

# InovAgro Phase II

*Annual Report 2017*

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## Executive Summary

The fourth and final year of InovAgro's second phase is ending on a series of high notes. The project made significant progress on all of its major initiatives in the supply of certified seeds, improved output marketing, access to finance, and improved access to farm mechanisation services. It has broadened outreach, reaching a cumulative 16,000 smallholder farmers (10,554 male and 5,446 female) through deepened services to SHF across Zambezia, Nampula, and Cabo del Gado. In addition, InovAgro has pioneered new systems for land delimitation for communities giving them more confidence in their land tenure and stimulating investment in their farms. With a limited budget compared to other funders, InovAgro has demonstrated the power of an adaptive facilitation model, leveraging the interests and resources of the private and public sectors to drive growth.

In the seed sector, eight firms are now partnering with InovAgro, representing all of the major seed companies working in the North. By offering a strong value proposal to seed companies for expanding their businesses, they have been able to invest significantly in increasing outreach and building demand for seed by SHF. This year, they have led project outreach with 299 demonstrations guided by 19 extension workers and working through 55 agro dealers reaching out to 9,190 smallholder farmers (7612 new and 1,578 old) with 97 field days on GAP and other technical issues. The established Agro dealer network facilitated the commercial retail of 273.79 metric tonnes of assorted seeds in 2017, representing more than 145% increase compared to the 111.34 metric tonnes of seeds sold in 2016! Input retail innovations are emerging including the operationalisation of the one stop shop concept that has been introduced by TECAP – Casa do Agricultor in Nampula.

Complementing the work with the seed companies' market development, InovAgro's assistance to the NSA and to APROSE have increased the access to information and the overall enabling environment and governance of the sector. There is much stronger coordination between the private sector, the government and donors. The new private sector seed certification service will improve the quality control of seed in the country and APROSE is now linked to major regional seed programmes and attracting their inputs into Mozambique.

This year, InovAgro scaled up its assistance to the local Commodity and Aggregator Traders (CATs). First identified as a separate category of dynamic local marketing agents in 2015-16, support in 2016-17 grew from 3 output buying partners (in 2015) to 19 partners (in 2017), who purchased a total of 5,447 metric tonnes from smallholder farmers worth US\$ 1,541,868.33. The CATs had not previously been clearly defined as a differentiated group of buyers in a country with thousands of small buyers/agents. Through careful observation of the market, InovAgro identified their characteristics as locally based entrepreneurs who are members of the communities that they served and have deeper social connections making them more trusted buyers than the Bangladeshi (and now Chinese) buyers.

Our work to enhance access to finance took two main thrusts, working through Opportunity Bank Mozambique and continuing our innovative "savings for seed" in initiative. OBM provided assorted financial products to a cumulative 993 SHF (against a cumulative target of 750 SHF), having built their client base steadily over the past 5 years. Working through two co-facilitators, InovAgro has assisted more than 4,721 SHF to save for seed and input purchases with the Fundo Agrícola. By leveraging existing village savings and loan associations (VSLA) and their savings techniques, female dominated SHF saved more than \$28,000 to apply to the purchase of seed and inputs, more than double the value from the previous year.

Increasing access to farm mechanisation has been challenging due to the scarce supply of tractors. In this fourth year, InovAgro continued its support to the existing tractor owners to increase their ability to supply services to smallholder farmers. It leveraged the presence of the new tractor owners with

tractors newly supplied under the Agricultural Development Fund (FDA) programme, as well as recipients of tractors from other donors, like the 31 supported by Technoserve, to deepen their understanding of the selling and delivery of farm mechanisation services through business and technical training.

Finally, InovAgro's success with assisting 4 communities to delimit and register their community boundaries has affected an estimated 17,225<sup>1</sup> SHF who are resident in the 4 communities. The approach of using local NGOs to assist communities to delimit their boundaries as well as creating the paralegal network ensured the sustainability of the approach and creates opportunities for low cost replication. In this season, InovAgro integrated commercial seed companies to those communities to help, identifying their greater confidence in land tenure would stimulate demand for inputs.

## Lessons Learned

The experiences of this year, have built on the experiences from the previous years to provide many in conjunction with learning from

**The benefits of flexible and adaptive programming.** InovAgro has evolved significantly over the last three years by examining what it learned through its relationships every year and continuously adapting. Initially focused on buyer led strategy to work through outgrowers, changing partner strategies led to their loss in interest in outgrower schemes. InovAgro adapted to develop a new strategy starting in late 2014 to lead farmer improvement through the seed suppliers. Interventions in the seed, credit, output buying, land tenure and farm mechanisation have all evolved significantly over the period, especially in this past year, making them more responsive to the problems of the SHF. By maintaining steady interaction with our partners and their clients, learning has led to continuous evolution and improvement of the interventions. As one part begins to work, additional elements have been added to all of the interventions leading to deepened benefits to the SHF.

Flexible and adaptive programming requires both a team who can do it as well as a funder that is also flexible and able to adapt to changes in approaches. The close relations between InovAgro and the SDC, regular meetings and sharing of findings and identification of new ideas was critical to this success.

**Importance of a stable political environment.** The restored peace in the country this year facilitated improved transportation of agricultural input products for commercial retail in the project locations as well as the aggregation and collection of output produce by commodity buyers. Agricultural Extension Officers have been able to circulate in the project locations to facilitate the realisation of extension activities designed to promote adoption Good Agricultural Practices by the smallholder farmers. If the political stability and security can be maintained, it will continue to enhance the speed of development in the region.

**Generating buy-in from government.** InovAgro's close partnership with the National Seed Agency has achieved ground breaking results in support of the seed sector. InovAgro worked closely with the NSA to develop its website and database, and to explore options for establishing private sector seed inspectors by supporting missions to learn from neighbouring countries and drafting the legislation. This culminated with the approval of the private sector seed inspectors by the Minister in 2017, which

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<sup>1</sup> This represents the estimated population in the 4 communities as indicated by the records maintained by the local authorities. InovAgro has however considered the results from the project 2017 End of Season Survey pegging the total project cumulative outreach at 16,000 smallholder farmers as a more accurate indication of the project achievements (despite being a lower figure compared to the estimated population data for these 4 communities).

is a major milestone towards improving the inspection and certification of seed in the country. This is a reference achievement for which the project will be acknowledged in many years to come.

InovAgro will need to continue supporting the National Seed Authority to fully implement this model, particularly the training and accreditation of the inspectors. InovAgro will also benefit from the increased interest and willingness from the USAID Feed the Future (FtF) Seedtrade project and the United Nations Food and Agriculture Organisation (FAO) to invest in the operationalisation of the private sector inspector's model. InovAgro in 2017 already successfully partnered with the Seedtrade project to develop the Inspectors Manual for Field inspections.

**Stimulating crowding in by seed companies.** By engaging with most of the important seed companies working in the region to stimulate their business development, InovAgro has built a critical mass of market actors competing with one another to sell more seeds through good competition. Leading with a strong value proposition to the companies, InovAgro is seen as a true partner and they have opened up on their business strategies and internal challenges. The increasing interest and collaboration from international firms like Pannar, Klein Karoo, Syngenta, and now SeedCo demonstrates that they are seeing the potential of the market in Mozambique – in 2014, only Pannar was present in the market.

Some challenges however remain that should be addressed to position the Mozambican seed sector to operate more efficiently. First, the business governance of seed companies needs to be strengthened as well as the frequency and quality of the policy dialogue by sector stakeholders. In this respect, APROSE's institutional capacity needs to be reinforced to drive the policy engagement. This will require strengthening APROSE's operational steering, expanding the depth and breadth of their fundraising activities and growing the Association's membership to represent increased diversity and inclusiveness of all the sector stakeholders.

**Mozambique operates in global value chains.** The improved crop harvests recorded in Mozambique (and within the SADC region) owing to improved agro-climatic conditions resulted in lower farm gate prices in 2017 (due to increased product supply on the market). Imports from other countries within the region (particularly maize from South Africa and soya beans from Malawi) have also proved to be cheaper than locally produced crop commodities, pushing local prices down, further emphasising the need for the project supported smallholder farmers to better structure and manage their production costs if they are to remain competitive on the global market. Indeed, it is important to stress that as Mozambique continues to embed itself in global value chains, (e.g. soya, pigeon pea, sesame, groundnut, and cashew nut value chains), the performance of the country's agribusiness sector is increasingly dependent on the production trends and policies enacted by other countries. The policies enforced by the Indian Government relating to pigeon pea imports into the country in 2017 for instance, as explained in section 2, generated significant uncertainty on the local markets and reduced product demand by output buyers.

**Driving access to credit by leveraging existing structures.** Banks are reluctant to lend to the unsecured smallholder farmers market in Mozambique. By finding a steady partner in Opportunity Bank who has stayed the course, gradually building up a base of clients in our target zones, we are demonstrating the viability of that market for solid farmers. However, most of the very small holders cannot qualify for bank loans because they do not meet the necessary regulatory requirements, requiring different options.

InovAgro's introduction of an innovative new product on "savings for seed" through a Fundo Agricola using networks of established VSLAs has gained a lot of traction and is now poised for scale up. The



methodology has evolved and InovAgro is ready to publish and disseminate the methodology more widely to stimulate replication across Northern Mozambique where there are already hundreds of thousands of VSLA participants. The VSLA approach has stimulated a strong demand response, while also leading to increased empowerment and agency by the participants. Participants in the savings for seed initiative are now organizing buying committees to negotiate better prices with the seed companies and are in better control of their choices and availability of seed.

**Adaptively responding to challenges and opportunities.** The InovAgro facilitation team has been creative and proactive in responding to the output marketing challenges faced by its target farmers in 2017 emerging from the low market prices. The team has introduced and implemented successfully new activities that had not been in the initial project work plan. For instance, the project team facilitated a successful provincial workshop to highlight the problem of reduced output buying prices which threatened smallholder profitability and the commercial activities of the CATs. In the same vein, when faced with the challenge of post-harvest losses due to farmers storing longer, InovAgro team facilitated a commercially driven response with trainings from supporting services that are leading to greater outreach by companies with crop protection solutions, and uptake by the farmers. Although the profits secured by groundnut farmers in 2017 are encouraging, interventions designed to tackle aflatoxin contamination remain pivotal to open up alternative export markets that have capacity to absorb larger volumes compared to the domestic markets. These are good practice examples of how a market systems development project should be adaptively managed.

**Improving market linkages through improved land delimitation and land tenure.** The initial strategy for InovAgro in early 2014 focused on access to DUAT. This evolved in the strategy revision in 2015 to focus on a more realistic sequenced model, starting with community land delimitation, and then gradually getting farmers to work through the paralegal structure to apply for DUATs. The empowerment to SHFs from the land security has made them a better market for input suppliers as the farmers are more willing to invest in their productive land assets. In this past year, InovAgro has advised the input suppliers to focus outreach and field day interventions in those communities as they are more likely to purchase and invest. At the same time, InovAgro is targeting links to output buyers for those communities as well. This improved access to services will in turn provide additional incentives to other communities to go through the land delimitation process. A mutually reinforcing cycle of events that is being driven by local market actors which will speed the process of improved land tenure leading to increased integration into commercial agriculture.

# 1. Introduction

This Annual Report provides details regarding the implementation progress achieved by the Innovation for Agribusiness (InovAgro) project during the period October 2016 and end of September 2017 which represents the fourth and last year of InovAgro's Phase II. The report provides comparative narration of the project implementation actual results against set milestone targets that had been agreed with the Swiss Agency for International Development and Cooperation (SDC) as detailed in the revised project Logframe approved by SDC in 2015.

InovAgro's goal is to support smallholder farmers in Northern Mozambique to increase their household incomes through their effective participation in agribusiness value chains.

The vision of the project is highlighted in Figure 1 below:

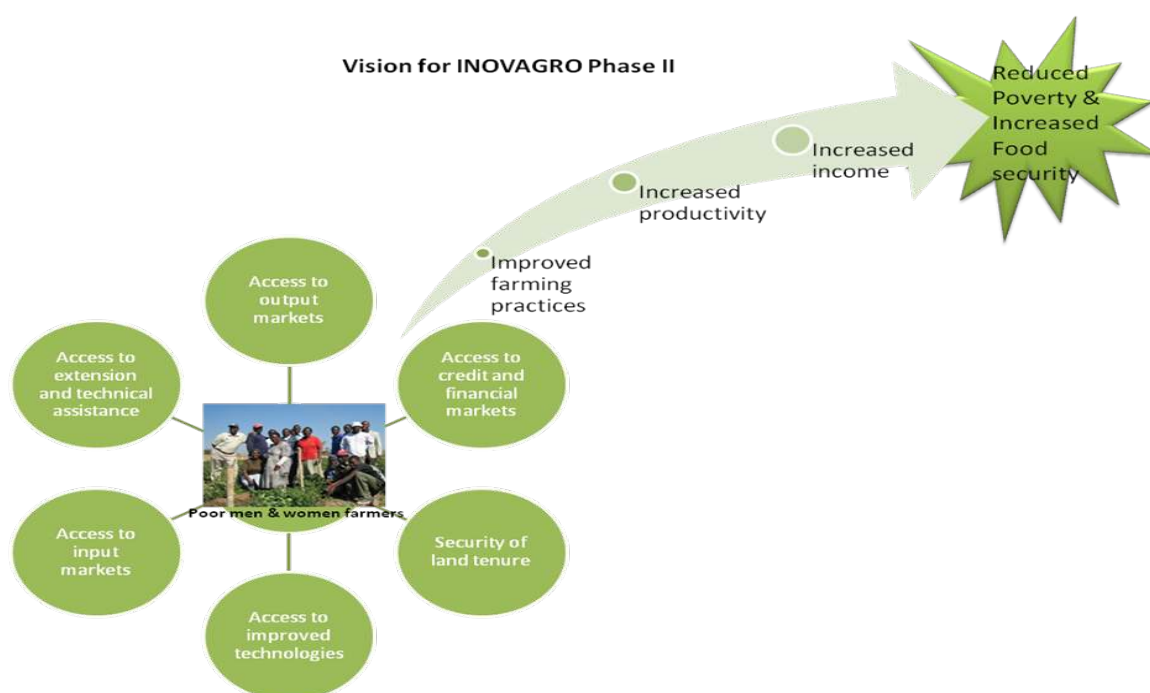


Figure 1: Vision for InovAgro II

The project is supporting interventions in five value chains: maize, soya beans, sesame groundnuts and pigeon peas (Figure 2). The project has 6 cross cutting interventions that are implemented across each of the value chains focussing on improving access to (a) certified seed; (b) output markets; (c) finance; (d) mechanisation services; (e) extension services; and (f) land tenure security. In addition, the project has emphasised on improving the enabling environment for the seed sector, working beyond the five value chains.

InovAgro is implementing activities in eleven districts across the three provinces of Zambezia, Nampula and Cabo Delgado. Figure 3, the project intervention map, highlights the districts, as well as the seed company and output buying partners with whom InovAgro works with in each district.



Figure 2: Value chains supported by the InovAgro Project

This Annual Report has been divided into nine sections as indicated in Table 1 below:

Table 1: Structure of the Report

Section 1	Introduces the report including a review of the investment climate in Northern Mozambique, socio-political economy issues that had an impact on the project performance.
Section 2	Provides an analysis of the performance of each of the five value chains supported by the project. Data relating to the productivity and profitability levels achieved by the smallholder farmers in the project locations is presented.
Section 3	Provides details regarding the implementation of the seed sector interventions related to seed marketing / demand creation, distribution and retail of certified seed in the project locations. The section also provides results regarding provision of embedded extension services to smallholder farmers by the seed companies.
Section 4	Provides a review of the interventions related to enabling environment for the seed sector. In principle, this section reviews the project partnership with APROSE and the National Seed Authority (ANS)
Section 5	Provides a review of the performance of the project output marketing interventions.
Section 6	Provides a review of the project finance interventions involving the ongoing collaboration with Opportunity Bank Mozambique and work with Village Savings and Lending Associations in Ribaue, Malema and Mocuba.
Section 7	Provides a review of the project Farmer's Economic Security interventions related to land tenure security in Mocuba and Namarroi.
Section 8	Provides a summary of the main activities conducted during the reporting period in relation to the governance of the project. Specific details are provided indicating measures that have been effected to facilitate the closure of InovAgro II and smooth transition to InovAgro III.
Section 9	Provides a conclusion and lessons learned to the report.

### InovAgro Project Location Map

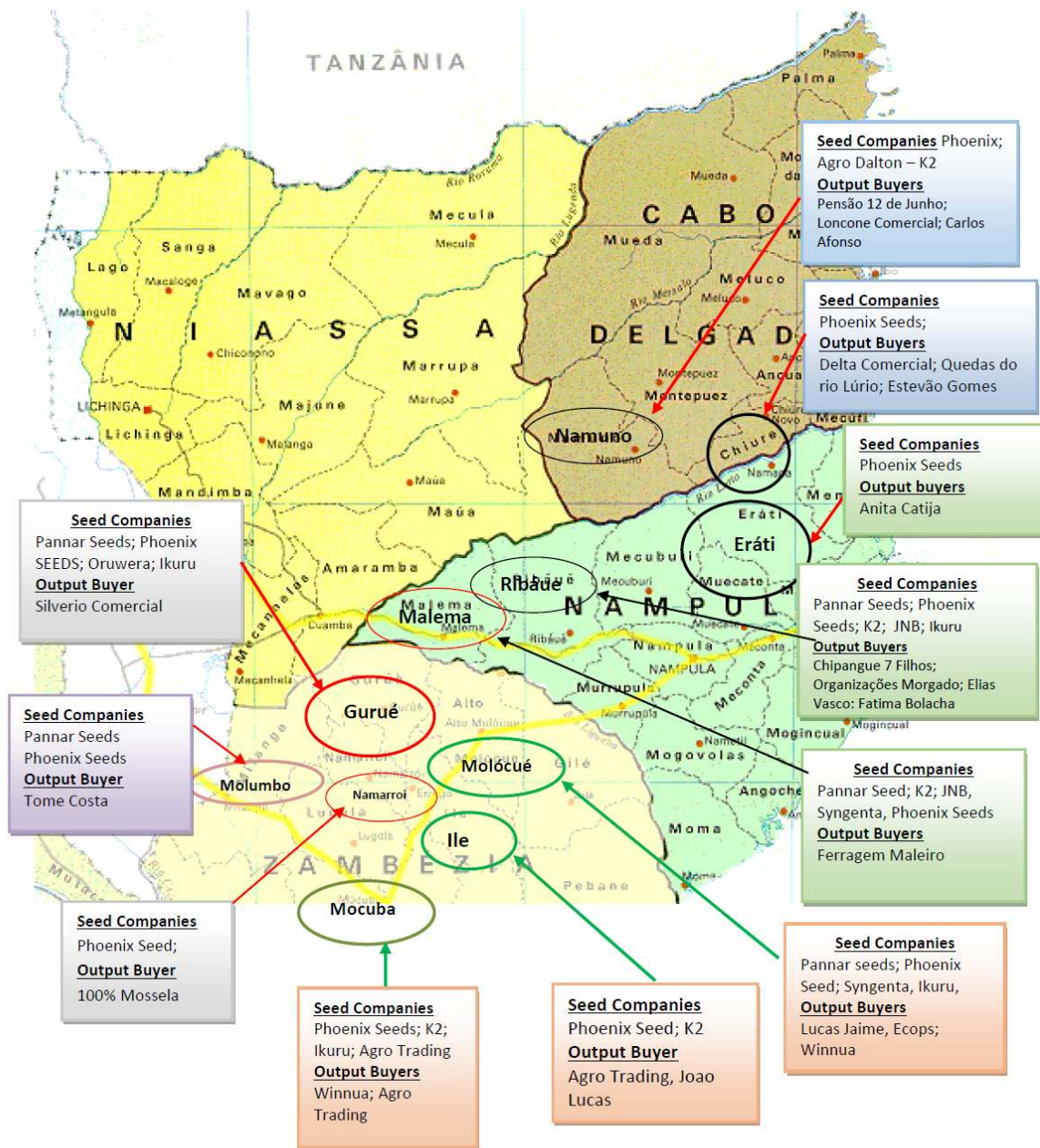


Figure 3: Project Location and Partners Map



## 1.1 Investment Climate in Northern Mozambique

There are several developments (socio-economic and political) that defined the investment climate in the project locations during the reporting period.

### 1.1.1 Political Stability

The security situation in the country has stabilized from December 2016 after both RENAMO and the ruling government declared a cease fire to hostilities. The hostilities had been characterized by attacks to some communities (particularly in the center region) and the disruption of traffic movements from the North to the Centre and Southern regions. The declaration of the cease fire has been well received by various stakeholders in the country including the agribusiness community who consider this as a step towards the full restoration of a conducive business environment in the country. This has eased the movement of goods and people across North.

The tension which had previously destabilized security in the country was centred on calls for the reform of the electoral law which the opposition parties continue to challenge as not transparent and tilted in favour of the main ruling party Frelimo. RENAMO has also been lobbying for an electoral system in which provincial governors are elected, rather than appointed by the political party which wins the Presidential vote. Political settlement on these contentious differences is being negotiated with the support of international and local mediators. While the ceasefire that was announced by the parties at the end of 2016 continued to hold during 2017, it remains to be seen whether the differences dividing FRELIMO and RENAMO can be fully bridged under the ongoing peace dialogue discussions.

The ongoing initiatives for the full restoration of peace were however significantly compromised following the recent assassination of the Mayor of Nampula City Council, Mr. Mahamudo Amurane on the 4<sup>th</sup> of October 2017 at his residence in Nampula. Ironically, Mr. Amurane was murdered on the day when the country was commemorating the 25th anniversary of the signing of the General Peace



Figure 4: The Late Mayor of Nampula

Agreement. The murder of the Nampula Mayor has been attributed to simmering political tensions between the country's political actors particularly as preparations for the municipal elections in 2018 gain momentum.

This development has been described as representing a serious blow to the process of consolidating the rule of law in the northern region and Mozambique<sup>2</sup> in general. Stakeholders in the country

(including business) have condemned this development as a clear attack on freedom of expression and as retrogressive to the very process of peace building in Mozambique which in recent months has been showing signs of progress after the cessation of hostilities by both RENAMO and FRELIMO.

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<sup>2</sup> Refer to the statement released by the Emergency Committee for the Protection of Liberties (CEPL)

Recently, there have also been armed attacks in the areas of influence of Anadarko investments on gas extraction in Northern Cabo Delgado (Mocímboa da Praia and Palma). The reasons behind these events are not yet clear. Some reports suggest that the attacks could be linked to radical religious motivations as apparently, the attacks were done by Islamic fundamentalist groups and/or could be motivated by the dissatisfaction of the local population that feels that they are at risk of losing land and deteriorating their livelihood conditions, instead of benefiting from the foreign investments. The situation is not under control by the government military forces and it seems it is already impacting negatively on Anadarko operations (some field staff were evacuated). If the situation does not improve, it may delay foreign investments in the area and this will have a negative impact on the already difficult finances and economy of Mozambique.

### 1.1.2 Recent Social Incidents

In addition to the political developments presented above, InovAgro has also noted with concern a growing trend of negative cultural / religious perceptions which affect the image of the Northern region. At the start of the year, there was widespread concern emerging from reports that men with bald heads were being abducted for ritual purposes in northern Mozambique. The police commander in Zambezia province, for instance, explained how some members in the community believe that the head of a bald man contains gold<sup>3</sup> and can be used for ritual purposes to attract personal wealth. Five killings of bald men were reported to have occurred in Central and Northern Mozambique in June 2017.

More recently, in October 2017, there were riots in Nampula province by community members protesting against growing reported cases of physical “blood suckers” who are believed to be wreaking havoc in the communities<sup>4</sup>. There are reports that some staff from development agencies had been attacked by community members on suspicion that they were linked to the “blood suckers” network.

