economic activity in the delimited areas. The InovAgro PFU facilitated the realization of the Namarroi District Investment and Business Promotion Seminar, on February 18th, 2019. The seminar's main objective was to mobilize local partners to provide agribusiness value chain services to the SHFs in the two delimited communities.

Some InovAgro partners have responded and set up investment opportunities in the delimited communities as shown in the table below:

Table 2: Main Investments by InovAgro Partners in the delimited communities of Namarroi

Partner	Activities	Results
AgroTrading	Established an agro-inputs shop in Namarroi	One input shop opened in Namarroi
Salvador Joaquim	Established one buying post in Mussano	40 Metric Tons of maize purchased
Complexo 100% Mossela	Established one buying post in Mutaliua	5 Metric Tons of pigeon peas purchased
Klein Karoo	Distributed seed minipacks in Mussano and established demo plots	50 maize seed minipacks distributed and five demo plots established
	Realization of a road show in Namaria (Mussano and Mutaliua) during a village fair day	Over 300 people attended the event

The figure below shows a road show held in a village fair of Namaria, promoted by Klein Karoo and attended by 300 (including 132 women) members of Mussano and Mutaliua communities.

Figure 4: Picture taken at a Klein Karoo Road Show in Namaria, one of the delimited communities in Namarroi

In the Mocuba district, Terra Nossa will conduct the district level seminar to promote the economic potential of the two delimited communities in November 2019 and will attract investors to engage with communities of Malopa and Munhacua. AgroTrading has already established a buying post in Malopa in the current output marketing season, where it purchased 40 Metric Tons of maize, five Metric Tons of sesame and twelve tons of pigeon peas. It is expected that the realization of the Mocuba district seminar will mobilize private sector partners (seed companies, agro-dealers and CATs) to invest in the two delimited communities.

Challenges and lessons learned

The use of land governance bodies (LNRMC and paralegals) proved to be reliable and became critical to lowering the costs of titling compared to using the project land titling companies. With the massive projects such as Sustenta doing land titling, they are recommended to focus on capacity building these local land governance structures than do the pegging themselves;

The fact that 741 households were found living right in the middle of DUAT allocated to a private enterprise would show that DUATs for these large enterprises are done on a map without detailed physical verification and without appropriate consultation with the communities. National and provincial government need to learn from this case that they could inadvertently create dual ownership and conflicts unnecessarily. The allocation of the enterprises should also include some consultation with the communities in the neighbourhood to establish basis for collaboration;

The promotion of investment and business opportunities in the delimited communities attracts the interest of private sector partners to invest and engage in commercial transactions with the SHFs. The delimitation gives private investors convince to invest long term knowing the communities would not be moved. This model was appreciated by iTC who committed to explore how to incorporate it into their project;

Exit strategy

The land tenure work was part of the SDC's interest for promoting a Farmer Economic Security. It was always recognized that this was not part of the core of the InovAgro work; it was more a small pilot to test out some new approaches. InovAgro did bring a market systems approach to the challenges of land insecurity, as highlighted in the case study, by examining the reasons why farmers are not demanding land titles and what can be done to bring down the transactions costs and make it more affordable. The pilots focused on areas where there was conflict, and the project believed that the value proposition for accessing land titles would be greater. This turned out to be the case.

The closure of the current contract with Terra Nossa in December 2019, represents the end of the piloting of the land interventions as set out in the SDC Farmer Economic Security Strategy. The intervention model is ready for dissemination and can bring about changes in the way the land administration system works in Mozambique. The land governance by capacitated local LNRMCs and Paralegals is cost-effective, and the sustainable aspects of this model should be adopted by land titling companies / projects (Sustenta, iTC, ORAM, VerdeAzul,etc.).

Private partners have identified and are taking advantage of business opportunities in the delimited communities. It is expected that private companies will continue to engage in commercial transactions with the SHFs living in the delimited communities.

Once the pilot is complete, in December 2019, InovAgro PFU priorities will be shifted to disseminate the project land intervention approach and monitor to identify any impact changes that are taking place.

Priorities for 2020

Upon the completion of the pilot land intervention in December 2019, InovAgro PFU will place its efforts on:

- Collecting, documenting and disseminating, through seminars and round-tables, the lessons learned in the land pilot intervention;
- Conduct verification survey to identify and document changes that may be happening in the beneficiary communities and their surroundings;
- Monitor and support the performance of the private sector partners intervening in the beneficiary community (CATs, Agro-dealers, FA groups);
- Finalize the hand out of DUATs produced in Mocuba district; and
- Facilitate the realization of a Seminar for the Closure of the land pilot intervention: activities and results and lessons learned.

10

Project Management

INOVAGRO ANNUAL REPORT 2019

PROJECT MANAGEMENT

This section provides details on project management issues that are critical to guarantee the effective delivery of the project.

Project Staffing

This year has seen several changes in the key staff in the project. The most significant change was the departure of the long-term Team Leader, Mr. Nephas Munyeche, at the end of January 2019. Nephas had been with the project since the end of 2014. Nephas was replaced by Morgen Gomo, starting on 28th March 2019. Morgen brings in market systems development and value chain development experiences, having worked with SNV in Mozambique since 2013.

There have been other changes in the MRM team:

- The MRM Officer, Octavio Machado, resigned from the project in October 2018. He was replaced by Estevao Fraqueza in mid-April 2019, who joins from the RAMA Project in Nampula. He brings a wealth of experience having worked in M&E roles with Abt Associates and World Vision. He also has technical experience in agribusiness projects with an emphasis on market systems.
- The MRM Manager resigned effective the end of September 2019. He will be replaced by Dércio Fernando as MRM manager, who started in early September. Dercio brings a lot of experience in MRM having worked for ICAP, CCS, Malaria Consortium, Care and Save the Children.

The Intervention Manager for Output Marketing, Abel Lisboa left the project in February 2019 and was replaced by Idelson Anselmo in April 2019, who joins from Techno Serve. Idelson has been working in the cashew value chain and has previous experience managing the TNS FinAgro project in the same project regions where InovAgro operates.

The Knowledge and Communications Manager, Eduarda Veiga, left the project at the end of May 2019. Given its strategic importance, the InovAgro SMT decided to spread the KM function between the technical staff, appointing Bill Grant as focal point for KM and hire STTAs for specific assignments, as necessary.

These changes constitute a significant turnover in the team. To ensure continuity on the technical implementation and institutional memory, the Technical Director, William Grant, has been much more significantly engaged to support the new Team Leader in his transition period, to ensure knowledge capture and transfer and no loss of momentum. More broadly, Team building initiatives have been fostered in order to speed the uptake and sharing of information and promote good relationship and collaborative spirit between the team members. These included collective follow-up sessions following field trips, workshops and trainings, and a specifically organised Team Retreat.

Team Building

All the project staff attended a 2.5 days team building retreat at Zalala Beach in Quelimane in June 2019. The retreat was designed to get project staff to know each other better and ensure knowledge sharing and transmission. Many exercises were done to identify the different personalities and motivations and how the different personalities can fit and complement each other in the project.

The teams also defined some processes improvements to allow the team to work better together:

- The importance of documenting all field visits, for which new reporting templates have been developed;
- MRM and KM have been understood as being everyone's responsibility. Team members have been encouraged to take notes and foster an attitude of enquiry, while proposing ideas and points of view which benefit the project.
- Auditing and monitoring: demanding the partners meet the obligations articulated in the deal notes and report data more systematically. The team has collectively re-designed templates for bookkeeping that allow for systemization of data collected by partners. The partners will be trained to using the new books regularly

The newly shaped organogram of the project is indicated in the figure below:

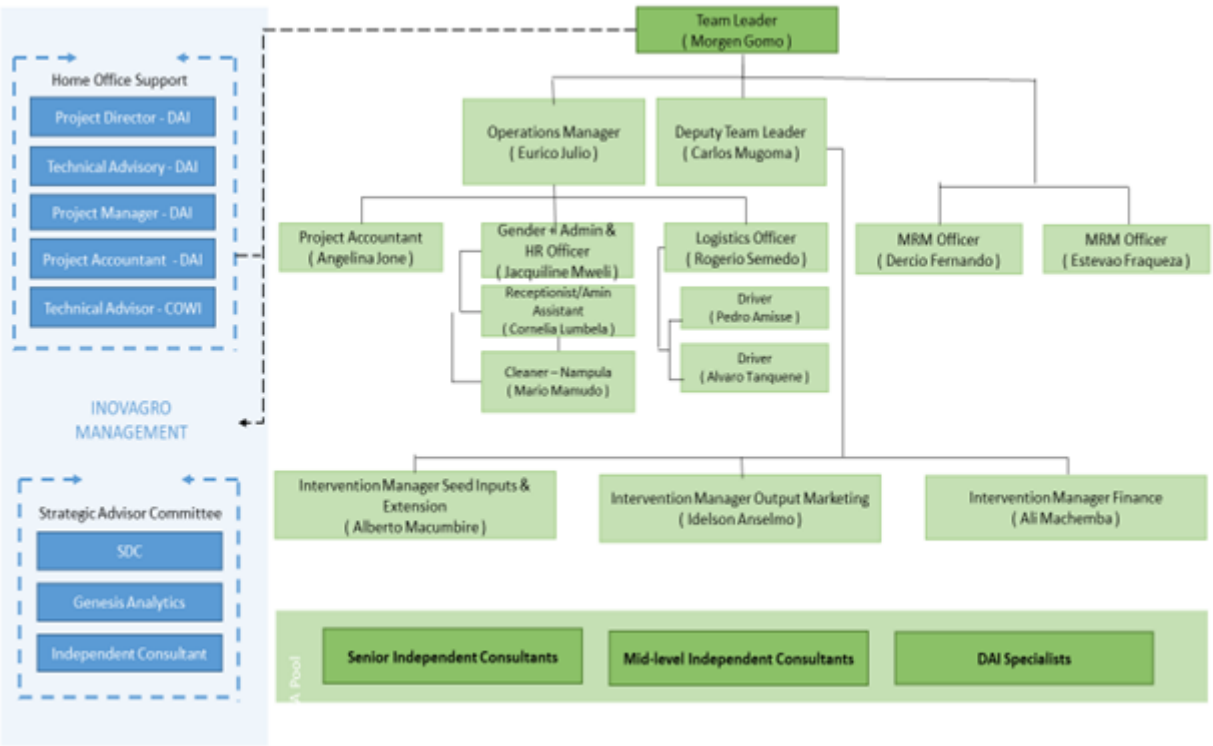


Figure 1: InovAgro Organogram at end of September 2019

Financial Audit and management

BDO auditing firm was engaged to conduct the financial audit of all project accounts related to InovAgro III Year 1 (January – December 2018). The field work was conducted by the Auditors at the PFU main office in Nampula during the period 25 March – 5 April 2019. The audit report has been submitted and the feed-back indicates no anomaly in the use of project funds during the year. Additionally, the project team conducted audits for the relevant partners (Aprose and Terra Nossa) and no abuses on the use of Project funds has been reported.

Other Administrative elements

MRM Equipment

As recommended by the STTA engaged to Assess the level of adoption and implementation of the Intervention Guides and the Monitoring and Results Measurement Guide, the project purchased 10 Tablets for the MRM Intervention. The devices had already been used on data collection for the last end of season survey. They will be used for the geo portal assignment and used to capture MRM hard numbers, going forward.

Improving operations

The Operations team has been accompanied throughout the year in a series of capacity building activities which followed the organic updating of processes and internal procedures. The capacity building included subjects such as: Field Expenses Reports, Budget tracking and coding, Operation and HR Manuals, Software tools to improve communication and knowledge sharing (Microsoft Teams, One Drive, server, etc.). The Operations team is closely supported by the Project Accountant and the Project Manager.

Trainings

To provide the team with sufficient tools for good delivery of their roles, the Project managed to offer critical trainings as detailed below:

- All team members have been provided with the mandatory annual trainings in Ethics, anti-harassment and IT awareness;
- Mr Carlos Mugoma, the Deputy Team Leader, attended a Springfield Centre training on Making Markets Work in Bangkok in November 2018.
- Carlos and Eduarda attended the Market Systems Symposium in Cape Town in April 2019 to provide a foundation for the organization of the InovAgro supported MSD conference for next year; and
- All the project staff attended a gender mainstreaming training carried out by a local gender expert, Nina Bild

11

Conclusions

INOVAGRO ANNUAL REPORT 2019

CONCLUSIONS

The second year of InovAgro Phase III is progressing as planned and has achieved or exceeded the anticipated targets for the 2018/19 agricultural season. This second year built on the accelerated investment in year 1, and leveraged good partnerships for the input, output marketing, and access to finance interventions, which were reasonably operationalized according to plan. The project has met or exceeded all major project targets in terms of outreach, input and crop sales and Fundo Agricola savings.

The input sales reached 621.22 MT, an increase of 97% over the 315.88 MT sold in 2018. The increases were driven by a surge in soya bean sales by Klein Karoo and Agri Con and increasing sales from hub agro-dealers. The achievement could have been higher if the large seed companies, SeedCo and Panaar, had more presence on the ground at the start of the selling season. SeedCo was late in setting up their ground personnel and used the season more to reintroduce their brand on the market. Pannar restructured and initially removed the country representative to manage from Harare, but later in the season reintroduced a country coordinator based in Chimoio. InovAgro supported agro-dealers to sell inputs during the weekly market days especially during the commercialization season when farmers have increased income. The InovAgro PFU is evaluating this model for sustainability as this could increase the reach of agro-dealers to remote and low potential communities.

The output marketing log frame sales target of MZN 127,493,238 was far exceeded by 159% to reach MZN 330,641,299. This could increase further with the pigeon pea selling season still ongoing. The sales achieved were 45% higher than the 228,122,500.00 MZM accomplished during the 2017/18 campaign. This intervention has grown much faster than envisaged at the start of 2018, when log frame targets were finalised. The buying points increased to 423. This was 15.6% higher than the set target of 366.