While the above two incidents may appear trivial, InovAgro has noted that these cultural / religious myths generate negative perceptions which compromise the business environment in the project locations. As an example, the InovAgro Team Leader has received reports that some partner extension workers are now scared to conduct extension visits in some communities due to fear of “blood suckers”. Private sector partners have also reported increased difficulties in recruiting professional staff to work in some of the project areas due to rampant fears related to perceived witchcraft practices. The failure by the companies to attract and recruit professional staff to the Northern region affects the quality of delivery related to their commercial activities.

### 1.1.3 Weather conditions

The rainfall in some project locations (particularly in Nampula and Cabo Delgado) started late December which affected crop germination and early establishment particularly for maize and groundnuts.

From the middle January - March 2017, the rainfall recorded in the project locations was regular, in sufficient quantities for crop growth and the distribution was uniform during this period. This enabled some smallholder farmers whose crops had not germinated to replant. The good rains recorded

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<sup>3</sup>See for further details: <http://www.bbc.com/news/world-africa-40185359>

<sup>4</sup>See for further details: <http://oneworld.org/2017/10/23/rioters-in-mozambique-attack-blood-sucking-elites/>



particularly in Zambezia province are in part attributed to the improved crop performance during the reporting period. Some localized irregular rainfall distribution was recorded in parts of Nampula and Cabo Delgado provinces particularly in Chiure and Erati but overall, the season was good and the climatic conditions were favorable for crop growth.

#### 1.1.4 Economic Performance

The Mozambican economy is showing some signs of recovery after a difficult 2016, which saw a sharp slowdown in growth and shocks to both the country's currency and a spike in inflation. During the first quarter GDP growth in 2017 picked up to 2.9%, more than double the growth rate of the preceding quarter. The *metical*, which had been steadily depreciating in the first ten months of 2016, is now more stable, having strengthened by 28% against the US dollar in the last 9 months. A strong monetary policy was key to this shift, which also helped inflation to slowly begin easing by mid-2017.

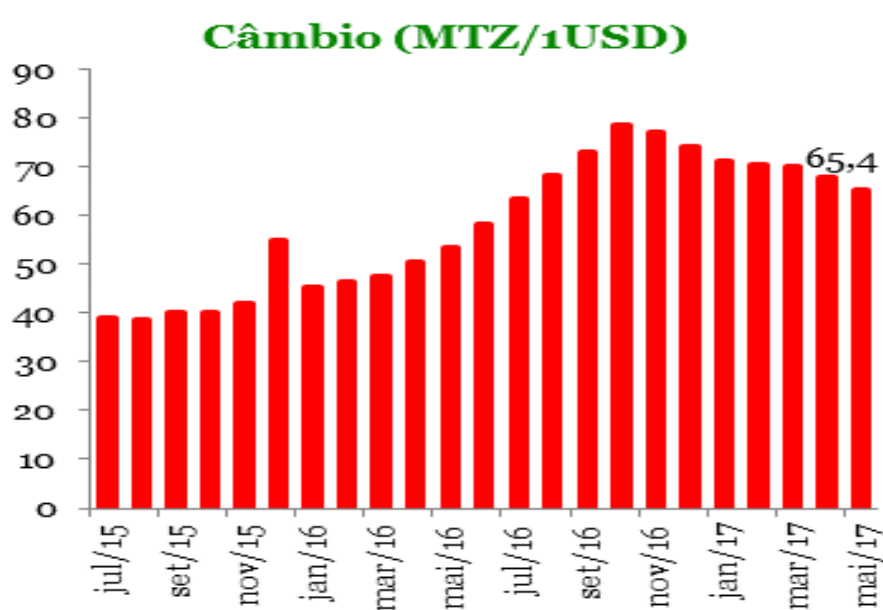


Figure 5: Exchange Rates: Meticals / USD (Source: Bank of Mozambique)

Strengthening prices for coal, aluminum, and gas, a post-el Niño recovery in agriculture, and progress in the peace talks, is expected to steer growth to 4.6% in 2017<sup>5</sup>.

Inflation remains very high at 18%, with direct implications for Mozambican households, and for monetary policy seeking to ensure a stable price environment. Monetary policy has remained tight and has supported a significant adjustment in the external sector. Mozambique's reference lending rate is now amongst the highest in sub-Saharan Africa, however, and average commercial bank lending rates in the region of 30% are prohibitively high for much of the private sector<sup>6</sup>. A stronger exchange rate, easing inflation, and lower credit levels suggest that the monetary policy cycle could begin to loosen as the economy continues to adjust. However, making this transition smoothly will require a coordinated and robust fiscal policy response.

<sup>5</sup>World Bank in Mozambique, 11 October, 2017.

<sup>6</sup>Ibid

Without progress in the debt restructuring process to date, the country's debt position remains untenable. The public wage bill continues to be a significant source of pressure, whilst recent cuts to the investment budget are affecting the economic and social sectors including investment in infrastructure development (e.g. roads and energy) which is an absolute requirement for the effective functioning of agribusiness markets.

It is important also to stress how Mozambique is also increasingly getting connected to global agribusiness markets. The government of Mozambique now has for instance a bilateral agreement for the supply of pigeon peas to India. As the country establishes itself on the global agribusiness markets – this also exposes the local farmers to price swings and policies from other countries.

## 1.2 Business Reaction to Context

Despite the sporadic incidences of insecurity recorded during the reporting period, InovAgro's facilitation team working with the project partners have been able to implement all planned work in the project locations. There were no security incidences which resulted in the suspension of activities neither by the project facilitation team nor by the project partners.

The ongoing peace negotiations between RENAMO and FRELIMO have been particularly welcomed by the project partners. Indications on the ground are that the political initiatives underway for the full restoration of peace by political parties have reinforced the private sector commitment to invest in expanding commercial activities in the project locations. For example, Klein Karoo is already in discussions with stakeholders in Mocuba to explore possibilities for the establishment of out growers for seed multiplication particularly for groundnuts. Klein Karoo expects to have 500 hectares of land for seed multiplication in Mocuba starting from the 2017 / 2018 season. The Board of Directors for Klein Karoo has also approved the recruitment of an Agronomist / Sales Representative who is now based in Nampula. This approval had not been secured in 2016 due to concerns including security considerations by the company. The company is now also in the process of setting up its distribution warehouse and office in Nampula and plans for the recruitment of an Office Administration Assistant are underway.

PANNAR Seeds management has also approved the recruitment of their Sales Representative for the Northern region, also to be based in Nampula. Interviews for this position have already been conducted but the commencement of work by the identified candidate has been hampered by disagreements regarding the appropriate remuneration package. It is likely that the company will conduct fresh interviews to identify the new candidate. PANNAR Seeds has also recruited a Product Merchandiser who is currently leading seed marketing activities in Nampula and supporting production distribution in all the project locations through Distributors and Agro dealers operational in the region.

Syngenta – a relatively new actor on the seed market in Northern Mozambique – has also started to expand its seed promotional activities to Mocuba. It's important to note that most partners in 2016 had suspended their engagement with smallholder farmers in Mocuba due to security fears arising from members of the national army being stationed between Nampevo and Morroto near Mocuba town.

SeedCo, a Zimbabwean seed company which had supplied certified soya seed to InovAgro partners in Phase I but had exited the Mozambican market, has recently announced its return to the market. The

company is engaging with the InovAgro facilitation team to explore opportunities for establishing seed distribution channels in northern Mozambique. The company plans to commence with demand creation activities focusing on the introduction of company seed products to the market during the 2017 / 2018 season.

### 1.3 Conclusion

Overall, the Mozambican economy has been on the recovery path in 2017. The country's GDP is growing and the currency (Meticais) has been strengthening against major international currencies. The ongoing peace negotiations and the cessation of hostilities by the political parties has generally been welcomed by business actors as providing the basic conditions for commercial trading activities. This is demonstrated by the restored interest by the private sector to invest towards development of their trading activities in the project locations.

The tightening of the monetary policy has resulted in budget reductions for supporting public service sectors. Public infrastructure development activities have reduced budget allocations and as such prioritisation of infrastructure investments such as roads construction in the project locations has lowered. Some bridges in Gurué, Mocuba, Namarroi and Molombo districts which were destroyed by the floods in 2015 have not yet been repaired. These conditions continue to present challenges for the private sector partners due to the increased transaction costs related to conducting business in the project locations<sup>7</sup>. The limited investments in infrastructure by the government in the project locations also has the effect of limiting the locations that can be reached by the private sector partners as a certain level of infrastructure is required to support commercial trading activities.

The growing prevalence of cultural – religious beliefs such as perceptions that bald headed men can be used as charms for wealth generation point to the need for increased campaigns for civil society education to dispel unfounded cultural practices that can create unstable conditions for business growth and insecurity in the project locations.

While the contextual conditions recorded during reporting period have been largely favourable for business, it remains clear that several constraints persist which need to be tackled to facilitate the strengthening of a conducive business environment required for optimal performance of a market systems development project like InovAgro!

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<sup>7</sup>The high cost of doing business in the project locations also often renders local products more expensive compared to similar products produced in other countries in the region.

## 2. Value Chain Analysis

This section provides details of the project achievements during the 2016 / 2017 agricultural season relating to smallholder farmer's productivity and profitability for each of the 5 value chains supported by the InovAgro project (maize, pigeon peas, sesame, soya beans and groundnuts). The agronomic performance of each of these five value chains is discussed as well as specific market developments relating to the emerging value chains relationships between the actors. A conclusion to this section is also provided with key issues for current and future project consideration.

### 2.1 Project Outreach

The project reached a cumulative total of 16,000 smallholder farmers in the 11 districts where it operates in Nampula, Zambezia and Cabo Delgado provinces.

Table 2 below provides an overview of the project outreach disaggregated per crop and gender.

*Table 2: Overview of the project outreach*

	No. of smallholder farmers reached by the project		
Value Chain	Male	Female	Total
Pigeon Peas	3,809	2,156	5,965
Soya beans	1,746	649	2,395
Groundnuts	745	361	1,106
Maize	3,652	2,130	5,782
Sesame	602	150	752
<b>Overall Total</b>	<b>10,554</b>	<b>5,446</b>	<b>16,000</b>
<b>Percentage</b>	<b>66%</b>	<b>34%</b>	<b>100%</b>

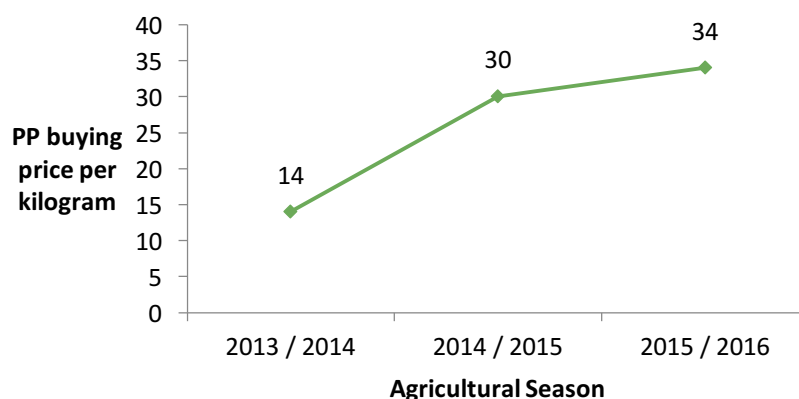
A total of 66% of the 16,000 smallholder farmers who participated in the 5 value chains supported by the project were male. 34% were female with the majority participating in the maize and pigeon peas value chains (both household food security and cash crops).

### 2.2 Pigeon Peas

Pigeon pea production has increased steadily in the project zones over the last four years. A total of 5,985 smallholder farmers participated in the pigeon pea value chain during the current season. This represents an increase of 1,305 smallholder farmers compared to the 4,660 smallholder farmers who grew pigeon peas as their primary cash crop during the previous season (2015 / 2016).

The increased interest by smallholder farmers to grow pigeon peas is attributed to two main observations:

- a. The signing of the deal between the Governments of Mozambique and India for the export of Pigeon peas (to India) provided some assurance to smallholder farmers that the crop had a viable, guaranteed large market.
- b. The farm gate price paid for pigeon pea produce had been gradually increasing for the previous three agricultural seasons (from 2013 / 2014 season) as indicated in Figure 6 below.



*Figure 6: Pigeon Pea Produce Buying Price (Last three seasons)*

The constant annual farm gate price increases recorded during the previous three seasons rendered pigeon peas a preferred cash crop by smallholder farmers and hence the number of growers has been increasing each year.

The total land area under pigeon pea cultivation by smallholder farmers also increased during the past year from 7,117 Ha to 10,831 Ha. This increase in land area under Pigeon Pea cultivation corresponds with (a) the increased number of smallholder farmers engaged in pigeon pea production during this season and (b) the increase in household land allocated for pigeon pea production, which increased about 20% on average per farmer. For instance, female headed households increased land allocation for pigeon pea production from last season average of 1.11 hectares to 1.70 hectares. Male headed households also increased average land area under pigeon pea production from 1.75 hectares to 1.88 hectares. This demonstrates how the smallholder farmers valued pigeon pea production in their household investment decisions during the reporting period.

While there has been increased production, the production costs have risen as well. The average pigeon pea production costs increased almost 63% from last year's total average of 1,984 Meticaïs to 3,174 Meticaïs per hectare. The increased production costs are attributed to several factors. The price of certified pigeon pea seed increased during the reporting period with observations that JNB Empreendimentos and Phoenix Seeds – some of the main InovAgro partners selling seed were selling pigeon pea seed at 120 meticaïs per kilogram compared to 80 meticaïs per kilogram (during the 2015 / 2016 season). Taking note that 10 kilograms of pigeon pea seed are required for a hectare, this implies a total cost of 1,200 meticaïs spent on purchase of certified seed alone compared to 800 Meticaïs investment required during the previous season.

Furthermore – the government gazetted increase in fuel prices announced in March 2017 also had an impact in the costs incurred by the smallholder farmers including for instance an increase in produce transportation costs to the market.

### Text Box 1: Increase in Fuel Prices

Prices of fuels and other oil products were increased with effect from the 22<sup>nd</sup> of March 2017. With the readjustment, petrol price increased from the 50.02 meticaïs to 56.06 meticaïs per litre. Diesel prices increased from 45.83 meticaïs to 51.89 meticaïs per litre.

Source: *O Pais* Available on: <http://clubofmozambique.com/news/fuel-prices-rise-in-mozambique-as-of-tomorrow>

The average yield per hectare during this season increased to 612 Kgs compared to last season average yield of 432 Kgs per hectare. This yield is higher than the national weighted average yield of 486 kilograms per hectare as reported by Walker et al (2015)<sup>8</sup>. The improved productivity recorded during this season is attributed to the increased smallholder farmer's access to certified pigeon pea seed (mainly supplied by Phoenix Seeds in the InovAgro project locations). Figure 7 highlights the fivefold increase in purchases of certified seed, enough for 2,000 ha.

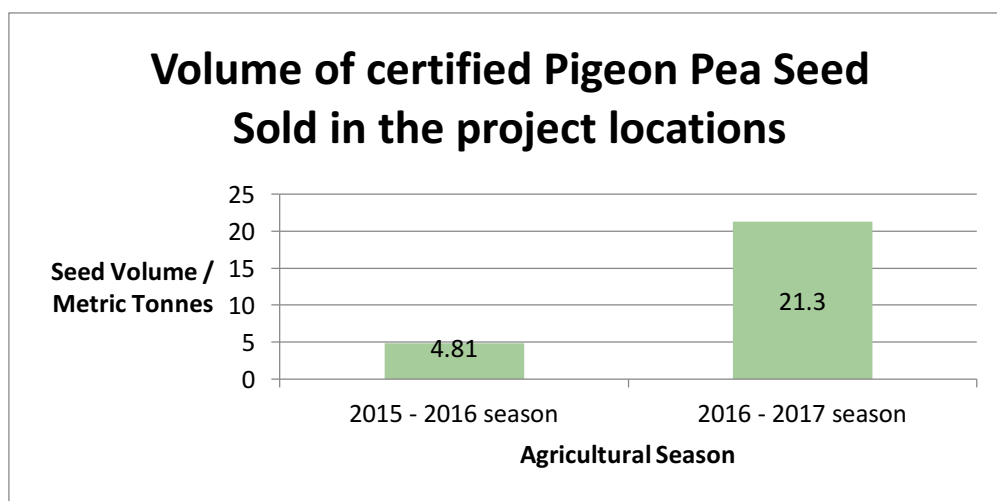


Figure 7: Volume of pigeon pea seed sold in project locations

The increased use of certified pigeon pea seed in the project locations during this season was a major boost to the crop yield performance achieved during the reporting period. The amount of rainfall received during the season was also above average, in turn promoting the development of a good standing crop which yielded better compared to the last season.

<sup>8</sup> Refer to: Pigeon Pea in Mozambique: An emerging success story of crop expansion in smallholder agriculture: Available on <http://fsg.afre.msu.edu/Mozambique/RP78E.pdf>





*Figure 8: Healthy pigeon pea crop stand in Chiure*

Although the average yield per hectare for this season was higher than the last season – the low output buying prices which dominated the current season after the Government of India imposed restrictions on the importation of pigeon peas (dhal) has dampened the commercial prospects of sustainable pigeon pea production and marketing at all levels of the value chain (See text box 2).

The restrictions announced by India come as an unpleasant surprise to farmers in the InovAgro project locations, who had increased their production of pigeon peas, on the assumption that India is a guaranteed market. The reduced farm gate buying prices (Average of 5 meticaïs per KG compared to 34 meticaïs per KG last season) has swallowed the smallholder farmer's percentage profitability margin from 87 percent (recorded during the last season) to only 2 percent during the current season. Although the smallholder did not incur an outright loss, under the current volatile pricing conditions, the majority have struggled to break even. InovAgro projects that, unless the pigeon pea commodity buying prices are restored upwards before the end of this season, there will be a marked decrease in the number of smallholder farmers producing the crop during the next season (as well as the amount of household land allocated for pigeon pea production) given smallholder farmer's calculated strategies which often hinge on risk aversion.

### Text Box 2: Restrictions related to Pigeon Pea Imports in India

In August 2017, the Indian government imposed restrictions on the import of pigeon peas, a pulse widely used in Indian cuisine (dhal). In July 2016, during a visit by Indian Prime Minister Narendra Modi to Maputo, India and Mozambique signed an agreement whereby India would import 375,000 tonnes of pigeon peas from Mozambique between 2016 and 2019. Under the restrictions, the Indian authorities imposed quotas on pigeon pea imports, moving the crop from the “free” to the “restricted” category of imports. The new rules state that only 200,000 tonnes of pigeon peas can be imported in any one fiscal year. In the 2016/2017 fiscal year, which ended on 31 March, India had imported 703,540 tonnes of pigeon peas, from several countries including Mozambique. The pigeon pea imports are blamed for depressing the prices paid to Indian producers. The Indian authorities argue that the restrictions on the pigeon pea imports are necessary to protect local prices. Under the signed agreement, India had committed to import 100,000 metric tonnes of pigeon peas from Mozambique in the 2016/17 agricultural year, rising to 125,000 tonnes in the following year and to 150,000 tonnes from the 2018/19 harvest. If India honours the commitments in the agreement, the imports from Mozambique alone will amount to more than 50 per cent of the 200,000-tonne cap on imports.

Although the Indian authorities have issued some statements indicating that the restrictions will not apply to the government’s import commitments under any bilateral or regional agreement, the majority of InovAgro private sector partners that buy pigeon peas from Mozambican farmers in the project locations and then export the crop to India are not convinced that the business will remain viable. The Export Trading Group for instance which has two pigeon pea processing plants, in Beira and Nacala, has reduced the volume of pigeon pea purchases during this season as the company is cautious not to risk making further purchases from farmers because the company still has a considerable amount of pigeon peas in its warehouses, which was purchased from producers in the previous agricultural season.

## 2.3 Maize

The maize value chain had the second highest number (after pigeon peas) of smallholder farmers with 5,782 farmers in the project locations growing maize as their main commercial crop during the reporting period. This represents an increase of 1,231 smallholder farmers compared to last season.



Figure 9: Project supported smallholder maize growers in Gurué

The increased number of smallholder maize growers is largely attributed to the improved access to certified maize seed in all the project locations. Maize remained the dominant commercial seed type sought after by smallholder farmers in the project locations and the seed type most pro-actively marketed by the seed companies – partners to the InovAgro project. As can be seen from Figure 10 below; the volume of maize seed that was sold by the seed companies in 2016 and 2017.

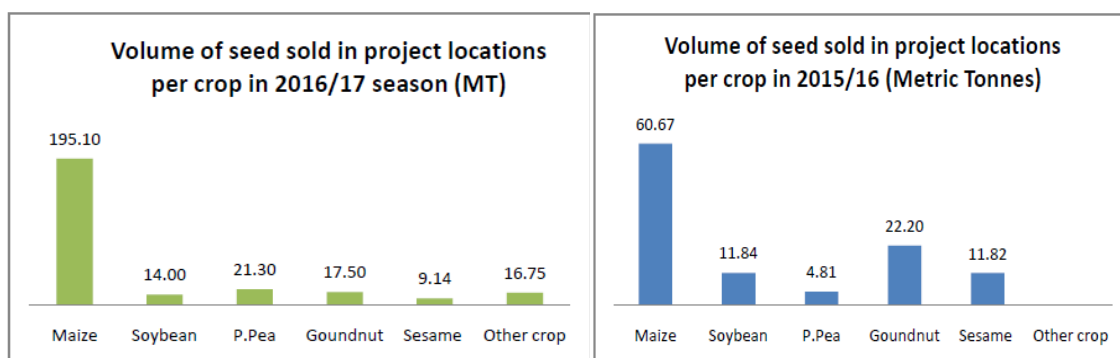


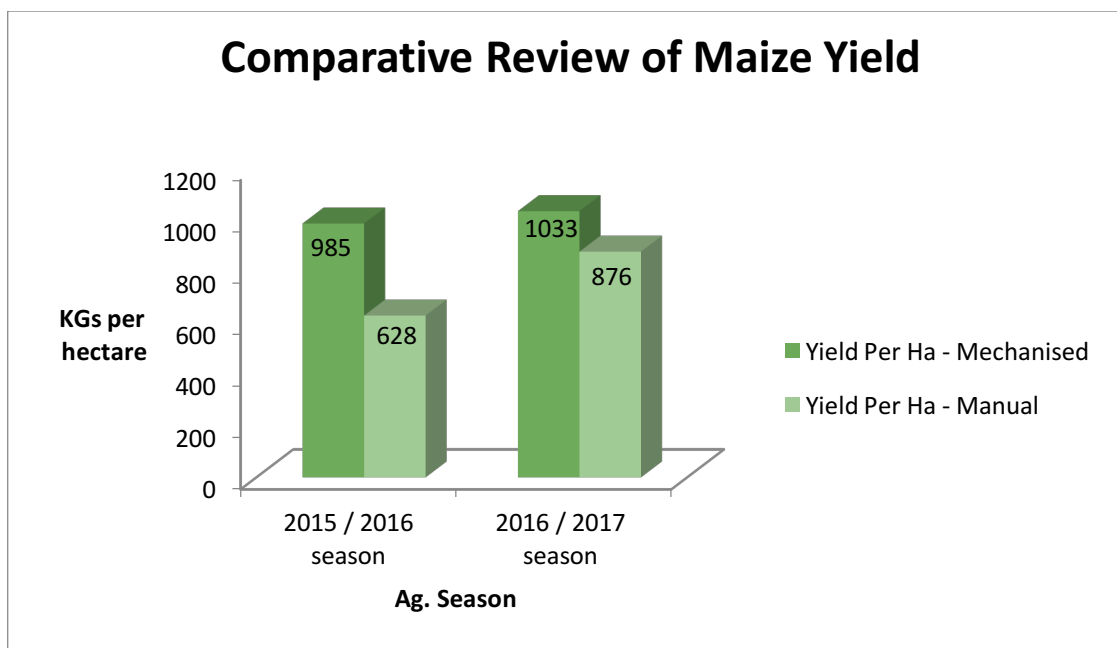
Figure 10: Comparative review of seed sales in project locations

The dominance of the maize production and marketing in the project locations needs to be understood from various viewpoints including the fact that it is both a food security and cash crop at the centre of rural livelihoods of many of the smallholder farmers in the InovAgro project locations.