The sales could have been much higher, but the competition intensified from two sources. The regular Bangladeshis, who used to be based in the district capitals, started copying the CAT model and setting up buying centres in the villages. The Bangladeshis tend to be better resourced than most CATs in terms of working capital as they are agents for specific commodity buyers and processors. This is a change in behaviour of the Bangladeshi aggregators, advancing InovAgro's objective of developing markets close to farmers that allow SHFs to have more and better sales. InovAgro will design instruments and means of capturing these sales going through aggregators copying the CAT model; real systemic change that InovAgro did not pay for, just stimulated. The increasing demand for maize to supply to Cyclone affected communities in the centre of the country also drove the competition. Maize sold at MZN 10/kg, up from MZN 5-6/kg in 2018. This means the farmers made very good returns from their maize.

The Fundo Agricola saving cycle for 2018 was finalised during the reporting period reaching savings of $135,150. The savings were 439% higher than the savings from 2017 ($25,053). This led to seed sales of $59,654 from 12,097 members. The balance of the savings was committed to other agriculture related expenses such as labour, chemicals, fertilizers and horticulture inputs.

In the 2019 Fundo Agricola cycle, the uptake grew to 17,445 members in the eight districts. This is 133% higher than the target for 2019 of 7,500. The members had already saved $187,715 at the end of August 2019, exceeding the total for 2018. The new savings target for end of October 2019, is $240,528, with an expectation to reach input purchases of $144,000. Evidence that the Fundo Agricola is gaining popularity is the fact that at end of August 2019, the savings in the Fundo Agricola exceeded the savings in the Loan Fund, for the first time, as well as a steadily increasing average savings per member in the FA.

On the enabling environment, APROSE managed to increase their appeal to development agencies, securing support from FAO and Seed Trade. They have also submitted promising proposals to AGRA and Inova. APROSE managed to hold six policy and advocacy dialogue events by end of August, with two more planned before year end. They have already a cumulative number of 12, 20% more than the cumulative target for Phase III of InovAgro by 2019. Their strategy was finalised and they managed to hold an Annual General Meeting. They website is already set up and will go live in October 2019.

The National Seed Authority carried out supervision of the trained private sector seed inspectors. Four of the six accredited in 2018 were confirmed as doing adequate inspection duties in June 2019. Two were no longer involved as one left and another was reassigned. Realising that market demand for the private sector seed inspectors is still weak, InovAgro and the NSA partners agreed to do a value proposition assessment for private seed companies to have private seed inspectors. This information will be be used to build awareness for the seed companies of the level of benefits seed companies stand to gain by having in-house seed inspectors before the next training scheduled for March 2020.

The knowledge management component delivered many targets. The important project documents from the start of the project were archived on a secured server. A manual for Fundo Agricola was developed and co-facilitators and district management committees trained on its use. Data recording manuals were developed, shared with partners who were trained on its use. This greatly improved and systemized data collection feeding into this annual report.

A Market Systems Development Best Practice Dissemination workshop was organized in Maputo in July. Sixty-two people attended (44% women) and more than 80% said they had no prior knowledge of MSD approaches. More than 70% of the respondents to the end of workshop evaluation said they would want to implement MSD approaches in their current and future projects. Efforts were made to present the InovAgro approaches at both the national and provincial levels. At the provincial level, InovAgro was given the opportunity to present their approaches on three forums (Nampula Agribusiness workshop, Nampula output marketing season launch and Erati Investment conference). Collaboration was explored with the SDC family of implementing partners and also with the INOVA and FSDMOZ projects in the DAI stable.

InovAgro produced a case study on “Applying a Market Systems Approach to Stimulating Land Titling in Mozambique”. The case study was published in the SDC e + I Newsletter of June 2019. A Fundo Agricola case study has been drafted and will be finalized by end of October 2019. The case explores “the complexity of building a market for certified seeds”. It explains how InovAgro has introduced a cost effective and innovative response to the perennial problem of helping SHF to access funding for the purchase of inputs at planting season.

InovAgro participated in the SDC Face to Face in Switzerland and prepared a major poster and additional handouts that capture InovAgro’s progress over the last 5 years. InovAgro’s presentation was well received by the SDC private sector officers and colleagues, and InovAgro was voted as the project applying the most innovations to overcome challenges to project implementation.

The end of the reporting period presents an opportunity to reflect and develop plans for the period to the end of the project. This will be informed by the lessons learnt so far and the mid-term review report expected in October 2019. Among others focus areas is the need to make interventions sustainable, to document knowledge and to influence other development agencies.