Despite the increased number of mechanisation service providers in the project locations supported through various initiatives such as the Agricultural Development Fund (FDA), Export Trading Group (ETG) (with support from USAID) and Technoserve (with support from the Dutch government), maize production in the project locations remains largely under manual production as only 7% of the smallholder maize growers engaged in mechanised production involving the use of land tillers and planters. Only 1,745 hectares of maize were under mechanical maize production compared to 9,286 hectares which were under manual maize production during the reporting period. The low use of mechanisation services is attributed to (a) the cost related to purchasing mechanisation services (mainly for ploughing and planting) and (b) smallholder farmer's preference to use available household labour to undertake key production tasks such as land preparation, planting and weeding. The use of household labour is in most cases considered to be a cheaper option by the smallholder farmers.

The average area under manual maize production remained constant, pegged at 1.7 hectares (same as last season). The average household area under mechanical maize production increased significantly from 2.5 hectares (recorded last season) to 4.3 hectares (recorded this season). In principle InovAgro noted that the same smallholder farmers who engaged in mechanical maize production during the last season had expanded the land areas during the current season in part encouraged by the output buying price for maize during last season.

The average maize yield per hectare (for both mechanised and manual production) increased during the reporting period as indicated in Figure 11 below:



*Figure 11: Comparative Review of Maize Yield*

The improved maize yields recorded during this season are largely attributed to the improved seasonal rains which boosted yields compared to the dry weather reduced yield levels registered during the previous season. The increased availability of certified maize seed (as indicated in the discussion above) should also be considered as well as the increased number of private sector technical officers who were engaged by the seed companies to provide extension services to the smallholder farmers in the project locations.

The maize yield levels recorded this season are closer to the indicated average national yield levels which estimate smallholder productivity per hectare between 1,000 kg's per hectare – 1,200 kg's per hectare (particularly in the central region where production and input distribution systems are more developed and advanced). The yield levels in the InovAgro project locations could have been much higher if the crop had not been affected by the Fall Army Worm (FAW) outbreak which ravaged the entire SADC region.



### Text Box 2: The Fall Army Worm

The fall armyworm (FAW), *Spodoptera frugiperda*, was first detected in Mozambique in January 2017. The FAW was initially confused with the ordinary maize stem borers, but later confirmed as FAW by MASA in coordination with Eduardo Mondlane University (UEM).



Figure 12: Maize crop affected by the Fall Army Worm

The FAW outbreak was confirmed in all provinces of Mozambique, except in Cabo Delgado. Assessments by various stakeholders are still being finalised to determine the severity of damage caused by the FAW, particularly the impact on crop production / yields as well as the socio-economic impact on smallholder households.

InovAgro assessments however indicate that the impact of the FAW in the project locations was moderate mainly due to excessive rainfall, which helped to suppress the FAW activity, and the favourable climatic conditions that helped to promote high crop production potential.

Because the improved output this year, maize imports in the 2017/18 marketing year particularly during the lean period (April/March) are expected to decline moderately. The output buying price of maize also declined in recent months on harvest pressure and in May 2017 the market buying prices were generally well below their year-earlier levels as indicated in Figure 13 below:

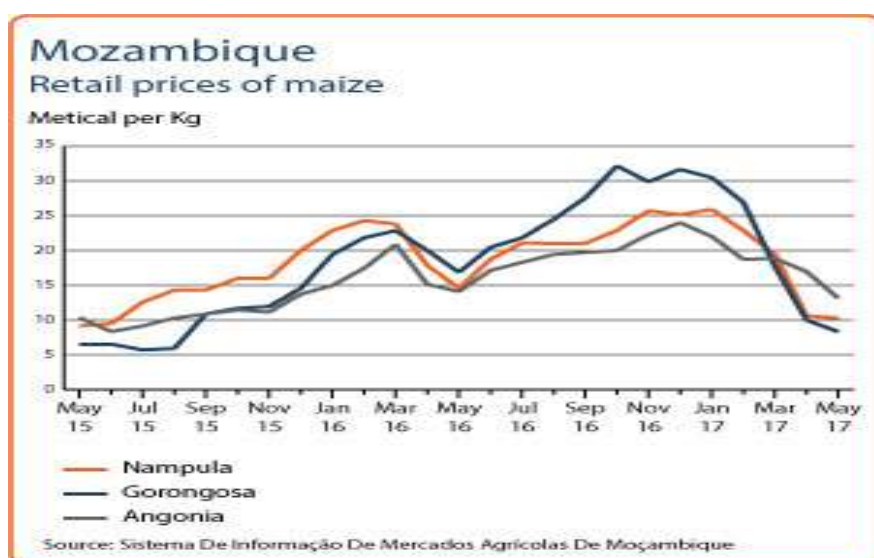


Figure 13: Maize prices in Mozambique

The lower year-on-year maize price during the reporting period is mainly attributed to improved production supply prospects. The strengthening of the national currency in 2017 also eased inflationary pressure, but made imports more attractive. The current lower prices of maize in South Africa, a key trading partner for Mozambique, encouraged increased levels of imports during the first half of the reporting year. The lower market prices (average of 5 Meticaïs per kilogram in the InovAgro project locations) resulted in a negative margin for the project beneficiaries. This underlines the global nature of value chains, and the importance of continued strengthening of smallholder farmers in Mozambique to structure their production systems to be competitive not only regionally but internationally particularly in terms of productivity and the cost of production per hectare.

Overall, food security conditions are expected to improve in all the InovAgro project locations, because the larger maize output recorded during this season as well as the lower market prices.

## 2.4 Soya beans

Soya bean is a nutritious crop with high levels of protein content. The crop is not traditionally consumed by Mozambicans as a food crop. The major end markets are animal feed companies (primarily poultry feed) as well as exports to Malawi (for feed). Mozambique domestic demand for soya for processing into feed is estimated at 75,000 MT/year. Thirty (30%) percent of feed demand in the country is linked to the commercial activities of one company, Abilio Antunes in Manica. In Nampula, Novos Horizontes and Proalimentar are prominent feed companies. The domestic market for soya is estimated to be growing at about 60 percent per year (thus presenting a market opportunity for smallholder farmers in the project locations). The projections made by USAID SPEED (2016) indicate that soy bean production will continue to fall short of growing consumption requirements as indicated in Figure 14 below:

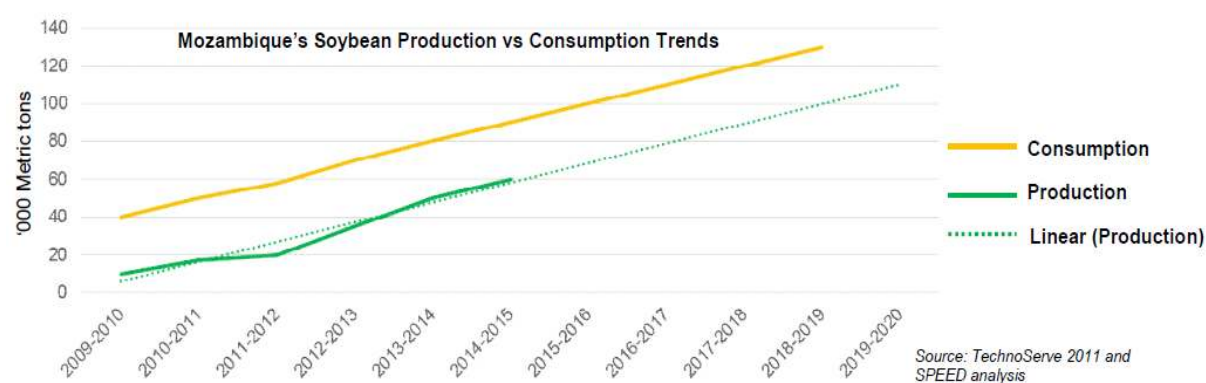


Figure 14: Soy bean production and consumption trends in Mozambique (source: USAID Speed, 2016)

A total of 2,395 smallholder farmers in the InovAgro project locations grew soya beans as their main commercial crop during this season supported through the project facilitation systems. This represents an increase of 1,333 smallholder farmers compared to the 1,062 farmers who grew soya beans as their primary cash crop during the previous season (2015 / 2016).

The increased interest by smallholder farmers to grow soya beans is attributed to several market factors as discussed below:



### 2.4.1 Growing internal demand of soya bean on the domestic market

Demand for soya beans on the domestic market particularly for the feed, poultry and oil industries has been rising due to the increased growth in these industries. Although Mozambique currently imports poultry products (mostly from Brazil and South Africa) to meet its internal deficit in chicken meat, there has been a significant increase in production already, and there is increased lobbying by local actors for the government to reduce the volume of poultry imports into the country as a strategy to promote the development of the local industry. There are indications that by 2019, the Government of Mozambique may ban poultry imports into the country<sup>9</sup>.

### 2.4.2 Increasing Farm Gate Prices

The price of soya bean output buying prices at farm gate had been gradually increasing over the previous three agricultural seasons (from 2013 / 2014 season), but then dropped sharply in 2017 as indicated in Figure 15 below:

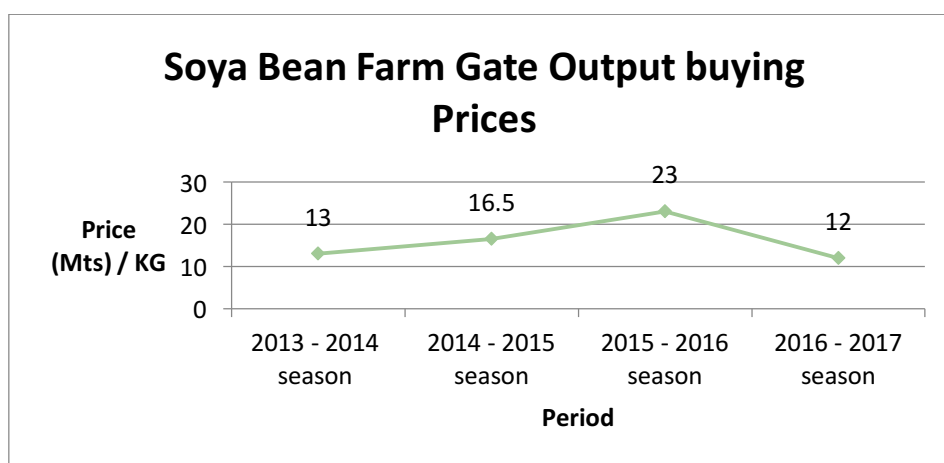


Figure 15: Average soya bean output buying prices in InovAgro project locations

The growing farm gate soya bean output buying prices acted as strong incentive for smallholder farmers to grow soya beans as a primary household cash crop, leading into the 2016-17 season. During the reporting period, the total land area under smallholder soybean production increased from 2,155 ha (recorded last season) to 4,302 ha during the current season. As in maize, soya bean production remains largely unmechanized as only 284 ha under this season production was mechanized. Soya bean production remains a male dominated crop as only 27 percent of the smallholder farmers who grew soya beans as their primary commercial crop were female.

A marginal increase in soya bean yield was recorded for mechanised soya bean production as indicated in Table 3 below:

<sup>9</sup>See for example:

<http://www.folhademaputo.co.mz/pt/noticias/nacional/mocambique-vai-banir-importacao-de-frango-em-2019/>

Table 3: Comparative soya bean yield (previous and current season)

	Last Season (2015 / 2016)	Current Season (2016 / 2017)
Mechanized production	1,250	1,277
Manual production	695	881

Despite the increased productivity per hectare, the profitability margin secured by the participating smallholder farmers increased slightly by only 1 percent due to the lower farm gate prices for soya beans during the reporting period as indicated in Figure 15 above. Most smallholder farmers in the InovAgro project locations have cried foul on the drastic fall of the soya bean farm gate price (by almost half) during this year's marketing season. There are several factors highlighted by the soya bean value chain actors that should be taken into consideration in contextualising the reduced soya bean farm gate prices during this season:

#### **A. Speculative produce buying from the last season**

Most output traders during the last season, speculated that the price of soya beans would increase towards the end of the season. Based on this market speculation, the output buyers (particularly Cargill) purchased large volumes of soya bean produce (at the start of the season) which they hoped to sell to end markets at a premium price towards the end of the season. The volumes which however were purchased by the end markets were much lower than what the commodity traders had projected resulting in significant unpurchased produce remaining in the company warehouses of the main commodity buyers<sup>10</sup>. The commodity buyers (particularly Cargill) took strategic decisions not to purchase any new produce during this season but rather to prioritise disposal of the remaining stock from last season. Ultimately, this affected the demand for soya bean produce during this season.

#### **B. Cheaper imports of soya**

Discussions with poultry producers indicate that often the cost of importing processed soya bean meal into the country (particularly from Malawi) for the companies' operations are lower than the cost of buying soya grain (locally). InovAgro Team Leader discussions with Novos Horizonte for instance indicate that the company in 2016 imported a total of 2,000 metric tonnes of processed soya bean meal mainly from Malawi and Argentina<sup>11</sup>. For the current season, the company has indicated that they are importing on average 600 metric tonnes per month of soya bean meal from Malawi (encouraged also by the firming meticaís against the USD). The increased soya bean imports, by poultry producers such as Novos Horizonte consequently have resulted in lower demand and absorption for locally produced soya bean grain and hence the reduced price. Novos Horizonte however projected that the farm gate price for soya bean grain would likely increase from the current levels. Important to note from the above discussion is that imported soya beans products (particularly soya meal) is landing cheaper in Mozambique compared to output produced locally. This further emphasises the need for smallholder farmers supported by the project to improve their productivity per hectare and to reduce their production transaction costs to remain competitive on the global market.

<sup>10</sup> There was increased reliance on imports which were considered cheaper.

<sup>11</sup> The company indicated Brazil and India are also excellent sources of soya bean meal at competitive prices.

## 2.5 Groundnuts

A total of 1,106 smallholder farmers grew groundnuts as their primary cash crop in the InovAgro project locations during this reporting period. This represents an increase of 424 smallholder farmers compared to the 682 smallholder farmers who grew the crop during the last season. While the groundnuts value chain has long been considered by the InovAgro project to be a female dominated cash crop, the results secured from the last two End of Season Surveys indicate growing involvement of male farmers in groundnut production – even surpassing the levels of female farmers.

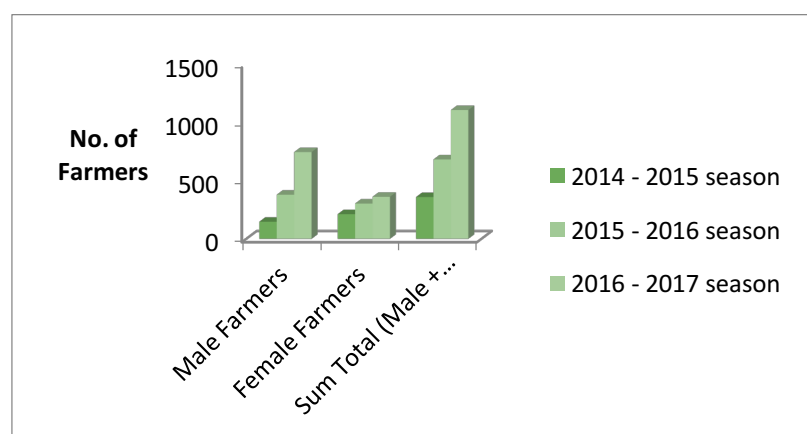


Figure 16: No. of Farmers growing groundnuts in project locations

InovAgro therefore notes that as the groundnut value chain becomes more commercially oriented, an increased number of male smallholder farmers are gaining interest in this cash crop. This is also reflected by the size of land that was allocated by male farmers this season towards groundnut production, increasing from 0.8 hectares (last season) to 1.36 hectares during the reporting period. While the larger area allocated by the male farmers towards groundnuts production can be interpreted as confirmation of the economic potential that they see in groundnuts as a cash crop – female farmers in Focus Group Discussions argued that this was also indicative of reduced labour capacity by female farmers to open up larger pieces of land to expand their production activities.



Figure 17: Groundnut plot in Erati managed by a female farmer

It is however interesting to note that although male farmers have larger land area allocated for groundnut production, female farmers recorded a much higher yield per hectare compared to their male counterparts. The male farmers' productivity per hectare (535 kgs) is much lower than the 856

kilograms per hectare achieved by the female farmers<sup>12</sup>. The improved volumes of rainfall recorded in the project locations during this season supported the achievement of higher yields. Furthermore, the increased volume of certified seed that was sold in the project locations this season compared to the previous season<sup>13</sup> is also attributed to the improved yields secured during the reporting period. The increased availability of groundnut seed during this season is also confirmed by Muitia A.M et al (2017) who through an independent participatory rural appraisal conducted in Cabo Delgado and Nampula provinces noted that 56%<sup>14</sup> of groundnut producers in Erati used improved seed varieties. Erati is one of the InovAgro project locations and commercial distribution of groundnut seed in the district is being championed by three InovAgro partners – IKURU, JNB and Oruwera.

Most of the groundnuts produced in the project locations are targeted for the domestic informal markets – with strong inter regional trade mainly to Maputo (Southern Region).

Limited volumes of groundnut produce are also exported to regional countries mainly South Africa.

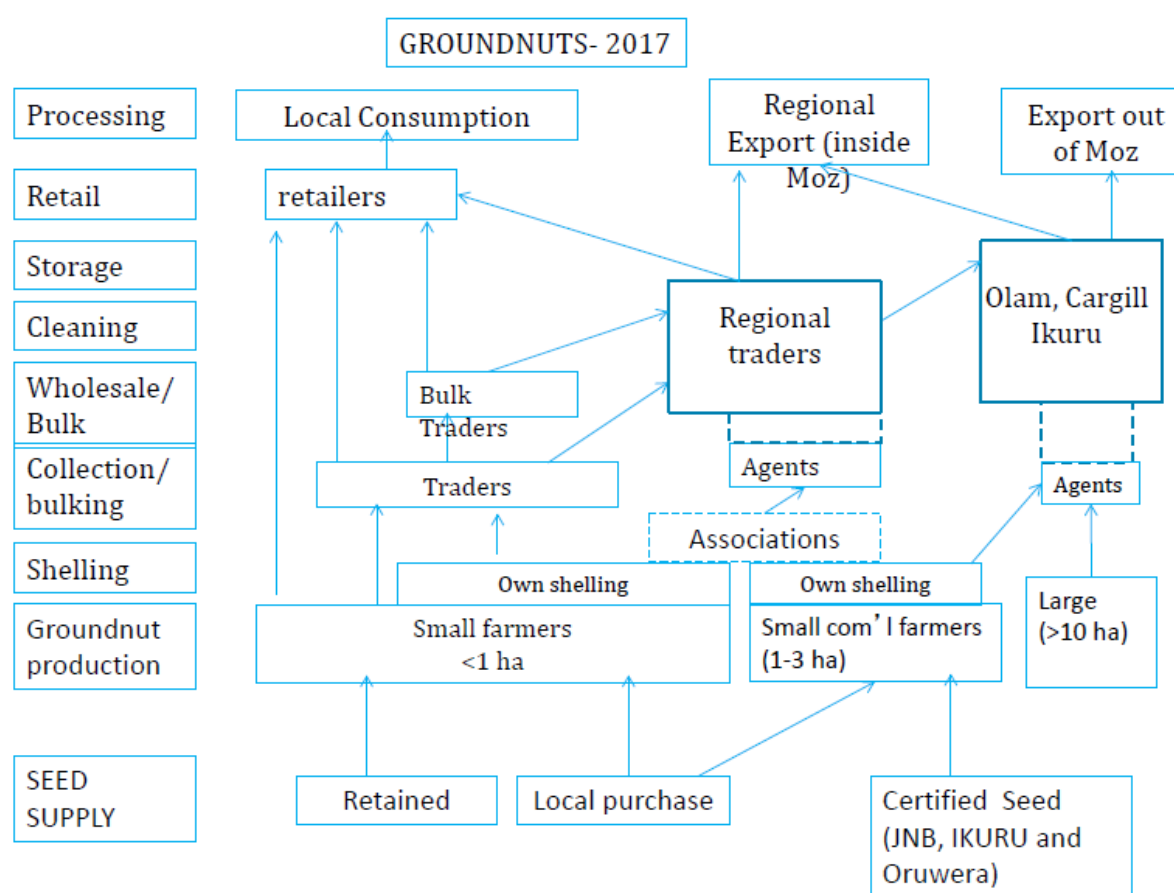


Figure18: Groundnut Value Chain Map (Source: InovAgro Sector Reports)

The price of the groundnuts slightly dropped from an average of 40 meticaïs (last season) to 35 meticaïs during the reporting period. Although this price was lower than last season – smallholder

<sup>12</sup>Female respondents in the project locations argued during Focus Group Discussions that women had more experience of growing groundnuts and that they allocated more time in managing their groundnut plots compared to their male counterparts.

<sup>13</sup>22.20 Metric Tonnes of groundnut seed was sold in the project locations compared to 17,50 Metric Tonnes sold last season.

<sup>14</sup>See <https://apresinc.com/wp-content/uploads/2017/07/Muitia-2017.pdf>

farmers who engaged in groundnut production were able to achieve a profit margin of 85% in relation to their investment.

InovAgro has also noted an increased interest by international output buyers (e.g. Twin Trading) to source groundnuts from Nampula and Cabo Delgado provinces for export to the United Kingdom and other European markets. This interest is on the back of the company failing to secure sufficient produce volumes in Malawi and increasingly Mozambique is considered a potential supplier of the required produce volumes if an elaborate system that controls aflatoxin contamination can be established. A Groundnut Working Group, with strong InovAgro facilitation, has been established in Nampula comprising of various value chain stakeholders to explore mechanisms how aflatoxin contamination levels can be reduced to meet the requirements of international markets. This work, albeit promising, still requires significant support targeting various value chain actors involved in groundnut production, processing, transportation etc.

## 2.6 Sesame

The number of smallholder farmers who grew sesame as their main commercial crop during this reporting period dropped from 985 (last season) to 752 farmers this season of which the majority (80%) were male farmers. The drop-in sesame growers during this season is attributed to smallholder farmers risk aversion strategies related to the fly beetle attack on the sesame crop during the previous season. The yield per hectare consequently was reduced compromising the smallholder farmers profit expectations. It is for this reason that a considerable proportion of the sesame growers (last season) switched to groundnuts during this season. Groundnuts were considered a safer crop, with the seed varieties available on the market capable of resisting most pests and diseases dominant in the InovAgro project locations.

The reduction in the number of sesame growers during this season was also noted in the reduction of sales for sesame certified seed in the project locations from 11.82 metric tonnes (last season) to 9.14 metric tonnes during this season.

Oruwera, JNB and IKURU remained strategic project partners as these were the main companies that sold sesame seed during the reporting period.



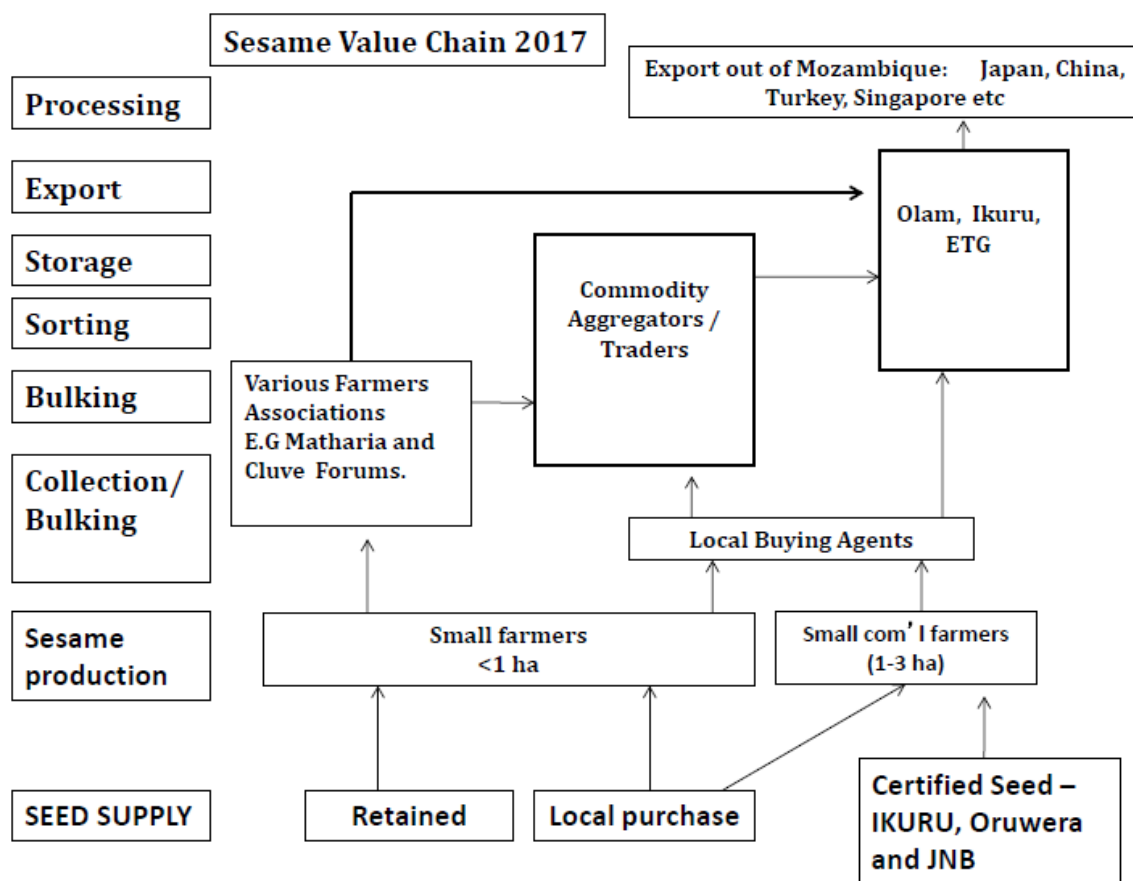


Figure19: Sesame Value Chain Map 2017 (Source: InovAgro Sector Reports)

The yield per hectare for sesame significantly improved compared to last season yield (more than doubled) as indicated in Figure 20 below:

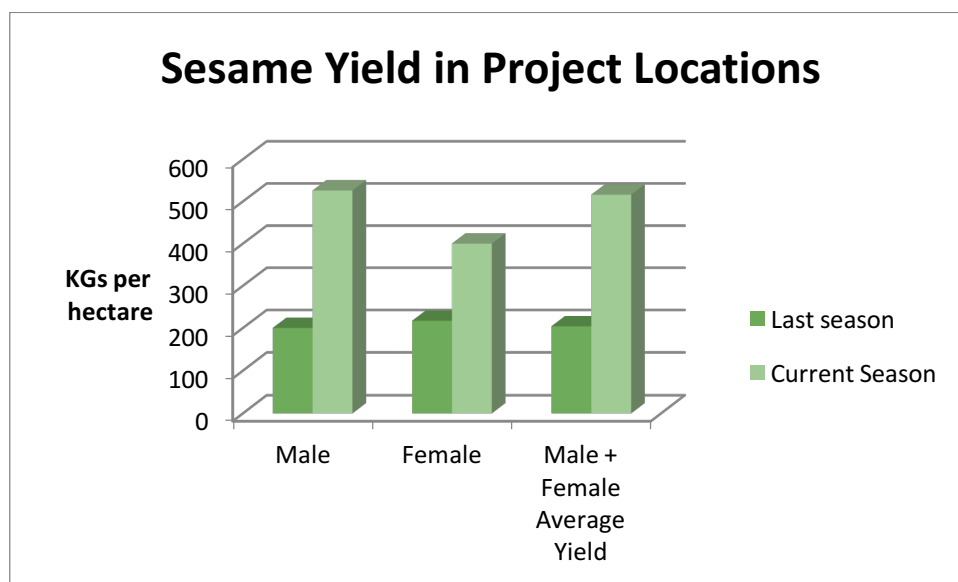


Figure 20: Sesame Yield in Project Locations

The reduced production costs incurred by the sesame growers this season have mainly been attributed to reduced application of chemicals and other crop protection products compared to last season when the sesame crop experienced a severe attack by the fly beetle immediately after the crop germination. Although some sesame crop this season also experienced fly beetle attacks, the severity was less aggressive compared to last season and the financial investment required for treatment was lower.

The profitability margins secured by the sesame farmers are the highest recorded during the project four-year period. In principle – sesame was the most profitable crop during this season owing to less volatile farm gate prices (compared to last season) and the impressive yield improvements that were achieved.

The strong performance of the sesame value chain this season will provide strong incentive for more smallholder farmers to adopt the crop as their primary commercial crop during the coming season.

## 2.7 Conclusion

The market developments experienced during this reporting season, particularly relating to pigeon peas, soya beans and maize, re-affirmed how the smallholder farmers supported by the project are part of global market systems. For instance, it is crucial to note how policy changes in India relating to Pigeon Pea imports affected the local markets, resulting in significant reduction in farm gate prices and overall produce demand. This reinforces the need to compete based on global benchmarks for productivity.

Furthermore, the improved maize harvests recorded throughout the country (and within the SADC region) owing to improved agro-climatic conditions during the season resulted in lower farm gate prices (due to increased product supply on the market). Imports from other countries within the region (particularly from South Africa) have also proved to be cheaper than locally produced maize further emphasising the need for smallholder farmers to better structure and manage their production costs if they are to remain competitive on the global market. These market developments further emphasise the need for strong farmer institutions that can be empowered to monitor global agribusiness trends and provide relevant technical advice to smallholder farmers and other related value chain actors. At present, this is a missing gap in the smallholder farmer's production systems – tailoring their production systems to respond to global market trends in-order to remain competitive on the world stage.

The groundnut value chain has the potential to be a lucrative commercial crop but this potential continues to be hampered by set global minimum residue levels relating to aflatoxin. The investments required to tackle this constraint in the groundnut value chain are considerable, and beyond the support levels that could be provided by the InovAgro project. However, some strong meaningful discussions to define the road map on how aflatoxin levels can be lowered in smallholder groundnuts needs to be defined and InovAgro is positioned to champion these discussions under Phase III of the project.

While the climatic conditions recorded during this season were conducive for the production of the 5 value chains supported by the InovAgro project, the increased incidence of droughts, pest and disease

attacks over the last four years reinforce the need for appropriate crop insurance products which can offer the smallholder farmers some form of safety net to protect their investments.

Depending on how the Pigeon pea market unfolds during the rest of the season as well as the projected prospects for the future, it may be necessary to consider other crops that may offer higher investment returns to the smallholder supported by the project. While the negative margin recorded this season for maize will be a disincentive for future investments for some smallholder farmers in the project locations, the crop retains its strategic importance due to food security considerations which are central not only to the InovAgro project but also at the heart of the Government of Mozambique policy priorities. It is important to note how smallholder farmers tend to substitute one crop for another, depending on previous year's performance (out of sesame into groundnut, for example). This relates to small farmer behaviour, which is important to take into consideration as we are looking at the crops supported by the project.

### 3. Seed Sector

InovAgro has placed a heavy emphasis on building the market for certified seeds for smallholder farmers and using the seed companies as a means to increase SHF productivity since 2014. This year has seen a culmination of the buy-in from seed companies to actively promote their products to farmers. Eight seed companies partnered with InovAgro during the reporting period in various project locations as indicated in Figure 3 above. These seed companies now employ 19 field extension workers to drive outreach to farmers, organised 299 demonstrations during the period, while working through 55 agro dealers. These extension and outreach activities led to the sale of 273.79 metric tonnes of assorted seed to smallholder farmers, up 145% from last year.

InovAgro's partner seed companies are Phoenix Seeds, PANNAR Seeds, Oruwera, Klein Karoo, Sementes Nzarayapera, JNB, IKURU and Syngenta. They represent the majority of seed companies working in Northern Mozambique. These companies are of different sizes and capacity levels, but they are all committed to growing their businesses by building greater market demand through outreach and distribution systems. However, they are at different stages of growth and are confronted by varying opportunities and constraints as market actors which has shaped their ability to grow.

The discussion below provides details on four selected companies that require mentioning due to their changes in business approach and/or financial circumstances.

#### 3.1 Review of selected seed company strategies:

##### 3.1.1 PANNAR Seeds

PANNAR Seeds has been revising its business strategy over the last months. The company no-longer operates its own shops for direct sale of seed products to farmers; instead, the company has reinforced implementation of a business model whereby products are delivered to Distributors in specific zones. The Distributors in turn are required to supply smaller Agro dealers operating in the project areas.

Under the new company strategy, the PANNAR Shop that was established in Gurué with InovAgro support in 2015 has now been handed to another private investor (EXCAVETA) to operate the shop as a distribution hub supplying PANNAR seed to agro dealers in Zambezia province with the possibility of expanding to other regions as the business grows. The branding on the shop has been maintained to avoid confusing the market. PANNAR management established two strategic partnerships during the reporting period with the distributors indicated in Table 4 below to service the indicated areas:

Table 4: Pannar distributors

	Locations Serviced (Districts)
TECAP - Casa do Agricultor	Nampula, Malema and Ribaue
EXCAVETA	Gurué, Molumbo, Namarroi, Ile, Alto Molócue

PANNAR Seeds staff will now focus largely on promotional activities for their products through a variety of media channels as well as demonstrations, field days, road shows and seed fairs. PANNAR Seeds has also established collaborative relationships with ETG which will enable the company to use ETG warehouses to store their seed prior to distribution.

The company management has also taken a strategic decision to retain the services of the 11 Extension Officers that are operating in the project locations. These extension officers will not only be required to facilitate the delivery of the company product demand creations activities but an arrangement has also been reached which will enable these Extension Officers to sale seed in their areas of operations for a determined commission.

PANNAR Seeds has also experienced high staff turnover particularly in Chimoio at the company Head Office. The company lead Sales Agronomist; Mr. Felisberto Eduardo resigned during the reporting period following also the departure of another Sales Agronomist, Mr. Albino Mutipo. The departure of these key staff members has weakened PANNAR Seeds as Ismenio Chitata remains as the Country Director, but without a strong supporting team of technical officers. To fill this gap, the company has brought in interim cover from its Zimbabwe Office until substantive local replacements are identified and engaged.

### 3.1.2 Phoenix Seeds

InovAgro conducted a Due Diligence exercise on Phoenix Seeds during the reporting period. This review was originally scheduled for April 2017 but could not take place as Phoenix Seeds management was preoccupied with financial and managerial restructuring negotiations with their Joint Venture shareholder partner, AgDevCo. Phoenix senior management now has a new Accountant and General Manager.

The results from the due diligence conducted indicate that Phoenix Seeds is currently with negative equity balance wholly from accumulated operating losses over a five-year period and has significant debt. The partnership between Phoenix and AgDevCo is showing significant strain but the key proposal by AgDevCo is to merge Phoenix Farm and Phoenix Seeds into a single entity which will improve the balance sheet of the combined entity. It is unclear at present what the proposed shareholder structure will be in the merged company or what will become of the existing loans. Kevin is however committed to continue producing seed either in a resurrected Phoenix Seeds or another fresh start-up.

Mr George Chibanda has been appointed as the Product Marketing Director leading all company efforts related to demand creation and establishment of a viable distribution network for product retail. Mr. Chibanda will also assume responsibility for coordinating the work of Field Extension Officers working in the project locations.

As the company scales up its efforts to turn around its fortunes, Phoenix Seeds' management is actively pursuing at present possibilities for establishing a warehouse in Mocuba to allow for better seed distribution in the Northern region.

### 3.1.3 Klein Karoo

Klein Karoo is rapidly expanding its operations in Mozambique. Although the company has previously concentrated its retail activities in the centre region of the country, the company management increasingly recognises the potential growth in the northern region. The company mainly has certified



maize, sesame and horticultural seed sourced both from local production in the centre region and from imports from South Africa and Zimbabwe.

During the reporting season – Klein Karoo remained one of the strongest InovAgro partners for both demand creation activities and seed retail. Under the partnership agreement, the company has now established a distribution warehouse in Nampula which will also be used as the company's main coordination office for the Northern region. A Sales Agronomist was recruited during the reporting period and a vehicle to support product marketing and distribution has been placed in Nampula.

The company has a robust marketing strategy and has now secured partnerships with the main supermarket chain stores operating in Nampula to facilitate the retail of both horticultural and cereal (mainly maize) seed in these establishments. InovAgro is monitoring the volumes that will be sold through the supermarket chains as this represents another distribution outlet which had not been previously explored with other seed companies.

### 3.1.4 SEEDCO

Seed Co has recently announced a return to the Mozambican market after having left the market years back citing market feasibility limitations. The company management has already engaged with the InovAgro facilitation team and indications are that during the 2017 / 2018 season the company will re-introduce its seed products to the market through establishment of demonstration plots and realisation of field days.

The return of Seed Co to the Mozambican seed market is an affirmation of the potential that the market has become more dynamic. InovAgro expects that competitive marketing will increase as four large seed companies (Syngenta, PANNAR Seeds, Seed Co and increasingly Klein Karoo) will now be fully operational on the market. InovAgro anticipates that some of the smaller seed companies such as JNB which have been struggling to manage seed production activities will probably evolve into large distributors working in strategic partnerships with the larger companies that have better capacity for seed production management and distribution. Meanwhile other companies, such as Nzarayapera, may focus more on multiplication for the large companies. Indications relating to the formation of such strategic partnerships are already visible on the ground as JNB has been engaging Klein Karoo to form a strategic alliance with the company for seed distribution in the Northern region. In the same vein Sementes Nzarayapera has also initiated discussions to grow seed that will be marketed by Klein Karoo.

As more international actors such as SEED Co enter the market, the push for product quality management by the seed companies will increase as the smallholder farmers will have increased opportunities to choose well performing products that are priced affordably.

## 3.2 Partnership Activities and Results during Reporting Period

InovAgro continued its approach involving supporting the seed companies to conduct demand creation activities for certified seed (through establishment of demonstration plots and realisation of field days), provision of embedded extension services to smallholder farmers as well as establishment of a distribution network for commercial seed retail.

### 3.2.1 Demonstration Plots

A total of 299 demonstration plots were established by the project partners during the reporting period. The number of demonstration plots established in 2017 by the seed companies represents more than threefold increase compared to the 94 demonstration plots that were established in 2016.

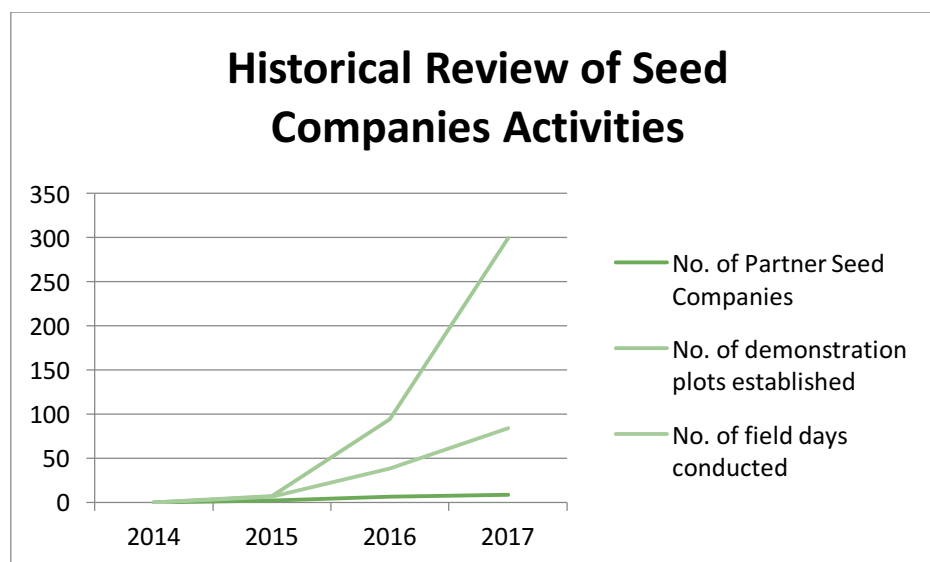


Figure 21: Historical Review of Seed Companies Activities

This is a strong indication of the increasing seed marketing efforts (including financial resources) that are being applied by the companies to promote volume increase in their sales. It is also an indication of the growth and crowding in of market actors applying new and innovative approaches.



Figure 22: Lead Farmer Hilda Carlos demonstrating result from demonstration plot in Ribaue

The capacity of the seed companies to establish demonstration plots in the project locations (including managing relationships with the Lead Farmers) has grown significantly and InovAgro now notes progression by the companies towards operationalisation of enhanced management systems for



demo plot quality control including information management. Syngenta Seeds for instance has developed a demo plot log book which not only acts as a guidance manual for lead farmers on how to manage the demonstration plots but also facilitates improved recording of data on the crop performance during the season. This data is used to explain the crop performance during field days but also provides recorded feedback to the companies for ongoing product research and development.

Figure 23: Syngenta Demonstration Plot Log Book

PANNAR Seeds has also started the application of a quality control checklist which allows the scoring of an established demonstration plot based on a set of defined company guidelines. The application of these systems for the improved management of the demonstration plots is commended and a step in the right direction.

### 3.2.2 Realisation of Field Days

Table 5: Smallholder farmers Participation in Field days – Current Achievement

Milestone Target 2017	Cumulative Achievement 2017	
Cumulative number of smallholder farmers participating in field days facilitated by the project partners	7,500	12,933

A total of 84 field days were conducted during the reporting period involving the participation of 8,918 smallholder farmers in the project locations. A total of 97 field days were conducted reaching out to a total of 9,190 (7612 new and 1,578 old) through field days.

Table 6: Field Days Conducted Per Partner in 2016-17

Partners	Field days	Participants
Pannar	36	4,182
Phoenix	42	3,241
Klein Karoo	6	504
Oruwera	3	209
Syngenta	8	809
IKURU	2	245
	97	9,190

PANNAR Seeds and Phoenix Seeds were the main project partners who invested more in the realisation of the field days as indicated in Table 6 above.

Table 7: Field days and Participants

District	Partners	# of Field Days	# of Participant
Ribaue	Pannar	8	1,519
	Phoenix	1	92
		1	89
	Oruwera	2	144
	Klein Karoo	2	192
Malema	Pannar	2	155
	Klein Karoo	2	200
	Phoenix	2	157
	Oruwera	1	65
	Syngenta	1	209
Erati	Phoenix	2	152
	Klein Karoo	1	61
	SDAE	1	51
Chiure	Phoenix	3	251
Namuno	Phoenix	2	190
	Pannar	3	420
Gurue	Pannar	13	1,861
	Phoenix	11	792
Mulumbo	Phoenix	9	849
Namarroi	Phoenix	3	224
Alto Molocue	Syngenta	7	600
	Ikuru	2	245
	Pannar	10	227
	Phoenix	5	250
Mocuba	Phoenix	3	195
	TOTAL	97	9,190

The security challenges near Mocuba earlier in the year resulted in significantly lower outreach in the district by the private sector companies as most partners suspended their activities due to security concerns. Gurue remains an area of significant private sector interest as demonstrated by the level of investment in field days in this district by the companies. Most companies currently categorise Gurue and Ribaue as large potential markets for seed products and there is significant focus to market products in these locations.

### 3.2.3 Embedded Extension Services

A total of 19 Extension Officers were recruited by the seed companies to provide after sales technical backstopping services to smallholder farmers on product use and general Good Agricultural Practices (GAP) in 2016-17. This represents a commendable increase compared to the 9 extension officers that were engaged in 2016. This is yet again another firm indicator of the increasing/deepening capacity and effort being applied by the seed companies to grow the seed market in the project locations through aggressive marketing campaigns and direct engagement with the smallholder farmers.

The investment by the companies, however, needs to continue growing to allow for the distribution of the extension officers in all project locations rather than the current scenario whereby the extension officers are often concentrated in particular districts ranked as having higher market potential. This also underlies the need to facilitate improved coordination with public extension officers to complement the private sector efforts.

### 3.2.4 Seed Sales

A total of 273.79 metric tonnes of assorted seed has been sold to smallholder farmers by the seed companies in the project locations during the reporting period through InovAgro facilitated distribution systems. This represents an encouraging increase of more than 145% compared to the 111.34 metric tonnes that was sold by the seed companies to the smallholder farmers during the previous season.

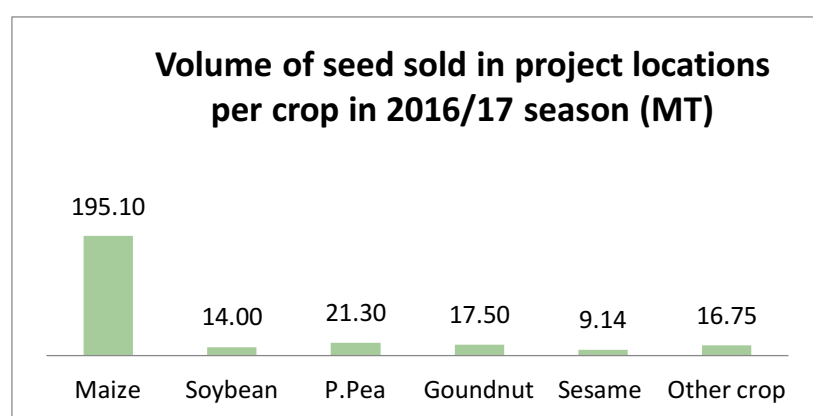


Figure 24: Volume of seed sold in project locations

Agro dealers remain the main commercial distribution mechanism that the seed companies are using for product retail. A total of 55 Agro dealers distributed in different project locations are now actively selling seed to smallholder farmers. The Village Based Agro dealers (mainly concentrated in Alto Molócue and Molumbo) were first pioneered by Phoenix Seeds but InovAgro notes that other seed companies such as Klein Karoo and IKURU are warming up to the concept and are considering use of this model for their trading activities.

Table 8: Seed Distribution / Retail Mechanisms in the project locations

Location	SeedCompanyShops	Agrodealers	VBA	FA
Gurué	1	5		3
Molumbo		6	5	
Namarroi				
Molocue	2	13	15	2
Mocuba		1		1
Ile	-	-	-	-
Malema	1	4		
Ribaue		2		
Chiure		2		1
Erati		1		
Namuno		1		
<b>Total</b>	<b>4</b>	<b>35</b>	<b>20</b>	<b>7</b>

The introduction of the one stop shop concept by Tecap - CASA DO AGRICULTOR in Nampula has been well received by both the seed companies and smallholder farmers alike as the future of agricultural inputs retail in Mozambique. The concept, which involves establishment of a hardware shop selling assorted types of agricultural inputs including seed (from multiple companies) provides wider product choice for the smallholder farmers as well as the ability to purchase other production inputs that are required to enhance the performance of certified seed. This one stop shop concept is expected to dominate the market in the near future as it also provides entrepreneurs with increased income product lines to enhance their income streams and profit margins.

### 3.2.5 Governance of Seed Companies

InovAgro conducted business governance reviews of four partner seed companies during the reporting period (Phoenix Seeds, Klein Karoo, Sementes Nzarayapera and JNB Empreendimentos). The business governance reviews were intended to review the effectiveness of governance systems that these seed companies have in place to facilitate sustainable management of a seed business. The assessments were conducted in the form of Organisational Capacity Assessments (OCA) upon which specific findings and action plans were drawn up to facilitate curing of identified areas of weakness. The results from these assessments indicate that the governance of the seed companies requires strengthening. The following key general observations were noted:

- **Business model:** Most SME seed companies engaged were found to have weak or fundamentally flawed business models. Adopted models are not informed or founded on empirical strengths,



abilities, and opportunities in the company. They are more guided by seasonal perceptions of lucrative opportunities. This significantly weakens the sustainability of a business.

- **Structure and identity:** Companies are correctly registered and generally comply with statutory requirements. However, beyond registration, most the companies are not formally and adequately structured. The companies do not have plausible documented profiles and very few have active up to date websites.
- **Leadership:** Some of the seed companies have no formal Boards of Directors to lead and instil governance, with preferably, and as recommended, some non-executive qualified persons. Where Boards exist, they are often weak, poorly organized and in most instances, are of family members.
- **Corporate ethos:** Companies are not strongly defined by specific Visions and Missions, Values and Ethics. In modern business, despite the size of a company, these tenets guide the philosophy of structure, formality and growth, and determination.
- **Strategic planning:** There is clear absence of formal strategic planning in SME seed companies, and where attempts are made, it is rudimentary, inadequately facilitated and documented, and serves as a bottom drawer paper. This is a critical indictment on the small to medium seed enterprises as a business that does not plan its commercial activities is a radar-less ship.
- **Skills:** The seed companies demonstrated weak skills in several facets of their operations but more significantly in finance and administration, and in technical seed multiplications processes. The entrepreneurs appear unwilling to invest in skilled and qualified personnel and deploy token competencies that they seldom develop through training.
- **ICT and technology:** Acceptance and deployment of information and communication technology generally varies from company to company. It, however, remains an area in which a lot remains to be done. In many of the SME seed companies it is the top-level management, the shareholders and entrepreneurs that lack significantly in ICT.
- **Succession planning:** The concept of succession planning and grooming in the SME seed businesses is yet to be embraced. This applies equally to family owned businesses and to entrepreneur/owner managed businesses, where there is inadequate preparation for the untimely demise of the proprietor. Most SME seed companies would cease to exist in the event of premature demise of the owners.
- **Insurance:** Insurance is a phenomenon whose benefits are not yet fully appreciated by some SME seed companies. The advent of insurance compensation for loss of profit, production, crop, asset damage etc. as well as crop cover against droughts, adverse weather such as cyclones etc. need to be embraced. The absence of fully fledged all-encompassing insurance products in Mozambique exacerbates the situation.
- **Budgeting:** There is little or no evidence of budgetary planning in SME seed companies. Many companies operate without formal budgets. Budgeting is a critical aspect of planning and is essential to ensure available resources are allocated to the correct objectives and planned activities.
- **Accounting reporting:** There is evidence of a varying degree of financial reporting. A general weakness is that the financial reporting appears not to be accurate. Fundamental areas of incompleteness and inaccurate amounts is in inventories, and accounts receivable.
- **Audit examination:** The majority of the SME seed businesses do not subject themselves to an external audit examination of their financial performance and financial reports. Whilst such

independent examination would provide assurances of accurate reporting, the additional cost is not preferred or affordable to most of the seed companies.

- **Marketing strategy:** While progress has been achieved in strengthening seed marketing activities by the companies, SME seed companies need to continue refining the development of innovative, appropriate, vibrant / aggressive marketing and market development strategies that go beyond establishment of demonstration plots and realization of field days. In some cases, InovAgro noted that some seed companies continue to depend, to a large extent, on NGO/donor guided and subsidized market demand creation activities. The SMEs seed companies also do not allocate sufficient resources to marketing activities, and as such continue to struggle against the larger companies who have huge support from experienced international parent companies. It is InovAgro's view that many SMEs seed companies need to consider this aspect when re-scoping their business models.

Given the above governance challenges (and other factors to be reported in a separate paper), the InovAgro facilitation team has developed a recommended Framework Tool for the transformation of seed companies into viable enterprises. This framework tool has been developed to provide seed companies' management guidance / checklist of critical points that they should consider facilitating the transformation of their seed businesses into viable enterprises embracing modern tenets related to the company corporatisation and enhanced financial management, product marketing and seed production. The model will be disseminated to seed sector stakeholders during the End of Phase II conference on the 9<sup>th</sup> of November 2017 and will also be published in a development journal to facilitate wider dissemination.

### 3.3 Conclusion

The results secured through the partnerships with the seed companies during the reporting period are very encouraging and demonstrate systemic change. The seed companies' investments towards market development are increasing as indicated for instance by (a) the tripling of the number of demonstration plots established in 2017 compared to 2016 levels and (b) the increased numbers of extension officers being recruited to conduct product demand creation activities as well as drive company sales in the project locations. Due to these efforts, the volume of seed purchased by the smallholder farmers has more than doubled those in 2016. This volume increase in seed purchased by the smallholder farmers is the cumulative result of demand creation activities that InovAgro has been conducting in partnership with the seed companies over the past three seasons.

The continued progression towards deepening and broadening the sustainability and impact of the seed companies' activities will, however, require more innovative product marketing strategies that complement the establishment of demonstration plots and the realisation of field days. Equally important also is the need for strengthening the seed companies' governance mechanisms to ensure the full transformation of the seed companies commercial activities to be structured (and to operate) in line with the parameters required for sustainable business management such as regular planning, development of strategic partnerships, budgeting, aggressive product marketing etc. It is InovAgro's growing opinion that while significant attention over the past seasons has been concentrated on developing the demand and retail distribution systems for certified seed products, more attention needs to be focussed on growing the supply capacity of the seed companies to provide quality products. This includes strengthening their institutional structures (and production assets) to position

them to operate and grow fully as viable enterprises. This technical backstopping on business governance will be strengthened under the upcoming InovAgro III.

The entry on the market of new companies such as SeedCo indicates that the copying process by other seed companies has commenced. While SeedCo had previously exited, the Mozambican market preferring to concentrate its commercial activities in other regional countries such as Zimbabwe and Kenya, the company return to the domestic market is reflective of the growing buy-in by seed companies on the value proposition that an inclusive seed marketing business is viable opportunity for sector stakeholders!

## 4. Enabling Environment

InovAgro emphasized the critical importance of a conducive business environment for the development of the seed sector this year. During the reporting period, the project continued implementation of assorted interventions under two partnerships established with the National Seed Authority (NSA) and the Association for the Promotion of the Seed Sector (APROSE). The details regarding the interventions delivered under these partnerships are presented below:

### 4.1 Partnership with the National Seed Authority

The partnership activities with the NSA are intended to enhance the capacity of the regulatory authority to provide seed quality control services (through the operationalisation of complementary Private Sector Seed Inspectors) as well as to provide sector stakeholders with regulatory information through the establishment of a website. InovAgro has also supported the development of an internal database which will enable the NSA to capture, store and generate data for analysis regarding stakeholder transactions under the seed sector.

#### 4.1.1 Website

The National Seed Authority engaged a local company, InCentea, to develop the website. The design of the website has now been completed and plans are being operationalised to facilitate the launch of the website to sector stakeholders on the 9<sup>th</sup> of November 2017 alongside the InovAgro End of Phase II conference.

The website provides information on the services that are provided by the NSA and allows stakeholders to download assorted forms related to provision of various services such as registration and release of seed varieties and application for field inspections. The website also contains regulatory information (various legal instruments) related to the seed sector. A restricted version of the website can be accessed on this link <https://www.incentea-mi.pt/ansementes>.

#### 4.1.2 Data base

In parallel to the development of the website, InCentea was also engaged to facilitate the development of the data base during the reporting period. The work has been completed and the formal launch / presentation of the database to sector stakeholders will be conducted on the 9<sup>th</sup> of November 2017 alongside the InovAgro End of Phase II conference.

The database will enable the NSA to secure assorted data including seed varieties that are in circulation in the country (and the SADC level), seed companies operating in the country and volumes of seed produced by each company. The database will also allow for improved tracking of data related to field and laboratory inspections. Data related to seed imports / exports as well as seed varieties registration will also be captured.

The training of the database users (NSA staff) has been scheduled for third week of November 2017. The database is expected to improve the capacity of the NSA to generate sector reports allowing for enhanced sector performance reviews and evidence based planning.

### 4.1.3 Private Seed Inspectors and laboratories analysts

The Ministerial Diploma related to the operationalisation of Private Sector Seed Inspectors was approved in June 2017. This law allows for the accreditation of private inspectors and laboratories for seed inspection and certification processes.

Since the approval of the Ministerial Diploma, the NSA has been supported to facilitate the dissemination of the law to seed sector stakeholders at various platforms as indicated in Table 9 below:

Table 9: Dissemination of the Private Sector Inspector Model law

Date	Event	Facilitator	Location
31 <sup>st</sup> August 2017	Conference on Investment Opportunities in the Seed Sector	Elsa Timana	Maputo
6 <sup>th</sup> September 2017	Provincial Seed Sector Coordination Meeting	Elsa Timana	Nampula
20 <sup>th</sup> September 2017	Presentation of the SEMEAR work plan for 2017 / 2018	Elsa Timana	Nampula

The engagement sessions with the stakeholders have focused on providing information related to the legal framework which will guide the operationalisation of the Private Sector Inspectors Model. In addition, the recruitment of interested candidates has been initiated through a structured application process. Table 10 below provides an overview of the timeline and milestones that have been set in relation to the operationalisation of the model:

Table 10: Timeline for the Operationalisation of the Private Sector Inspectors model

Activity	Timeline (2017)			
	September	October	November	December
Stakeholder awareness raising on the approved Private Sector Model				
Development of the Private Sector Field Inspectors Manual				
Application and Selection of Private Sector Field Inspectors Candidates				
Training and Accreditation of the Private Sector Inspectors				

The Private Sector Inspectors Manual providing guidance how the inspectors should conduct field inspections was developed by the NSA in October with joint support from InovAgro and the USAID FtF Seed-Trade project. The training of the first group of Inspectors has been scheduled for early December 2017 at Phoenix Seeds farm in Chimoio.

## 4.2 Partnership with APROSE

APROSE is a multi-stakeholder platform that was established to facilitate coordination and information exchange between seed sector stakeholders in Mozambique. This started as the National Seed Dialogue Platform but the name was changed to the Association for the Promotion of the Seed Sector (APROSE) after the formal legalization process in 2016<sup>15</sup>. Now that it is established as a legal entity, APROSE can receive grants and outside funding from donor agencies, among others. The vision of APROSE is to have a dynamic / commercially competitive seed sector that contributes towards the improved access of certified seed to farmers enhancing the growth and positive development of agriculture in the country.

APROSE seeks to stimulate the growth of the agriculture sector through the creation of an enabling environment for dialogue, information exchange and collaboration between seed sector stakeholders. The core values of APROSE are defined as honesty, transparency, inclusiveness, democratic governance, dedication, inclusive participation and accountability. Central to APROSE's work are seven specific objectives in the operational plan:

- To strengthen the institutional capacity of the APROSE
- To improve information exchange and coordination between seed sector stakeholders.
- To strengthen available capacity for seed quality control
- To stimulate the commercial demand for certified seed
- To stimulate the supply of certified seed
- To contribute towards policies and regulations that allow for the effective development of the seed sector
- To promote capacity building actions related to the seed sector

## 4.3 APROSE Partnership Activities with InovAgro

The partnership between APROSE and InovAgro during the reporting period was based on 4 principal objectives as indicated in Table 11 below:

Table 11: Partnership Objectives with APROSE

Objective	Activities Supported under the Partnership with InovAgro
To strengthen APROSE institutional capacity to coordinate dialogue activities related to the seed sector.	<ul style="list-style-type: none"> <li>• Procurement of office furniture and equipment to create basic working conditions for work by the Association Secretariat.</li> <li>• Opening of a bank account for improved management of the Association financial resources.</li> </ul>

<sup>15</sup> APROSE is now legally registered in Mozambique, legal registration number 100722542. The legalisation of APROSE was publicised in National Bulletin Number 52/2016 published on the 3<sup>rd</sup> of May 2016.



	<ul style="list-style-type: none"> <li>• Instituting regular management meetings by the various organs of the Association both at the national and regional levels.</li> <li>• Review APROSE internal governance policy guidelines with particular emphasis on roles and responsibilities of the management structures of the Association.</li> <li>• Conduct national and regional awareness campaigns to increase APROSE membership.</li> </ul>
To improve information sharing and coordination within the seed sector	<ul style="list-style-type: none"> <li>• Conduct a business conference to facilitate dissemination of market investment opportunities in the seed sector.</li> </ul>
To stimulate the demand for certified seed in the country	<ul style="list-style-type: none"> <li>• Operationalise a demand creation program on certified seed through national / regional media channels (both radio and television).</li> </ul>
To propose policies and regulation that promote the development of the seed sector	<ul style="list-style-type: none"> <li>• Lobby for the approval of the private sector seed inspectors model to enhance seed quality control in Mozambique</li> </ul>

### 4.3.1 Partnership Results

The following are the main results secured from the APROSE partnership with InovAgro during the reporting period:

#### *Procurement of office furniture and Equipment*

The following assets have been purchased by APROSE under the partnership with InovAgro during the reporting period to facilitate the coordination work of the Secretariat.

1. External hard drive for storage of APROSE documents
2. HP colourprinter
3. HP multipurpose printer / scanner and photocopying machine
4. Lenovo laptop withantivirus software
5. OrganisationStamp

These assets have better positioned APROSE to function as a formal institution with ability to generate communications to their members and related sector stakeholders using own resources. In line with the APROSE internal policy guidelines, these assets have now been registered on the Association asset register.

#### *Opening of a bank account*

The APROSE formal bank account has now been opened at BCI Bank with effect from April 2017. This account is being used to facilitate receipt of funds from multiple partners and the Association's membership. Table 12 below provides an overview of the main funding that APROSE has received from various actors from January 2017 to date. In total, the association has financial provision up to US\$114,718.83 to facilitate the implementation of various interventions.

97% of the funds used by APROSE to implement its activities during the reporting period were sourced from donor supported projects that are implementing regional and domestic interventions in the seed sector. Only 2% and 1% of the funds were secured from the membership contributions and other income generating activities respectively.

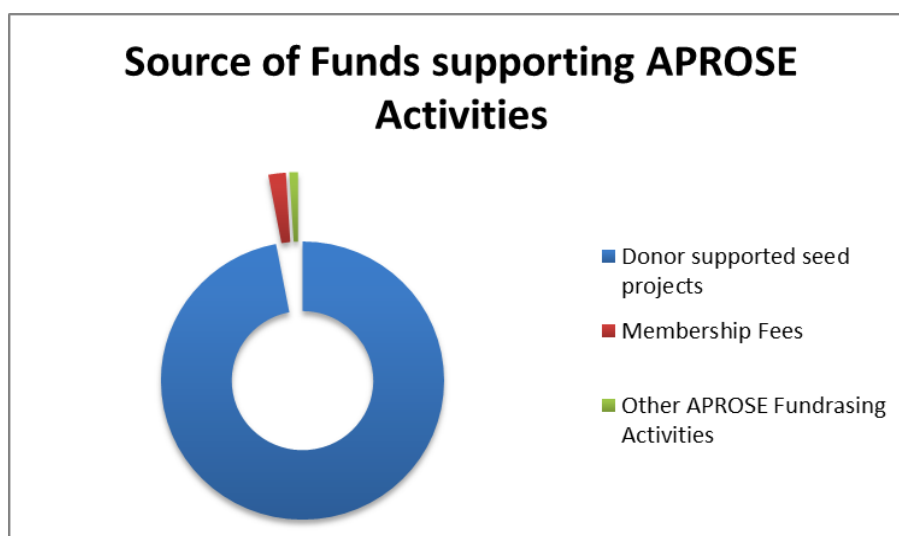


Figure 25: Source of Funds supporting APROSE Activities

Table 12: Financial support provided to APROSE during the reporting period

Partner	Amount (US\$ <sup>16</sup> )	Purpose of the Funds
USAID SeedTrade Project	7,931.97	Regional Training Workshop for Laboratory Seed Analysts.
USAID SeedTrade Project	5,000.00	Realization of the Business Investment Conference conducted in Maputo on the 31st of August 2017.
USAID SeedTrade Project	19,973.86	Awareness raising on financing opportunities for seed companies offered by the Seed Trade project. Dissemination of the SADC protocols on seed harmonization in the region and national seed legislation.
USAID SEMEAR	3,380.00	Realization of the Business Investment Conference conducted in Maputo on the 31st of August 2017.
Agencia do Vale do Zambezia	2,000.00	Realization of the Business Investment Conference conducted in Maputo on the 31st of August 2017.
InovAgro	50,000.00	Procurement of office equipment, support towards management committee meetings,

<sup>16</sup>Exchange rate used is 1 USD = 60 Meticaís

		production of video content for demand creation awareness program on national radio and television channels, studies on seed sector to inform policy advocacy initiatives. Salaryfor thepart time Accountant.
FAO	24,000.00 <sup>17</sup>	Salary payment for the part time APROSE Executive Secretary
MembershipFees	1,933.00	These are membership annual fees
OtherfundraisingActivities	500.00	These funds were generated by APROSE to support the implementation of the association activities.
<b>TOTAL Fundsrecieved</b>	<b>114,718.83</b>	

### *Realisation of APROSE management meetings*

The following meetings were conducted by APROSE with InovAgro support to provide strategic steering of the platform:

*Table 13 APROSE Meetings*

Date	Location	Meeting Description	Keydiscussionpoints
1 March 2017	Maputo	National Management Committee Meeting	Review APROSE Internal policies, review partnership activities with InovAgro, Development of 3 months' work plan, define process for the recruitment of new Members, Review the role of APROSE in lobbying for the approval of private sector inspectors, define guidelines for financial management.
10 May 2017	Maputo	Management AdvisoryCommittee Meeting	Discussion on the proposed partnership with Seedtrade, Review of the role of APROSE in the implementation of Early Generation Seeds recommendations provided from the study conducted by AGRA. Define mechanisms for APROSE engagement with USEBA to improve basic seed access in the country.
30 August 2017	Maputo	National Management Committee Meeting	Review of implementation progress of APROSE activities in the three regions Review of membership recruitment and payment of membership fees.

<sup>17</sup>This is the ceiling annual budget amount. Payment is conducted on the basis of actual time worked each month.

			Establishment of a committee to facilitate the review of membership applications. Planning for the National Annual Conference
03 September 2017	Maputo	Verification Committee for Membership Applications	Review of membership applications

### *Development APROSE Governance guidelines*

The APROSE internal governance guidelines have been developed during the reporting period. These policies provide guidance on the roles and responsibilities of the various management structures of the organization as well as the recruitment and approval procedures for new members. These internal governance guidelines have been formally documented and have been disseminated to the membership in the various regions.

### *Membership of APROSE*

During the reporting period, a verification committee was established to facilitate review of membership applications from seed sector stakeholders.

This committee comprises the following people:

*Table 14 APROSE committee*

<b>Name</b>	<b>Role</b>
Elsa Timana	Chairperson
Anabela Manhica	Committee Member
Fernando Chilenge	Committee Member

During the reporting period, a total of 16 candidates were approved as members by the committee. One application was rejected. This brings the total membership of APROSE to a current 42 members with the majority being private sector seed companies. At present, only one financial institution, Barclays Bank, has registered as a member and is active in the delivery of APROSE activities. At present, only one research institution, the International Institute of Tropical Agriculture (IITA) has registered as a member. This indicates the need for APROSE to develop clear strategies to facilitate recruitment of specific target stakeholders (such as financial institutions and research institutions). This would strengthen the platform not only in terms of plural representation of voices and input from the sector stakeholders but also with regards to income generation through membership subscriptions from a wider membership base.

### *Operationalising an awareness program on certified seed through public media channels both radio and television.*

APROSE has engaged an advertising media company to develop video and audio material that will be used to strengthen marketing of certified seed. The content that is currently under development focuses on three main themes:

1. The value proposition of using certified seed
2. Seed Quality Control – How the market can distinguish good seed from bad seed
3. The role of APROSE on the seed sector

The dissemination of the content under development is expected to start from the 1st week of November with a view to increase the volume of seed sales during the 2017 / 2018 season. The content has also been specifically developed to enhance the visibility of APROSE on the market particularly to ensure that assorted stakeholders fully understand the role that the Association plays on the seed sector. APROSE has managed to secure collaborative partnerships with the main media channels in the country STV and TV Mozambique to facilitate the dissemination of the target messages. APROSE will also collaborate with several community radio channels across the country.

### *Business Investment Conference*

On the 31st of August 2017, APROSE conducted a Business Investment Conference in Maputo which aimed at highlighting to potential investors the business opportunities that currently exist in the seed sector in Mozambique. The event also sought to facilitate information sharing between the sector stakeholders on financial products that are currently on the market which entrepreneurs could use to support their investments on the seed sector.

Dr. Mohammed Vala was the Guest of Honour at the conference which included approximately 60 participants. This event received financial support from multiple actors who contributed varying amounts to support the delivery of the event.

InovAgro's assessment however indicates that the event was only partially successful due to the limited number of potential investors who attended the event. InovAgro also noted that the programme discussions and facilitation provided during the event steered away from the main objectives bordering more on discussion related to basic seed availability in the country. The event objectives were as such partially achieved and there is a recognized need for the delivery of a more focused event, involving a wider range of potential investors, supported by sharp facilitation and moderation of the discussions.

## **4.4 Discussion on APROSE**

Although APROSE's capacity continues to grow and demonstrate promising signals that in the fullness of time the Association will be a force to reckon with on the seed sector, InovAgro noted several points during this reporting period which need to be addressed to allow APROSE to quickly progress to being a viable institution on the seed sector. These points are discussed below:

### **4.4.1 Fundraising strategy**

While APROSE has raised more than \$100,000 for activities, it does not yet have a realistic sustainability plan that will generate regular funding to cover its operating overheads. In addition, the funded activities at this point seem ad-hoc and are not focused towards achieving the central objectives and mission of the Association. This increases the risk of having APROSE high-jacked by other value chain actors or donors to fulfil their own objectives. APROSE needs to develop a clear fundraising plan which is linked to its objectives and approved work plans to ensure that it conducts its resource mobilization activities in line with the approved strategies as defined by the membership during the Annual General Assembly and which guarantees sufficient funding for management. This

should be the central role of the Executive Secretary. InovAgro should continue providing technical backstopping to support the development of a viable Fundraising strategy which targets not just institutional donors but also strengthens the level of contribution from the membership and other private enterprises that have an interest to develop in the seed sector as part of their social responsibility initiatives.

#### 4.4.2 Operational Steering

At present, Ms. Maria Estrella Alberto is the Executive Secretary for APROSE. The position is part time and is fully funded by the Food and Agriculture Organisation. The volume of work and operational steering that is now required by APROSE cannot be sustained by a position holder working on a part time basis. As such, InovAgro noted with concern that the delivery of some scheduled interventions and agreed partnership activities was not conducted on the agreed timelines and the depth and quality of delivery could have been better. This is concerning particularly at this point when APROSE is attempting to secure credibility and full recognition as a market facilitator in the seed sector.

While Estrella has done a good job to set up the foundation of APROSE, the operational steering of APROSE Secretariat has reached that point when it requires a more seasoned pair of hands with more established experience of managing a membership organization. This change is extremely critical and urgent to ensure that strong leadership is available for the timely and quality implementation of APROSE interventions.

#### 4.4.3 Operational Systems Development

InovAgro conducted an audit of the APROSE financial books in September 2017 to facilitate reconciliation of the funding support that the project provided for the implementation of agreed partnership activities. This audit was also conducted as an Organizational Capacity Assessment (OCA) to determine operational capacity gaps and areas of weakness that potentially could derail APROSE's ability to implement its programs sustainably. InovAgro has noted with concern that the financial and procurement systems that APROSE has at present are inadequate to fully comply with best practice standards related to financial and administrative processes. APROSE needs to prioritize the development and operationalisation of its finance and procurement manuals to provide clear management guidance on day to day transactions handled by the association. These manuals should also be structured to meet the requirements of the key institutional donors that provide financial support to the Association. InovAgro will need to focus more its interventions towards supporting the institutional development of APROSE, particularly the governance systems to enhance management transparency and accountability.

#### 4.4.4 Membership Recruitment

APROSE needs to strengthen its membership recruitment strategies not only to grow the numbers but also to ensure increased representational diversity by targeting actors in specific sectors that are currently under represented on the Association, such as financial institutions.

Different members on the Association have different interests. For instance, financial institutions would be keen APROSE members provided that this becomes a vehicle through which they can better understand the seed sector to facilitate development of more appropriate financial products. Research institutions on the other hand are eager to use APROSE as a platform that will enable their



better understanding on the performance of released seed varieties and to explore how these varieties potentially could be improved. APROSE management team therefore needs to be in a position to package the value proposition of APROSE membership in line with the interests of the target value chain actor. InovAgro will need to continue to provide technical backstopping in this respect.

## 4.5 Conclusion

Over the past four years, InovAgro has facilitated and driven most of the work to enhance the enabling environment for the seed sector. Its support APROSE and the NSA over the past 4 years have put in place the building blocks for an improved enabling environment conducive to growth of the seed sector.

The website and database that have been developed will be useful to ensure stakeholders access to sector information and to improve the quality of data and evidence related to the sector. The NSA however will need to invest more human and financial resources to ensure that both the website and the database are managed professionally to provide relevant sector information. The mapping of sector activities will also need to be conducted in the next months to allow for updating of data on the database. The Ministry of Agriculture has provided written confirmation of the government's commitment to this process and to ensure that sufficient human and financial resources are provided. InovAgro will continue providing technical backstopping under Phase III to ensure that these tools are effectively used for the benefit of the sector.

The approval of the law allowing the operationalisation of the Private Sector Seed Inspectors has been well received by the seed sector stakeholders. InovAgro notes however that most stakeholders are also cautious and waiting to see how the process will evolve over the next months and the scope of work (and power) that the accredited inspectors will have. InovAgro working with other actors such as the Seed trade project will remain engaged to provide the NSA technical backstopping for the successful implementation of the model.

As argued in the discussion above, InovAgro notes that APROSE is starting to strengthen its voice in the sector. This potential however needs to be fully captured through some realignments required to widen its fundraising strategy, strengthening the day to day operational steering of the Association, and enhancing membership recruitment drive. Equally important is the need to continue strengthening the institutional capacity for APROSE to function as a formal institution with appropriate governance systems for enhanced accountability and transparency.

## 5. Output Marketing

The InovAgro output marketing interventions focus on identifying market failure preventing smallholder farmers from selling their output marketing produce. The interventions are designed to support the value chain actors involved in output marketing activities to develop solutions to fix the identified constraints with a view to improve the trading relationships between the parties, including buying prices and purchased volumes. In 2017, the InovAgro project engaged in partnership negotiations with 25 Commodity Aggregation Traders (CATs). From these engagements, the project successfully signed partnership agreements with 19 CATs (5 in Cabo Delgado, 7 in Nampula and 7 in Zambezia provinces) (Tables 16 and 17 below), up from 12 the previous year. The signed partnership agreements focussed mainly on:

- Strengthening the quality of service at existing produce aggregation / buying posts through introduction of service enhancing technologies (weighing scales, moisture meters, price dissemination boards, etc.). These technologies were introduced at the aggregation / buying centres to improve transactional transparency and confidence between the parties. This is important not only to encourage delivery of increased produce volumes but also to sustain repeat transactions.
- Establishment of new output aggregation / buying posts to expand the geographical area where the CATs are able to offer their service. Expansion of the number of aggregation centres was intended to increase the volume of produce purchased by the CATs but also to reduce the distance that the smallholder farmers must either walk or transport their produce to a buying centre.

In addition to the above direct partnership activities with the 19 companies, InovAgro also supported training on post-harvest produce handling and conservation designed to strengthen the smallholder farmers and CATs capacity to reduce losses at both the aggregation centres and smallholder household level. A workshop was also conducted in Nampula designed to improve dialogue and coordination stakeholders working in the sector. This workshop was also aimed at encouraging the formation of strategic partnerships between the output marketing actors as a strategy to enhance the sector's competitiveness. These activities are discussed in detail below.

### 5.1 Establishment of Produce Buying Centres

A total of 266 produce buying points were operational during the reporting period in the InovAgro project locations. The operational buying posts included 129 new posts that were established with the project facilitation during the reporting period.

*Table 15: Number of Operational buying posts during reporting period.*

Location	Number of operational buying posts		
	Old Buying Posts	New Buying Posts (Established this season)	Total
Nampula Province	52	38	<b>90</b>
Cabo Delgado Province	51	36	<b>87</b>
Zambezia Province	34	55	<b>89</b>
<b>TOTAL</b>	<b>137</b>	<b>129</b>	<b>266</b>

Table 16: Output Marketing Partners in Nampula and Cabo Delgado Provinces

			Target volume of crop to be purchased under Partnership Agreement (Metric Tonnes)						Contribution (MZN)		
Location		Partner	Maize	Groundnuts	Sesame	Pigeon pea	Soya beans	Total	InovAgro	Partner	Status of PA
Nampula	Ribaue	Chipangue e Filhos	500	20	50	200	0	770	265,350.00	2,178,750	Signed
		Facilitadora de Alimentos	300	200	100	100	40	740	340,378.00	1.642,700	Signed
		Indústria Moageira Fátima	400	0	0	0	0	400	289,096.00	696,200	Signed
		Organizações Morgado	200	100	150	150	0	600	171,487.00	1,863,400	Signed
	Malema	FerragemMaleiro	150	0	40	500	10	700	214,480,00	1.201,200	Signed
	Erati	Anita CatijaSumail	100	80	20	170	0	370	115,000.00	336,000	Signed
		Constantino Calisto	200	200	150	400	0	950	275,500.00	1,067,500	Signed
	Sub-total		1,850	600	510	1,520	50	4,530	390,500.00	1,403,500	
	Chiure	Quedas do Rio Lurio	500	350	200	350	0	1400	341,502.50	1,269,324	Signed
		Estevão Gomes	150	0	10	50	0	210	74,000.00	297,000	Signed
	Namuno	LonconeComercial	120	40	30	50	0	240	165,250.00	206,750	Signed
		Carlos AfonsoCorneta	350	100	150	250	0	850	109,000.00	916,967	Signed
		12 de Junho	80	80	15	25	0	200	79,000.00	253,200	Signed
	Sub-total		1,200	570	405	725	0	2,900	768,752.50	2,943,241	
Total Nampula+Cabo Delgado		3,050	1,170	915	2,245	50	7,430	1,159,252.50	4,346,741		

Table 17: Output Marketing Partners in Zambezia Province

Project Location		Partner	Target volume of crop to be purchased under Partnership Agreement (Metric Tonnes)					Total	Contribution (MZN)		Status of PA
			Maize	Groundnuts	Sesame	Pigeon pea	Soya beans		InovAgro	Partner	
Zambezia	Alto Molócue	Ecops & Consultores	100	0	0	0	0	100	55,000	207,140	Signed
		Jaime Lucas	200	0	0	150	0	200	175,750	225,750	Signed
	Mocuba	Winnua	500	0	0	0	30	530	125,973	575,375	Signed
		Agro Trading	300	0	0	100	30	430	223,740	650,060	Signed
	Gurué& Molumbo	Silverio Comercial	500	0	0	250	200	950	225,920	1,310,248	Signed
	Namarroi	Jacinto Mossela	250	0	0	150	0	400	161,314	561,113	Signed
	Molumbo	Tome Costa	150	0	0	350	100	600	177,004	631,420	Signed
Total Zambézia			2,000	0	0	1,000	360	3,210	1,144,701	4,161,105	



Figure 26: Ms. Sumaili engaged in business at her new buying post opened in Alua, Erati.

## 5.2 Volume of Purchased Produce

From the partnership agreements that InovAgro had signed with the project partners during the reporting period, the target volume of output produce to be purchased from smallholder farmers was 10,790 metric tonnes of assorted crops. The increased number of buying posts in the project locations which almost doubled during the reporting season compared to the last season was aimed to ensure achievement of this target. The volume of produce purchased by the CATs however was only 5,447 metric tonnes (a reduction compared to the 6,036 metric tonnes purchased during the last season).

Table 18: Volume of output produce purchased in the project locations

Crop	Target Volume (MT)	Actual Volumes Purchased (September 2017)	Average Price Per Kilogram (KG)	Value of Purchased Produce	Value of purchased produce in USD
Maize	5,050	2,416	4	12,797,750	213,296
Pigeon Peas	3,245	977	5	6,030,750	100,513
Sesame	915	362	39	18,368,100	306,135
Groundnuts	1,170	1,231	35	49,122,000	818,700
Soya Beans	410	461	12	6,193,500	103,225
<b>TOTAL</b>	<b>10,790</b>	<b>5,447</b>		<b>92,512,100</b>	<b>1,541,868</b>

The reduced volume in output produce purchased during this reporting period is attributed to various factors including the following:

1. The reduced farm gate prices recorded for maize and pigeon peas acted as a significant disincentive for smallholder farmers to sell their output produce. Most smallholder farmers are currently holding on to their output produce with the hope that the prices will increase before the end of the year. To qualify this fact, the results from the End of Season Survey conducted by the project in September 2017 indicate that only 50% percent of the sampled smallholder farmers had sold all their output produce. The other 50% have not sold their produce for a variety of reasons with the dominant factor being low market prices as indicated in Table 19 below:

*Table 19: Smallholder farmer's reasons for not selling produce during reporting period*

Reasons for not selling the product	Freq.	Percent
Market price is too low	104	54.17
Lack of buyers	15	7.81
Needs the product for home consumption	28	14.58
Low production	8	4.17
Market is far	1	0.52
Other	8	4.17
Not applicable	28	14.58
Total	192	100

## **2. Reduced Volumes Purchased by Output Buying Companies**

The uncertainty emerging from the lack of clarity whether India would purchase Mozambican pigeon peas (as explained in section 2) resulted in many output buying companies suspending purchase of pigeon pea produce until such time when confirmation would have been secured regarding the availability of a viable pigeon pea market. Understandably, output buying value chain actors were cautious not to purchase large volumes of produce for which there was a risk they could end up without a market. Some of the InovAgro partners switched focus to crops like cowpeas side-lining pigeon peas and maize. This cautious mode engaged by business consequently resulted in a significant reduction in the volume of produce purchased from smallholder farmers during the reporting period. Most CATs engaged a wait and see mode hoping that target end markets would provide improved assurances confirming market availability for produce that they would purchase from smallholder farmers.

The suspension of output procurement by CARGILL also had an impact on the total volumes purchased from smallholder farmers during the reporting period. CARGILL indicated that it still had unsold stock (from last season) which the company is still attempting to sell to end markets<sup>18</sup>. The Export Trading Group has also been lukewarm on the market this season preferring to take a cautious approach until the Indian Government pigeon pea policy impacts on their Mozambican business were clearer.

<sup>18</sup> CARGILL had purchased large volumes of maize and soya bean produce at fairly high prices on the speculation that the volumes required and prices paid by end markets would increase. The market developments earlier in the year and throughout this season however went contrary to the company speculative projections.



### 5.2.1 Post-Harvest Management for Output Produce

Taking note that an estimated 50% of the smallholder farmers supported by the project are still holding on to their output produce at household level anticipating improved market prices, InovAgro facilitation team took the decision that post-harvest training needed to be provided to the CATs and smallholder farmers with a view to reduce potential post-harvest losses of output produce due to poor storage mechanisms at the bulking centres and at household level. In order to deliver this work – InovAgro established partnerships with two market actors COOSEN and TECAP.

COOSEN is a Business Services Cooperative, an initiative which was established in 2013 through HELVETAS<sup>19</sup> facilitation (with SDC financial support) to support smallholder farmer participation in markets. The cooperative operates from Nampula but has membership in three provinces, Nampula, Cabo Delgado and Zambézia. The cooperative provides various business development services to smallholder farmers including support for the establishment of farmer groups, retail of agri-inputs as well as post-harvest products mainly silos and hermetic bags.

COOSEN led the delivery of the post-harvest training to smallholder farmers based on a manual that was developed with support from HELVETAS. The training mainly targeted lead farmers in the project locations as well as management staff at the CATs buying points and storage facilities. A total of 1,020 participants engaged in this training in all the 11 districts where the InovAgro project is operational.



*Figure 27: Participants in the Post-Harvest Training in Erati*

COOSEN also took the opportunity to stimulate demand for metal storage silos which are produced for commercial retail by the company targeting smallholder farmers as the primary customers. Each silo is currently being sold for 3,000 Meticaís (US\$50) and has capacity to store maximum of 400 kilograms of output produce.

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<sup>19</sup> HELVETAS is a Swiss Non-Governmental Organisation which is currently working in Northern Mozambique operating from Nampula city.



*Figure 28: Metal silos produced and marketed by COOSEN during the post-harvest trainings*

Other smaller silos are also available to suit smallholder farmer's needs and these options were demonstrated during the trainings as indicated in Figure 29 below:



*Figure 29: Participant demonstrating use of the silo during the training*

The InovAgro project also partnered with TECAP, an agri-input retail company to facilitate the commercial distribution, demand creation and demonstration of crop protection chemicals which are



required for preservation of crop produce. Specifically, the company marketed Atelic, a product which can preserve output produce in storage for a maximum of seven months.



*Figure 30: TECAP Extension Officer demonstrating use of the product to participants*

InovAgro supported both COOSEN and TECAP to identify and to establish partnerships with Agro dealers in the communities to enable the commercial retail of both the silos and the crop protection chemicals during storage in the project locations. Following these trainings reports from the companies indicate that they have started to receive procurement orders from both the CATs and smallholder farmers in the project locations. Table 20 below provides details of the procurement orders and purchases received within the first two weeks of September 2017 after the training. As the companies continue with their demand creation activities for both products, the purchases are expected to continue increasing.

Table 20: Demand for silos and crop preservation products during storage.

Location	Name of Partner Agro dealer	No. SHF requesting silos	Qty of Actellic Purchased by SHF (bottles)	Qty of active Actellic Gold Purchased by SHF (grams)
Ribaue	Regua Chipangue and Victor Daniel	12	5	100
Malema	Bonifácio Agostinho	15	4	80
Erati	Eurico Monteiro and Francisco Januario	5	5	100
Chiure		20	8	160
Namuno	Arlindo Cololo	10	7	140
Namarroi	COOSEN	14	5	100
Molumbo		6	4	80
Gurué		13	5	100
Mocuba	Junior Libra	5	6	120
Ile	Sergio Bize	3	5	100
Alto Molócue	Bernaldo Janeiro and Lucas Jaime	12	6	120
<b>Total</b>		<b>115</b>	<b>60</b>	<b>1,200</b>

*Note: Each Bottle of Actellic Gold has 20-gram capacity and can treat 400 kgs of maize produce, so this quantity could treat 24 MT of maize.*

### 5.3 Enabling Environment for Output Marketing Activities

InovAgro recognises the importance of promoting a conducive environment for output marketing activities in the project locations. In this respect, the InovAgro project facilitated realization of a Provincial workshop that was conducted in Nampula on the 26<sup>th</sup> of July 2017. The workshop was delivered in partnership with the Ministry of Industry and Commerce – the government arm that is responsible for regulating all output marketing commercial transactions in the country. The objective of the workshop was to create a platform for the different value chain actors to engage on how the output marketing sector in Nampula province could be strengthened, with a view to strengthen competitiveness of the sector. The workshop was also intended to strengthen dialogue between the output marketing value chain actors with a view to promote increased collaboration and partnerships for mutual commercial benefit.

The workshop was chaired by the Provincial Governor for Nampula, Dr. Victor Borges, and involved participants drawn from the 23 districts of Nampula province. This included all district administrators, their respective SDAEs Directors, relevant output buyers such as ETG, OLAM, Novos Horizontes, maize millers and related stakeholders. A total of 192 stakeholders participated in the workshop.



*Figure 31: Participants at the Output Marketing Workshop in Nampula*

The main issues that emerged from this workshop and the resolutions that were made are highlighted below.

**Issue No. 1:** Limited coordination between the stakeholders in the output marketing sector in the province

**Agreed Mitigation Action:**

A provincial output marketing committee comprising of different value chain actors, private sector (represented by Conselho Empresarial de Nampula), Government (represented by the Ministry of Industry and Commerce), Farmers (represented by the Provincial Union of Farmers) and Civil Society (represented by PPOSC) was established. This committee will have the mandate to review output marketing activities in the province and to champion the establishment of conditions that promote the development and competitiveness of the sector. The committee meets every two months.

**Issue No. 2: Declining market prices particularly for maize**

Stakeholders (particularly smallholder farmers and the CATs) lamented that the reduction in the price of maize (4 – 5 meticaís per kilogram) was a major threat to the commercial sustainability of their production and marketing activities. The stakeholders inquired if there was possibility for government to put in place measures which would protect the farmers and the other value chain actors from being pushed out of business.

**Agreed Mitigation Measures**

There was acceptance that this represented a larger problem which involved (a) the need to strengthen smallholder farmers productivity per hectare as a strategy to increasing smallholder farmers competitiveness through improved yield (b) the need for various value chain actors to improve the management of their operational costs (during production and produce marketing) (c) the need to strengthen extension (d) the need to improve quality of physical infrastructure in the province to create improved conditions for business to transact viably, etc. The Provincial Governor

of Nampula committed to discuss these issues at central level in Maputo to lobby for improved Government actions and investments to address the indicated constraints.

Although a reference price of 7.5 meticaïs per kilogram of maize was proposed as the recommended buying price in Nampula province, there was consensus that price detection by regulatory authorities was not the solution to enhancing the sector's competitiveness.

The scope of discussions emerging from this workshop and the depth of analysis to issues presented re-affirmed InovAgro's standing on the market as a leading facilitating project which has the capacity to bring various actors together for transparent discussion / debate for inclusive business development. It was evident after this workshop that the recognition of the project efforts as a Facilitator in market systems development was enhanced.

## 5.4 Conclusion

This output marketing season has been a very difficult one for various value chain actors due to (a) the uncertainty emerging from India's new policy guidelines on pigeon pea imports and (b) the declining market prices for other crops particularly maize due to increased domestic and international product availability after the improved harvests recorded this season. The main point to stress from this season however is the fact that the smallholder farmers in the project locations are operating in global value chains and decisions made in faraway countries can have significant impact on the local farmers in the project locations.

For Mozambican farmers to remain competitive, they must increase their productivity. InovAgro continues to note that the productivity per hectare achieved by the smallholder farmers in the project locations, albeit increasing, remains below regional and international levels. While extension and quality inputs are important elements for increasing farm productivity, InovAgro also notes an increased need to strengthen smallholder farmer's capacity to design and structure their production systems as enterprises. There is need to invest in further training for smallholder farmers on viable production schedules, production cost management and reduction of post-harvest losses, which can be further promoted through our private partners. The improved harvests recorded this season have guaranteed smallholder farmers' food security. In most of the project locations the majority of households have surplus at household level. In addition, the low market prices are enabling cheaper purchases by those households that require top up from markets.

InovAgro has been creative and proactive in responding to the challenges faced by its target farmers in this time of low market prices, introducing new activities that had not been in the initial workplan:

- When faced with the serious problems with marketing, InovAgro facilitated a provincial workshop to highlight the problem;
- When faced with the challenge of post-harvest losses due to farmers storing longer, InovAgro facilitated a commercially driven response with trainings from supporting services that are leading to greater outreach by companies with solutions, and uptake by the farmers.

This is exactly what a facilitator should be doing to stimulate responses to problems with market and enabling environment solutions.



## 6. Access to Finance

In order to strengthen smallholder farmers' access to finance in the project locations with an emphasis on purchasing inputs –InovAgro continued implementation of its dual strategy which involved:

- (a) Continued collaboration with formal financial institutions (Opportunity Bank) in Gurué and Molombo; and
- (b) Continued support to Village Savings and Lending Associations to facilitate “savings for seed” under the Agricultural Fund (*Fundo Agrícola*) in Ribaue, Malema and Mocuba.

Full details of the project's activities and main achievements during the reporting period are provided in the discussion below.

### 6.1 Linking smallholder farmers to Formal Financial Markets

InovAgro has continued to collaborate with Opportunity Bank in Gurué, Molombo and Namarroi to stimulate demand for and access to the financial products that are being marketed by the bank. The collaboration between InovAgro and Opportunity Bank has mainly focussed on realisation of financial literacy education for smallholder farmers, promotion of mobile banking services and credit access to finance agribusiness activities.



Figure 32: Opportunity Bank Financial Literacy Education in Molombo

**N.B. Opportunity Bank Gurué Branch Manager leading a session. InovAgro Team Leader in attendance.**

A total of 393 smallholder farmers participated in the financial literacy meetings that were conducted in Molombo and Gurué with InovAgro facilitation. These meetings focussed on various topics ranging from effective credit management, enterprise development and management. These meetings were



also used to generate increased awareness of the financial products that are offered by the bank and the terms and conditions related to the applications.

*Table 21: Financial Literacy participants in Molombo*

#	Meeting Location	No. Of Participants
01	Molombo Sede	19
02	Muguliua	30
03	Macolocotxo	34
04	Nandie	121
05	Nandie	137
06	Gurué	52
<b>Total</b>		<b>393</b>

InovAgro has also been facilitating improved collaboration between Opportunity Bank and other value chain actors, in particular the seed companies. This has resulted in Opportunity Bank utilising some of the seed companies' field days in the project locations to market their financial products.



*Figure 33: Opportunity Bank Loan Officer engaging with smallholder farmers in Molombo jointly with Phoenix Seeds*

The financial literacy education classes continue to improve smallholder farmers' awareness on the need to maintain a bank account to support their agribusiness transactions including supporting future credit applications. A total of 44 smallholder farmers (including agro dealers) from Molombo district opened bank accounts at the BOM branch in Gurué during the reporting period. While the demand

for bank accounts is high, missing identity documents required for account opening continues to be a key constraint.



Figure 34: Smallholder farmers from Molombo at the BOM branch in Gurué for account opening

A total of 40 smallholder farmers in Gurué, Molombo and Namarroi received loans from Opportunity bank to finance purchase of production inputs and to cover related costs such as weeding. The achievement secured from this season brings the cumulative total number of smallholder farmers who have secured loans from Opportunity Bank during InovAgro Phase II to 993 against a target of 750 smallholder farmers.

Table 22 Number of smallholder farmers receiving loans from formal financial institutions

Indicator	Cumulative target during reporting period	Cumulative Achievement
Cumulative number of smallholder farmers receiving loans from formal financial institutions	750	993

The number of smallholder farmers that are accessing financial services remains low in the project locations due to a variety of reasons as discussed below:

1. Opportunity Bank requires all loans to be secured through appropriate collateral or a guarantee facility. This continues to limit the number of smallholder farmers who can access the credit services from the bank.
2. The transactional costs related to the operationalisation of mobile banking services are high given the terrain and infrastructure limitations in the project locations. The high cost of insurance (for the truck and deposits therein) is a deterrent for the bank to expand the service to new locations. This in turn limits the locations that can be serviced through mobile banking services. InovAgro

has noted an increased interest by Opportunity Bank to operationalise an agent banking model – which involves identification of a suitable entrepreneur who enters partnership with the bank to provide a set of defined financial services in the location as a representative of the bank. This model increasingly is considered to be cheaper to operationalise but has restrictions on the type of services secured by the clients and often is characterised by longer transactional processing times.

## 6.2 Implementation progress on the Agricultural Fund through VSLAs

In 2015, given the weak interest of formal financial institutions to lend to smallholder farmers, InovAgro introduced a new initiative to increase access to funding designed to leverage off the extensive networks of village savings and loan associations (VSLA). This initiative focused on assisting farmers to save specifically for the purchase of seed at planting time– “savings for seed” - using the normal VSLA savings and control mechanisms. The VSLA members named the initiative the *Fundo Agricola*.

Inovagro continued its partnerships with the two co-facilitating institutions NANA (in Mocuba) and Ophavela (in Ribaue and Malema). The partnerships focussed on strengthening the operationalisation of the *Fundo Agricola* in three project locations, Ribaue, Malema and Mocuba. The primary objective of the partnership with both NANA and Ophavela was to deepen the savings group’s capacity to sustainably implement the *Fundo Agricola* particularly improving the ability of the groups to engage with input companies and their ability to negotiate favourable supply deals for required inputs.

A total of 174 savings groups comprising 4,721 members, participated in the *Fundo Agricola* program during the reporting period as indicated in Table 23 below:

Table 23: Performance of savings groups during current season

Service Provider	District	Number of group	Total of Members	Women	Men	Valor (MZM)
Ophavela	Ribaue	42	1,013	709	304	223,127
	Malema	47	1,750	1,225	525	290,000
NANA	Mocuba	85	1,958	1,022	936	1,065,195
<b>Total</b>		<b>174</b>	<b>4,721</b>	<b>2,956</b>	<b>1,765</b>	<b>1,578,322</b>

The final project monitoring and evaluation statistics indicate that 4,721 smallholder farmers<sup>20</sup> (2,956 female and 1,765 male) participated in the *Fundo Agricola* during the reporting period. The savings cycle for the groups in Mocuba started in January and ended in September 2017. The groups in Ribaue and Malema started their savings cycle much later in the year, in April, at the onset of the output marketing season. The savings cycle will end in November 2017. Table 24 below provides details of the savings calendar in the three locations:

<sup>20</sup> The Logframe target for this reporting period was 2,000 smallholder farmers.

Table 24 Saving Cycle

Location	Savings Cycle Start Date	Savings Cycle End Date
Mocuba	1 January 2017	30th September 2017
Ribaue	1 April 2017	15November 2017
Malema	1 April 2017	15November 2017

As can be seen from Table 25, below, the savings groups in Mocuba have the highest amount saved to date. The savings cycle in both Ribaue and Malema is still running up to mid November 2017 and it is projected that at the end of the cycle the following will be the final savings in the two locations.

Table 25: Savings by VSLA members for purchase of inputs in 2017

	Current Amount Saved on Fundo Agricola as at 30 <sup>th</sup> of September 2017	Projected amount to be saved under Fundo Agricola by 15 <sup>th</sup> of November 2017
Malema	290,000	362,500
Ribaue	223,127	278,909
TOTAL	513,127	641,409

This projected savings amount in the three districts is equivalent to more than \$28,000 towards the purchase of inputs.

There are several factors that have been attributed to the reduced level of savings in Ribaue and Malema during the reporting period:

1. Quality of co-facilitation support provided by Ophavela: The quality of co-facilitation support provided by Ophavela during the reporting period has been rated by the InovAgro team to have diminished in quality compared to the last season. Ophavela was awarded a much larger USAID grant during the reporting period and InovAgro noted that the attention of the co-facilitators was focussed largely on setting up the USAID supported project (PEPFAR funding). This in turn compromised the quality of technical backstopping that was provided to the savings groups promoters. The savings group promoters, through their association in Ribaue have already approached InovAgro and have indicated that they would like to work independent of Ophavela during the next season.
2. The reduced market prices for output produce during this season particularly for maize and pigeon peas – key cash crops in both Ribaue and Malema – had the effect of reducing household liquidity and consequently the amounts saved during the savings cycle. As indicated in chapter 5 on output marketing, 40 – 50% of the smallholder farmers in the project locations have not yet sold all their output produce hoping that the market prices will increase. This also reduced the amount of



disposable income that the households in the two locations had for investment in the *Fundo Agricola*.

3. As indicated in the half year report – the methodologies that were implemented by both NANA and Ophavela on the Fundo Agricola were different. While NANA allowed the savings group members to loan the *Fundo Agricola* funds and to repay the borrowed funds at a defined interest, Ophavela supported groups have not been allowing members to borrow funds from the Fundo Agricola during the savings cycle. The interest secured from the NANA supported groups has allowed the funds to grow much faster compared to the Ophavela supported groups funds. The NANA model was the original one proposed by InovAgro.

### 6.2.1 Procurement of Agricultural Inputs by the Savings Groups Members

During the previous season (2016 planting) – the main strategy to facilitate purchase of agricultural inputs by the savings group members was through seed fairs that were conducted in the project locations.



Figure 35: Klein Karoo Agronomist engaging with the savings groups members in Mocuba during a Seed Fair.

While this strategy has its merits—a review session conducted with the savings groups' members highlighted several constraints / concerns that needed to be addressed during this season:

1. During the seed fairs, each savings group member purchased agricultural inputs that he / she required as an individual. As such, even though the VSLA members were organised as groups in their financial savings activities, the individual buying arrangement during the seed fairs weakened their capacity to negotiate with the seed companies particularly in terms of the cost of the seed.
2. Some savings group members lamented that the type of seed that they required had been unavailable during the seed fairs. For instance, some members indicated preference to use their savings to purchase horticultural<sup>21</sup> seed which was not always available during the InovAgro supported seed fairs.
3. The savings group members also lamented that the prices that had been communicated by the seed companies in earlier engagements had been changed during the seed fairs which compromised their capacity to effectively plan the use of their saved financial resources.
4. Even though the savings groups members generated business for the seed companies, the members lamented that the individual procurement method through seed fairs weakened their voice and leverage to negotiate for after sales service from the input suppliers. Provision of after sales services such as extension services and product promotional materials were highlighted as key considerations to be central in future engagements with the seed companies.

Taking note of the above points – the seed procurement method that has been employed during this season (2017 planting) has been revised and adapted to include several innovations to address the above concerns. The details are discussed below:

### 1. Establishment of District Management Committees

The savings group members, in each of the three districts, have elected from their membership, individuals that now constitute the District Management Committees – a body that has been mandated to conduct the negotiations with the input suppliers on behalf of the rest of the savings group members. Each District Management Committee comprises of the President, Vice President, Secretary and Committee Members.

*Table 26 District management committees*

District	Name of Member	Position
Mocuba	Lídia Hilário	Secretary
	Angelina Gerente	CommitteeMember
	Alfredo Simplicio	CommitteeMember
	Carlitos Nihipanana	CommitteeMember
	Virginia Jose	CommitteeMember
	ManecasCavira	President
	Carlitos Elias	CommitteeMember
	Celso Tualo	Vice-President
	Paula Ernesto	CommitteeMember
	Limpeza Rapoio	CommitteeMember

<sup>21</sup>Although InovAgro does not have specific interventions related to the horticulture sector, the project has adopted a strategic stance that the savings groups members should be allowed to purchase any type of inputs as per their preference and not necessarily be obliged to purchase seed for the for the InovAgro supported value chains.

	Jacinto Itocotoco	CommitteeMember
	Fernando Jose	CommitteeMember
Ribáue	Constantino P. Assane	President
	Silvia Pedro	Secretary
	Maria J. Pereira	CommitteeMember
	Gracio A. Da Costa Leite	CommitteeMember
	Armando Patiola	CommitteeMember
Malema	Mario Alia	President
	Rodrigues Fernando	Secretary
	Teresa Pedro	CommitteeMember
	Rodrigues Julião	CommitteeMember
	Lídia Álvaro	CommitteeMember

## 2. Capacity building of the established District Management Committees

In order to prepare the established DMCs for full engagement with the private sector input companies, InovAgro provided training to the elected representatives which covered various discussion topics as indicated below:

- Role and mandate of the established District Management Committees
- Negotiation skills – how to generate win – win outcomes in strategic partnerships
- Contract management (the legal significance of contracts, importance of understanding all contract clauses, fulfilment of contract obligations and mechanisms for dispute resolution).



*Figure 36: District Management Committee members attending training in Nampula*

The training of the DMCs members for Ribáue and Malema districts was conducted in Nampula on the 5<sup>th</sup> of September 2017 while the same training for Mocuba groups was conducted on the 19 – 20<sup>th</sup> of September 2017.



### 3. Contract Negotiation Meetings with Seed Companies

InovAgro facilitated two meetings between the agricultural input companies and the DMCs as indicated in Table 27 below:

Table 27: Contract Negotiation Meetings with Seed Companies

Date	Location	Participants
	Nampula	<ul style="list-style-type: none"><li>• Malema District Management Committee</li><li>• Ribaué District Negotiation Committee</li><li>• 5 Seed Companies + 1 Distributor (Oruêra, Syngenta, IKURU, Phoenix, JNB, PANNAR seeds and Agro Dalton)</li></ul>
	Mocuba	<ul style="list-style-type: none"><li>• Mocuba District Management Committee</li><li>• 3Seed Companies (Phoenix, Phoenix Seeds, Klein Karoo) and 1 Distributor (Agro Trading)</li></ul>

Prior to the above meetings, the District Management Committees had consolidated the seed requirements of the savings group members in their respective locations in terms of seed crop types and volumes.

The objective of these meetings was to facilitate discussion between the parties regarding the terms and conditions of each company for the supply of the inputs required by the savings groups members. Discussion evolved around (a) pricing structure and payment arrangements for the inputs (b) input delivery dates by the seed companies (c) packaging (d) provision of after sales service by the companies particularly extension.

The meetings and subsequent engagements were conducted in the following format:

- Step 1: Each company presented their proposed terms and conditions to the District Management Committees demonstrating samples of the seed / input products that they would supply. These presentations were confidential engagements between the DMCs and the company concerned. InovAgro participated only to witness the process.
- Step 2: The District Management Committees scored the presented offers to facilitate selection of the most favourable deal.
- Step 3: The selected input suppliers were advised.
- Step 4: A supply contract with the agreed sale conditions was drafted and reviewed by the relevant parties and InovAgro facilitation team provided technical backstopping.



Figure 37: Left – Director (Oruwera Seeds) presenting his offer to the DMCs: Right: Director Syngenta Seeds engaging with the DMCs in Nampula

## 6.2.2 Signing of the Seed Supply Contracts with Seed Companies

Table 28 indicates the decisions that the savings groups members have made – through their District Management Committees relating to the supply of seed during the 2017 / 2018 season:

Table 28: Selected Seed Suppliers for 2017 / 2018 season

District	Selected Supplier + Comments
Malema and Ribaue	Klein Karoo Seed Company. The company will distribute the seed to the savings groups members through its new distribution warehouse that is being set up in Nampula city.
Mocuba	Klein Karoo Seed Company The company will work with Agro Dalton, a distributor, already established in Mocuba.



Figure 38: Klein Karoo signing supply contract with DMC in Ribaue

Table 29 below provides details of the volume of seed that will be supplied to the savings group's members in Ribaue under the signed agreement:

Table 29: Seed requirements – Ribaue

Crop	Unit Cost (Mts/kg as per agreement)	Quantity (Kilogram)	Total Cost
Maize	165	500	82,500
Pigeon Pea	145	300	43,500
Groundnuts	140	400	56,000
Sesame	150	300	45,000
<b>Overall TOTAL</b>		<b>1500</b>	<b>227,000</b>

Table 30 below provides comparison between the total cost of the seed (to be supplied under the agreement) and the amount of money that the savings groups currently have saved.

Table 30: Cost of seed versus available savings

Total cost of the seed to be supplied under the agreement.	227,000 Meticaïs
Total amount of money saved by the groups to date (September 30 <sup>th</sup> )	223,127 Meticaïs
Comments	The savings cycle in Ribaue closes mid November. It is anticipated that by then the groups will have saved more than enough funds to cover the current 4,000 Meticaïs variance.

Table 31 below provides details of the volume of seed that will be supplied to the savings group's members in Malema under the signed agreement:

*Table 31: Seed Requirements – Malema*

Crop	Unit Cost (as per agreement)	Quantity (Kilogram)	Total Cost
Maize	165	600	99,000
Pigeon Pea	150	444	66,750
Tomato Rio Grande	210	0.03	6,300
Tomato Rio Grande	120	0.06	7,200
Tomato Cal J.	120	0.05	6,000
Cabbage Copenhagen	75	0.06	4,500
Cabbage Copenhagen	85	0.03	2,550
Cauliflower	75	0.06	4,500
Cauliflower	85	0.03	2,550
Lettuce Great Lakes	140	0.025	3,500
Lettuce Great Lakes	105	0.05	5,250
	<b>Overall TOTAL</b>	<b>1,044.40</b>	<b>208,100</b>

Table 32 below provides comparison between the total cost of the seed (to be supplied under the agreement) and the amount of money that the savings groups currently have saved.

*Table 32: Cost of seed versus available savings*

Total cost of the seed to be supplied under the agreement.	208,100.00 Meticaïs
Total amount of money saved by the groups to date	290,000.00 Meticaïs
Comments	The saving groups in Malema have indicated preference to purchase vegetable seed due to current market opportunities for horticultural produce. The amount of money saved by the groups to date is higher compared to the total cost for supply seed. InovAgro is encouraging the groups to increase the volume of seed to be purchased.

Table 33 below provides details of the volume of seed that will be supplied to the savings group's members in Mocuba under the signed agreement:

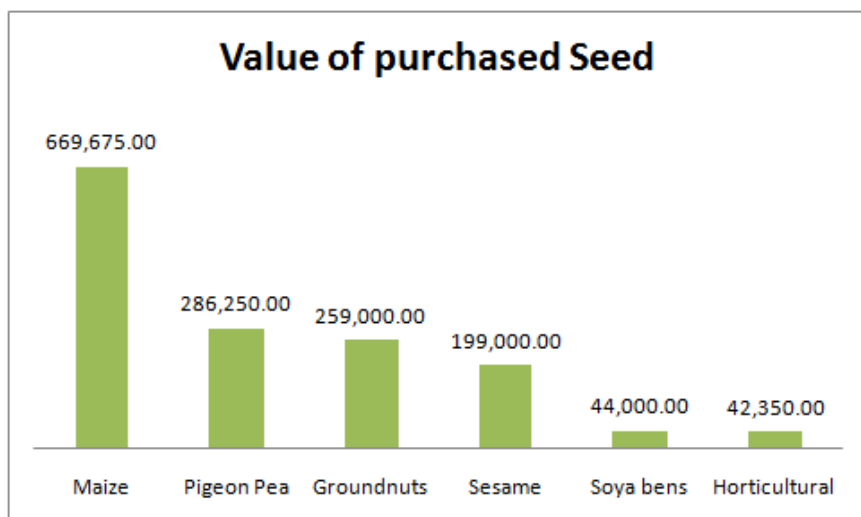
*Table 33: Seed requirements Mocuba*

<b>Crop</b>	<b>Unit Cost (as per agreement)</b>	<b>Quantity (KG)</b>	<b>Total Cost</b>
Pigeon Pea	110	1,600	176 000
Maize	75	6,510	488 175
Sesame	140	1,100	154 000
Groundnut	140	1,450	203 000
Soya bean	110	400	44 000
	<b>Overall TOTAL in MZN</b>	<b>11,060</b>	<b>1 065 175</b>

Table 34 below provides comparison between the total cost of the seed (to be supplied under the agreement) and the amount of money that the savings groups currently have saved.

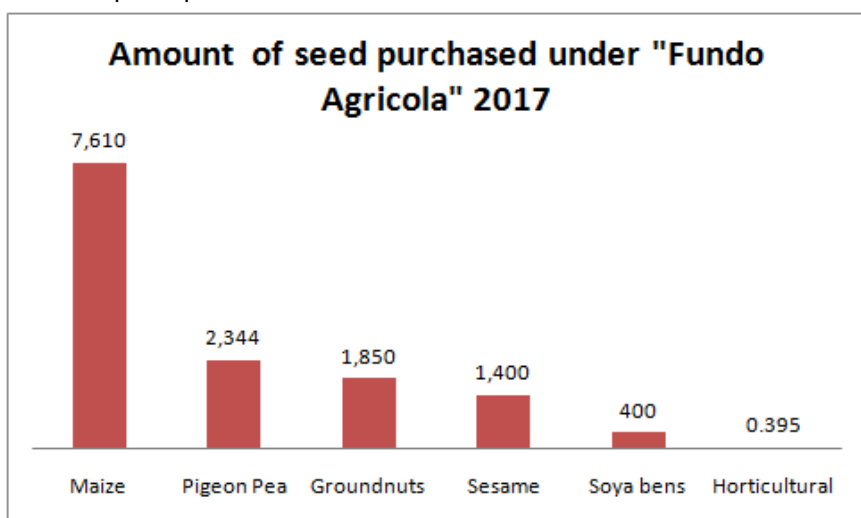
*Table 34: Cost of seed versus current available savings*

Total cost of the seed to be supplied under the agreement.	<b>1,065,175 Meticals</b>
Total amount of money saved by the groups to date	<b>1,065,195 Meticals</b>
Comments	Available funds are enough to facilitate purchase of approximately 11 metric tonnes of assorted seed.



An analysis of the savings group members' seed requirements for 2017 / 2018 season as per the signed contracts with input suppliers indicates that maize seed remains the dominant product purchased by the savings group's members.

The demand for pigeon pea seed is also high albeit the low market prices during the reporting period. This perhaps can be taken as an indication that the smallholder farmers have confidence that the



pigeon pea value chain will recover and that competitive prices will be restored during the next season especially after the recent pronouncements by Government authorities indicating that India would allow Mozambique to continue pigeon pea exports.

Figure 39: Volume and value of seed purchased by the Savings Groups for 2017 / 2018 season

A comparison of the volume of seed purchased under Fundo Agricola during the current season (2016 / 2017) and the upcoming season (2017 / 2018) indicates increased volumes for all seed types as indicated in Figure 40 below:

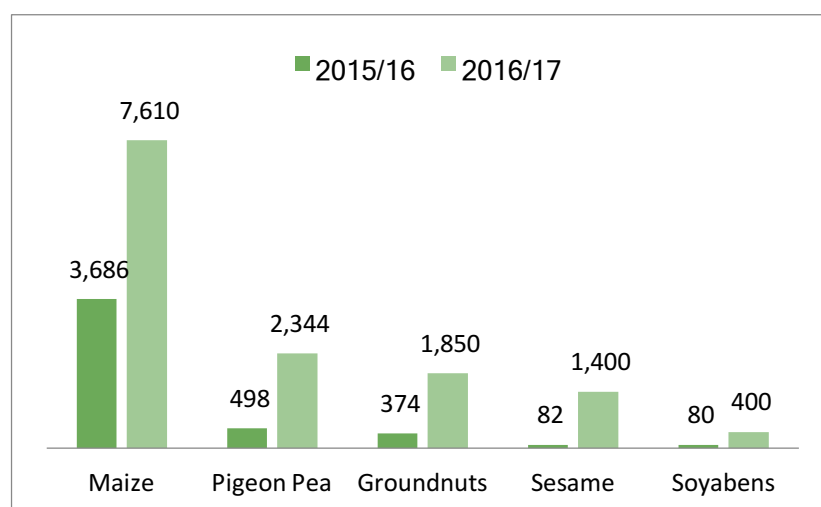


Figure 40: Comparative review of the volume of seed purchased under Fundo Agricola

These results could have been even better if the amounts saved in Ribaue and Malema could have been higher. Above all considerations however, this demonstrates the potential that the Fundo Agricola should improve seed access to smallholder farmers and to increase their agency in negotiations with seed companies.

### 6.3 Conclusion

The milestones that have been achieved during the reporting period particularly relating to the operationalisation of the *Fundo Agricola* are encouraging and demonstrate the potential of this intervention to improve smallholder farmer's access to certified seed. There are key lessons that have been learned by both InovAgro and core-facilitator teams which need to be considered moving forward to facilitate adaptation of the methodology of implementation for improved results. This particularly relates to the need to grow the fund through a credit system, similar to the rest of the VSLA model, which attracts interest during the savings cycle rather than keeping the funds under lock and key! The results achieved by the NANA supported groups in Mocuba are testimony to this fact.

The strong WILL demonstrated by the Association of Savings Group Promoters to engage with InovAgro to expand the *Fundo Agricola* represents an opportunity for the project. This provides an opportunity to widen the network for the operationalisation of the Fundo Agricola in the current project locations and beyond. The Association of the Savings Groups Promoters also has the required capacity (SKILLS) to continue supporting the established District Management Committees for the *Fundo Agricola* to guarantee continued effective engagement with the input companies.

InovAgro needs to continue investing in the relationship with Opportunity Bank particularly to expand the geographical coverage of the services provided by the bank in the project locations. From the interactions with the bank, indications are that this expansion will follow an Agent model as detailed in the discussion above. Initial cost sharing arrangements – particularly relating to insurance costs for



the expansion of services (e.g. mobile banking) may be required to act as a carrot for growth and scale up of the interventions with the partner. This will be the focus of the upcoming project Phase III.

## 7. Farmers Economic Security

In 2017, InovAgro continued to pilot activities to address the increasing threat<sup>22</sup> to land tenure security for the smallholder farmers in the project locations and the need to scale up support provided to enable them to protect their land.

The Farmers Economic Security (FES) Strategy that was submitted to and approved by the Swiss Agency for International Development and Cooperation (SDC) in September 2015 guided implementation of interventions under this component for two years.

Under this approved strategy – InovAgro’s main interventions were to:

- a. Facilitate communities to acquire land delimitation certificates (through subsidy support provided by SDC);
- b. Facilitate the establishment and strengthening of Community Land Management Committees (CLMCs);
- c. Facilitate the establishment of a paralegal network in target communities; and
- d. Conduct a study on land tenure security to determine the main strengths, weaknesses, opportunities and constraints to smallholder tenure security in the project locations.

In 2017, InovAgro continued the partnership with Centro Terra Viva (CTV), started in 2016, to facilitate implementation of the interventions (a) – (c) above. CTV is a local non-governmental institution which was established in November 2002. The organisation is one of the main SDC partners on the governance domain, implementing a range of land tenure security interventions in the country. Under the partnership with InovAgro - CTV led the delivery of the interventions relating to community land delimitation, establishment of community land management committees and a paralegal network in four communities.

Implementation of the activity (d) was concluded during the last reporting period (2016) and the results from the study have since been disseminated to sector stakeholders. For this activity, Mr. Sergio Baleira, an independent Consultant, was engaged to review the land tenure security of smallholder farmers in the project locations and to disseminate the results to sector stakeholders.

Table 35 below provides an overview of the milestone targets that were agreed between SDC and InovAgro under the FES component. The cumulative achievements secured during the reporting period are also highlighted:

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<sup>22</sup>There is an increasing number of private investments (mega projects) that require access to large pieces of land particularly for commercial farming purposes, forestry, solar energy generation and mining. These mega projects often result in the displacement of smallholder farmers from their communal land relocating them to locations that are often arguably less fertile and unfavourable for the growth of their agribusiness activities. Refer to the land Tenure study conducted by InovAgro (2016).

Table 35: Milestone targets – Farmers Economic Security

Outcome	Intermediate outcome	Outputs	Output Indicators	Milestone Targets	
				Agreed Targets with SDC	Cumulative Achievements
<b>Increased farmer participation in commercial value chains</b>	Smallholder farmer communities acquire land delimitation certificates	Communities supported to acquire land delimitation certificates (through subsidy)	No. of farmers benefiting from land delimitation	2,000	17,225
			No. of community delimitations	4	4
		Land Management Committees capacity strengthened	No. of community land management committees' capacity strengthened in project locations	4	4
	Smallholder Farmers have increased awareness of the importance of IDs and land certification and titling	Paralegal networks established in target communities	No. of paralegal officers trained to conduct demand creation activities in target communities	20	57
	Credible information available on smallholder farmers land tenure security for SDC and stakeholders	Study on Land Tenure Security	No. of studies conducted on land tenure security for smallholder farmers	1	1

## 7.1 Main Activities and Achievements

During the reporting period (2017), InovAgro adopted a three-prong approach for the implementation of its FES interventions:

- A. Provision of ongoing support to the delimited communities in Mocuba<sup>23</sup> to facilitate linkages between agribusiness service providers (seed companies, extension agents etc.) and smallholder farmers in the two communities in Mocuba.
- B. Expansion of support to facilitate the delimitation of two additional communities in Namarroi district.
- C. Training of community leaders in 5 districts on the Land Law. The training of the community leaders was conducted with a view to strengthen their understanding of the legal instruments that guide land transactions in Mozambique and to promote responsible / informed leadership in the management of community land transactions in compliance with the national laws.

Specific activities that were implemented during the reporting period linked to the above three pillars are discussed in detail below:

### 7.1.1 Support to Mocuba delimited communities for market integration

InovAgro continued to provide support to the two communities that were delimited during 2016 in Mocuba. The focus of the InovAgro support in these two communities was (a) to continue strengthening the operational functionality of the established Land Management Committees and paralegal network (b) to facilitate establishment of linkages between the community members in the delimited communities with other agribusiness value chain actors as a strategy to promote the sustainable / profitable utilization of the delimited land.

As indicated in the project half year report (2017), the ceremony to facilitate the handover of land delimitation certificates to the two communities in Mocuba was conducted on the 19<sup>th</sup> of April 2017.



*Figure 41: Hand Over of delimitation Certificates to the Community Leaders*

The District Director for Education, Youth and Technology, Mr. TitosJosé, in his representational capacity for the District Administrator, officiated at the ceremony. The land delimitation certificates will enable the two communities to:

- a. Enter strategic partnerships with investors for effective utilisation of the land to facilitate mutual gain.
- b. Reduce the risk of land related conflicts between the two neighbouring communities of Malopa and Munhacua particularly related to boundaries and exploration and use of natural resources.

<sup>23</sup>Two communities were delimited during the last reporting period in Mocuba with InovAgro support.

This initiative also facilitated the amicable resolution of a long-standing land dispute that had been at the centre of the relationship between the two communities and a private sector company - Bio-Fuel Industries (MBFI)- operating in the area regarding land boundaries for each of the parties.

### 7.1.2 Operational functionality of the established CLMCs / Paralegal Network

The Community Land Management Committees and Paralegal network that were established in Mocuba have continued to function in both communities during the reporting period. These committees have now initiated the process for progression towards individual titling (DUAT) of the land using an innovative model which allows the committees to peg individual land boundaries for members within the community. In this instance, the Government Land Technicians will merely confirm the correctness of the established boundaries for the DUAT, therefore reducing the amount of time spent on boundary establishment and the related costs. The paralegals are intended to promote increased smallholder farmers' awareness of the land law and tenure security options that they can benefit from. The paralegal officers also identify and report cases that could result in land disputes to relevant authorities. InovAgro plans to support the completion of this work under InovAgro III.

### 7.1.3 Linkages to Agribusiness Market Actors

InovAgro has been stepping up efforts to facilitate market linkages between the delimited communities and other agribusiness market actors to promote the members' integration in value chains (for sustainable / profitable land use) and enhance the value of the having officially delimited land. Table 36 below provides details of progress that was achieved during the reporting period:

*Table 36: Market linkages with agribusiness service providers*

Agri-business Service	Comment
Access to Finance	A total of 3 savings groups have been established in the two communities involving the participation of 65 community members. The savings groups will be used as a vehicle to enhance the capacity of the community to save resources to purchase agricultural inputs for their production activities.
Access to agri - inputs	Two seed fairs were conducted in the two communities during the reporting period to improve access to certified seed. Phoenix Seeds and Agro Trading are currently assessing feasibility for establishing Agro dealers in both communities.
Access to Output Markets	Agro Trading has established a total of three output buying posts in the two communities to facilitate purchase of assorted output produce.

## 7.2 Expansion of Delimitation Services

During the reporting period, two additional communities were supported for delimitation in Namarroi district. The focus of Namarroi district took into consideration the increasing threat to smallholder farmers land tenure security in the district particularly due to the expansion of forestry projects<sup>24</sup>. Despite this increased threat to smallholder farmers, the number of civic organisations working with the communities in the district to support them to protect their land remains limited.

Following consultations with the District Authorities, two communities (Mussano and Mualuia) were selected for delimitation. The delimitation of these two communities followed the established process including (a) Community sensitization meetings; (b) Establishment of Community Land Management Committees and Paralegal Network; and (c) Submission of the Delimitation Applications to Central Government for Approval.

The subsequent community engagement and awareness raising meetings in the two communities commenced in May 2017 with the intention to:

- Initiate discussion on land law and processes that are involved in community land delimitation.
- Initiate discussion regarding the roles and responsibilities of Community Land Management Committees and Paralegal Officers.
- Initiate discussion on men and women's land rights as provided for under the country's Land Law.

These meetings culminated in the establishment of two Community Land Management Committees, with the elected members, also doubling as the paralegal officers. The established committees comprise at least 16 elected representatives as indicated in Table 37 below:

Table 37: Elected Members – Community Land Management Committees

	President	Vice-President	Secretary	M	F	Total
Mussano Community	Bernardo Álvaro	Silêncio Eusébio Mussano	Telvina Ramos Corio	10	8	18
Mualuia Community	Bonifácio Rosário	Estrela Agostinho	Cornélio Rodrigues	10	6	16

The established committees were trained on the following themes:

- ✓ Community rights in the use of land and other natural resources;
- ✓ Community consultations: Legal Opportunities and Constraints;
- ✓ Legal Aspects related to Land *delimitação* and *demarcação*;
- ✓ The role of Paralegal Officers in Land delimitations, resolution and management of conflicts related to the use of land and other natural resources; and

<sup>24</sup>Portcel for instance has been expanding activities to Namaria community in the District.

- ✓ How to secure justice and redress in cases relating to the violation of the rights of communities.

A total of 1,820 community members (1,076 female and 744 male) participated in the land delimitation meetings as indicated in Table 38 below:

Table 38: Participants in Community Land Delimitation Meetings

No.	Activity	Community	Participants		Total
			Male	Female	
01	Community mobilisation meetings to discuss objectives of the delimitation process.	Mutaliua	47	53	100
		Mussano	35	50	85
Sub-total			82	103	185
02	Training on Land Law and the Delimitation Process	Mutaliua	41	57	98
		Mussano	44	33	77
Sub-total			85	90	175
03	Training on Gender Equity and Rights in Community Land Management	Mutaliua	53	44	97
		Mussano	39	52	91
Sub-total			92	96	188
04	Impact of Climate Change in Sustainable Community Land Management	Mutaliua	23	49	72
		Mussano	61	54	115
Sub-total			84	103	187
05	Consultative meetings with neighbouring communities	Mutaliua	6	21	27
		Neighbouring Communities Reps	39	96	135
		Mussano	9	14	82
		Neighbouring Communities Reps	24	58	82
Sub-total			63	154	217
06	Development of Community Land Use Plans	Mutaliua	81	113	194
		Mussano	73	112	185
Sub-total			154	225	379
07	Establishment of Community Boundaries	Mutaliua	11	37	48
		Mussano	19	43	62
Sub-total			30	80	110
	Total Participants		774	1,076	1,820

Following the above process, the full delimitation applications for the two communities have now been submitted to relevant government departments. The delimitation certificates are likely to be handed over to the two communities by year end. A total of 5,155 community members (3,033 women and 2,122 men) in the two communities have benefited from the delimitation process of the two communities during the reporting period.

### 7.3 Training of Community Leaders / Value Chain Actors

In addition to the above activities which were at the center of the approved Farmers Economic Security Strategy, InovAgro expanded training on Land Law targeting Government Officials, Community Leaders and other community members deemed to be change agents such as lead farmers and some private sector representatives who are operating in the project locations. These trainings were intended to ensure increased understanding and dialogue on the provisions of the Land Law in Mozambique and how actors in the agribusiness sector can conduct their activities in compliance to the legal statutes and provisions as defined by the law. The trainings were conducted in 5 districts and involved the participation of 175 participants as indicated in Table 39 below:

Table 39: Participants in Leaders Training on Land Law

District	Participants		
	Male	Female	Total
Mocuba	20	03	23
Molumbo	35	10	45
Ribaue	26	07	33
Chiure	25	05	30
Namarroi	28	16	44
Total	134	41	175

The above-mentioned meetings also facilitated discussion on identified emerging land disputes and the development of action plans by authorities to address the disputes so that they do not escalate into full scale conflicts.

### 7.4 Conclusion

While not typically part of a market systems project, InovAgro piloted interventions to address the enabling environment aspects of land tenure to enhance the competitiveness of smallholder farmers. Implementation of the Farmers Economic Security Interventions has been completed successfully in line with the approved component strategy and all the set targets have been achieved in terms of outreach and creating underlying land registration support systems. Building on this foundation of land tenure security, InovAgro has started creating linkages to production enhancing services such as savings and access to inputs.

InovAgro's focus in Phase III will now shift to continuing to strengthen service provision and linkages of the delimited communities to agribusiness actors to promote the efficient and profitable utilization of the delimited land for sustainable economic benefit of the community members. The work that has been initiated in Mocuba involving the inclusion of community members in savings groups and linkages to seed and output companies are steps in the right direction that require further deepening. There is potential that the established Community Land Management Committees could



be strengthened to lead partnership negotiations with other value chain actors for service provision that will allow the sustainable / profitable use of the delimited land. This will be the focus of InovAgro III as well as widely disseminating the results to stimulate adoption of these practices and help input providers to target their marketing.

As indicated in the Farmers Economic Security strategy, it is important to emphasise that community land delimitation certificates do not provide the full legal protection required by smallholder farmers in the project locations. Land delimitation remains a first step towards individual land titling. The work that has been initiated by the Community Land Management Committee in Malopa and Munhacua in Mocuba, as discussed above, provides encouraging indications that the established committees / paralegal network can be central in supporting community members in the four delimited communities to secure individual titles. InovAgro III will continue to work with the established committees to support their efforts for the progression from land delimitation certificates towards attainment of individual titles by all community members in the four communities.

## 8. Project Governance

This section provides an overview of the main project governance activities / management actions that were conducted during the reporting period. For the purpose of this report, these activities have been categorized into two (a) management actions related to the closure of InovAgro Phase II and (b) preparatory management actions related to start-up of InovAgro Phase III.

### 8.1 Closure of InovAgro Phase II activities

The project facilitation team has taken various actions to facilitate the successful closure of the current Phase II by the 31st December 2017. These management actions are detailed below:

#### 8.1.1 Engagement with Project Public and Private Stakeholders

Partnership review meetings have been conducted with all the project private and public sector partners to advise them of the end of InovAgro Phase II and to ensure that all contractual obligations of the relevant parties (including financial cost share contributions) are verified and full compliance is achieved to ensure closure of the current partnership agreements. There are no anomalies that have been identified by the project management to date. Indications are that all the current partnership agreements will be terminated successfully by the 31<sup>st</sup> of December 2017 (leading to the smooth transition to InovAgro III in January 2018 and new partnership agreements drawn up in line with the technical outcomes and outputs as defined under the new project Phase III).

An audit of the APROSE financial books (for the InovAgro partnership activities) has been scheduled for the 15<sup>th</sup> of October 2017 to facilitate closure of the partnership agreement under the current Phase II. The InovAgro project accountant will lead this process working closely with the Seed Specialist (also the Relationship Manager for APROSE). A technical report will be developed and shared with APROSE with a view of using this report not only to facilitate closure of the current partnership activities with InovAgro but also to provide some concrete backstopping recommendations on how APROSE could strengthen its systems in managing funding support from its other partners.

Preparation for the InovAgro external audit will also commence in December 2017, in line with the workplan and schedule to deliver the final audit by March 2018.

#### 8.1.2 Management of all Staff Contracts

Table 40 below provides an overview of the specific actions and timeline that has been set in motion to ensure the legal termination of current employment contracts with project staff as well as to ensure that relevant staff members are mobilized for the upcoming Phase III.

Table 40 Management of all Staff Contracts

Action	Comments	Deadline	Status
Issue termination letters to all InovAgro staff under DAI Mozambique contract	InovAgro will be terminating all current staff contracts by the 31 <sup>st</sup> December 2017. In line with the Mozambican labour law, 3 months' notice has been provided to all staff confirming termination of current contracts.	1 <sup>st</sup> October 2017	Completed
Issue offer letters to staff for implementation of InovAgro III	In line with the submitted human resources staffing structure for InovAgro III, offer letters will be provided to relevant staff to confirm project commitment to retain their skills under InovAgro III. This move is intended to provide relevant staff with the security that they require and to reduce risk of staff crossing over to other running and upcoming projects.	1 <sup>st</sup> November 2017	Pending
Performance Evaluations	Performance Evaluations for all staff will be conducted prior to the issuance of new staff contracts for InovAgro III. The purpose of this process is to identify current staff capacity strengths and gaps to ensure that an effective staff training programme is developed under InovAgro III to address identified areas that require further capacity strengthening.	1 <sup>st</sup> December 2017	Pending
Calculate contract termination benefits as per Mozambican law and issue notification to relevant staff members	Staff members that are on open ended contracts are entitled under the Mozambican law to terminal benefits upon termination of their existing contracts. A total of 10 staff members are currently on open ended contracts.	1 <sup>st</sup> December 2017	Pending
Issue new contracts for Phase III	The contracts will be starting January 2018 for a three-year period in line with the Agreement that DAI Europe will have signed with SDC for the delivery of InovAgro Phase III	1 <sup>st</sup> December 2017	Pending

### 8.1.3 Asset Management

An asset disposal plan has been presented and approved by SDC for full implementation. This asset disposal plan involves the sale of project assets that are no longer required by the project (including

some old office furniture, three NISSAN project vehicles), as well as a generator purchased in 2015 when the city of Nampula had a total black out flowing the devastating effects of floods in the same year.

In line with the SDC asset disposal guidelines, a public announcement was placed in the national papers to facilitate the tendering process for the sale of the project assets.



Figure 42: Newspaper announcement for the sale of the project assets

Table 41 below provides an overview of the defined steps and timelines related to the disposal of these assets:

Table 41: Set timeline for sale of Project Assets

Action	Deadline
Submission of tender documents by interested parties	27 <sup>th</sup> October 2017
Tender committee reviews submitted tender documents and advises successful bidders	1 <sup>st</sup> November 2017

The selected buyers will be given three days to make required payment and to collect their purchased goods.

A total of 21,000 United States Dollars is expected to be secured from the sale of the project assets. The final report of the income made from sale of InovAgro assets will be submitted to SDC to be deducted from the final invoice payment to DAI.

### *Closure of the Gurué Office*

The Gurué office has not been retained under InovAgro Phase III. The office as such will consequently be closed on the 31<sup>st</sup> of December 2017 and relevant staff relocated to the main facilitation office in Nampula.

A formal notice for the termination of the lease agreement for the office in Gurué has already been sent to the relevant parties.

## **8.2 Preparation for InovAgro Phase III**

Alongside the InovAgro II phase out activities detailed above, InovAgro facilitation team has also been actively preparing for the transition / commencement of the project Phase III in January 2018. The Project Document (ProDoc) for Phase III was submitted to SDC together with the accompanying documents such as the budget, log-frame and theory of change. In addition, the following has been conducted to position the project for a smooth take off for the Phase III:

### **8.2.1 Office Relocation**

The project facilitation office has been relocated to Milenio Centre, the office building which also houses two other main projects focusing on similar issues, INOVA (implemented by DAI/US) and the Resilient Agricultural Markets (RAMA) project implemented by Winrock International. These two projects are both funded by USAID. InovAgro anticipates that the coordination of its project interventions with these projects will be strengthened, due to the increased opportunities for joint planning and information sharing.

The new project facilitation office has adequate work space for the team. The office has also been equipped with new furniture. It is important to reiterate that most of the office furniture had been purchased in 2011 and had deteriorated such that the professional image and reputation of the project would have been compromised.



Figure 43: Part of the InovAgro team members in the newly equipped project board room

### 8.2.2 IT Set Up

InovAgro is investing in setting up appropriate hardware and systems for improved reporting and accounting. These include purchasing new laptops and investing in HR and accounting software PHC in accordance with the external audit recommendation, and customizing the DAI Management Information System TAMIS for InovAgro III. The team will be fully trained on both systems during November.

### 8.2.3 Staff Development / Trainings

InovAgro has also prioritized staff development and training during the reporting period to ensure that the project facilitation team has enhanced capacity to deliver the current project phase II and the upcoming phase III. The following staff participated in the indicated trainings during the reporting period:

Table 42: Staff Development / Trainings

Staff Member	Training Focus	Training Dates	Location
Abel Lisboa	Springfield Market Systems Development Training	May 2017	Thailand
Octavio Machado	Market Systems Development	21 – 26 Sept 2017	Maputo
Nephas Munyeché	SHFs financial inclusion in agribusiness development	12 – 14 June 2017	Kenya
All staff	Ethics and Vetting Policy	April 2017	Nampula
All staff	DAI Due Diligence Policy	August 2017	Nampula





*Figure 44: Staff Participating in the Ethics and Vetting Policy Training*

#### 8.2.4 Purchase of New Project Vehicles

Two new project vehicles have been purchased to replace the three old NISSAN Hard body vehicles whose running expenses were now beyond sustainable levels.

The two new NISSAN double cab vehicles will be delivered to the project by end of October 2017. In line with the defined SDC asset guidelines, the vehicles will be registered as SDC Mozambique property. These vehicles will further strengthen the project logistical capacity ahead of the start of the project Phase III in January 2018.

### 8.3 Conclusion

The InovAgro project is well positioned to successfully close the current project phase II activities, while setting up the systems for phase III to ensure a smooth transition. The project management team has put in motion a carefully designed plan for the closure of the current partnerships and termination of the project employment contracts. The asset disposal plan that has also been operationalised will allow the project to retain those assets that it requires while eliminating some assets which no longer add value to the project implementation strategies.

Strong progress has also been achieved to ensure a smooth transition and successful take off for the project phase III in January 2018. A new office has been secured, with the required conditions both in terms of space as well as furnishings. Project staff have also been undergoing several refresher training courses to ensure that team skills are updated and strengthened. Two new project vehicles have also been purchased thus strengthening the available project logistical capacities.

## 9. Conclusion

The contextual conditions recorded in 2017 have largely been favourable for the project interventions relating to improving smallholder farmers access to seed, finance, output markets, farm mechanisation and enhanced land tenure security systems. The restored peace in the country facilitated improved transportation of agricultural input products for commercial retail in the project locations as well as the aggregation and collection of output produce by commodity buyers.

The rainfall levels that were recorded in 2017 in the project locations were above average, enabling improved crop performance for all the value chains supported by the project. The results secured through the partnerships with the seed companies are very encouraging and demonstrate systemic change. The seed companies are increasingly establishing commercial relationships with distributors and agro dealers to facilitate the commercial distribution and retail of seed. These developments and achievements demonstrate a seed market system that is growing and becoming more established.

The return of SeedCo back to the Mozambican seed market in 2017 should be celebrated as a clear signal of crowding in indicating the increasing confidence that major seed companies are developing in the Mozambican market, a result that needs to be attributed in part to the strong value proposition that InovAgro has demonstrated to the sector over the past four years.

The approval of the private sector seed inspectors by the Minister is a major milestone towards improving the inspection and certification of seed in the country. Equally, the finalisation of the website and the data base to be launched to the sector stakeholders on the 9th of November 2017 is another major milestone for the sector, key footprints of the success of InovAgro II.

The improved crop harvests recorded in Mozambique (and within the SADC region) owing to improved agro-climatic conditions resulted in lower farm gate prices in 2017 (due to increased product supply on the market). Although the profits secured by groundnut farmers in 2017 are encouraging, interventions designed to tackle aflatoxin contamination remain pivotal to open alternative export markets that have capacity to absorb larger volumes compared to the domestic markets.

The results secured from the implementation of the Fundo Agricola in 2017 demonstrate an increase in the funds saved by the groups from 13,000 USD (in 2016) to 28,000 USD (saved in 2017). Although the amounts saved by the groups could be higher, perhaps with sharper, better structured co-facilitation support from both NANA and Ophavela, it is important to note how the model has been adapted to strengthen the engagement between the seed companies and the established groups. The establishment of the District Management Committees leading the negotiations with the seed companies (on behalf of the groups) has empowered the farmers to have stronger collective voice and leverage enabling them to negotiate for additional after sales services such as extension. This represents a transformation in the relationships between the market actors, an example of how InovAgro has catapulted strengthening of the market system between the seed companies and smallholder farmers. InovAgro takes note of the need to expand the Fundo Agricola beyond the current three districts. To facilitate this expansion, the savings groups District Management Committees will need to be empowered to evolve into a co-facilitator role that can support the establishment of new groups beyond the engagement with the input companies.

The Association of Savings Groups Promoters in Ribaue also represents another opportunity of a potential future partner that the project could work with to facilitate the expansion of the Fundo Agrícola beyond Ribaue, Malema and Mocuba.

While the InovAgro II project has made significant in-roads in terms of training of the equipment operators (in partnership with UNIZAMBEZI) and demand creation for mechanization service products, the remaining constraints of availability and purchasing power are limiting market development. The progression towards broader adoption requires the active participation and investment by the Government and other value chain actors with longer intervention life periods and larger budgets.

The implementation of the Farmers Economic Security Interventions has also been concluded successfully with all the agreed targets having been met. Four communities have been delimited. 4 Community Land Management Committees have been established and fully operational. A network of 57 paralegal officers has also been established (against a target of 20 officers). The work that InovAgro has conducted in partnership with the Centro Terra Viva under this component demonstrates a more cost effective, and appropriately scaled process for developing greater land tenure security for communities through empowerment of established Land Management Committees to act as local suppliers of services. As such, InovAgro II has built the underlying service systems to enable communities to do more for themselves without our help (not just guiding them towards DUATS, but also guiding neighbouring communities towards the delimitation process).

InovAgro also successfully demonstrated a value proposition to the agricultural input companies to target their marketing efforts on delimited communities as they are more likely to invest in inputs and other services given their enhanced security. InovAgro will use this to demonstrate to other communities the value proposition for delimitation to stimulate outside input and other services to target them. This should stimulate the demand side for delimitation services. InovAgro acknowledges that the knowledge generated under this component should be more effectively disseminated to other stakeholders with a view to promote the replication and the leveraging of the supporting services that we have been established in both Mocuba and Namarroi.

The remaining months (October, November and December 2017) will be used by the InovAgro team to facilitate the closure of the project Phase II. The facilitation team is well positioned to successfully close the current phase II activities guided by a carefully crafted Phase Out Plan which involved partnership reviews with all the private sector partners for closure of all pending work and settlement of agreed intervention financing mechanisms. A staff management plan has also been developed and operationalised to facilitate the legal termination all the current contractual obligations with facilitation team members. The asset management plan will ensure the disposal of project assets that no longer add value to the project work and procurement of some new assets (office furniture and vehicles) required to facilitate smooth progression to Phase III. A new office has been secured with improved conditions both in terms of space as well as staff security. Project staff have also been undergoing several refresher training courses to ensure that their skills are updated and strengthened.

The work that InovAgro II has delivered and the achievements secured have further reinforced the recognition and acceptance of the project as a market facilitator of choice. The facilitation team has earned the trust and confidence of the agribusiness market actors in Mozambique and this has further strengthened the project capacity to successfully deliver the upcoming InovAgro Phase III starting January 2018.