



FEED THE FUTURE

The U.S. Government's Global Hunger & Food Security Initiative



Feed the Future Mozambique Agricultural Innovations Activity (FTF Inova)

Quarterly Report (January 1 through March 31, 2018)

Maputo, April 2018



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FROM THE AMERICAN PEOPLE

This publication was produced by FTF Inova for the United States Agency for International Development (USAID), USAID Contract Number AID-656-C-17-00001, at the request of the USAID Mozambique Mission. This document is made possible by the support of the American people through the United States Agency for International Development (USAID). Its contents are the sole responsibility of the author or authors and do not necessarily reflect the views of USAID or the United States government.

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Acronyms

AIPM	<i>Agro-Imbeu Parque e Máquinas</i>
APROSE	Association for Promotion of the Seed Sector
AVC	Feed the Future Bangladesh Agricultural Value Chain Activity
B2B	Business-to-Business
BRC	British Retail Consortium
CdA	<i>Casa do Agricultor</i>
CLA	Collaborating, Learning, and Adapting
CRM	Customer Relationship Management
EOI	Expression of Interest
FTF	Feed the Future
FTF Inova	Feed the Future Mozambique Agricultural Innovations Activity
FTF P4I	Feed the Future Partnering for Innovation
HACCP	Hazard Analysis and Critical Control Points
HR	Human Resources
ICT	Information Communication Technology
INCAJU	<i>Instituto do Fomento do Caju</i>
IP	Implementing Partner
IT	Information Technology
K2	Klein Karoo
MAPA	Market Actor Partnership Agreement
MEL	Monitoring, Evaluation, and Learning
MSD	Market Systems Development
PPP	Public-Private Partnership
RAMA	Resilient Agricultural Markets Activity
RTM	Route to Market
SGS	<i>Société Générale de Surveillance</i>
SHF	Smallholder Farmer
SOW	Scope of Work
SPEED+	Supporting the Policy Environment for Economic Development Project
SUV	Sports Utility Vehicle
TECAP	<i>Tecnologia e Consultoria Agro-Pecuária, Lda.</i>

USA	United States of America
USAID	United States Agency for International Development
USG	United States Government
VCA	Value Chain Analysis
VIPP	Very Important Potential Partner

I. Executive Summary

The Feed the Future Mozambique Agricultural Innovations Activity (FTF Inova) transitions from a value chain approach to strengthening functions across the whole agricultural market system: Last quarter, upon analysis of partnership applications received since inception, FTF Inova concluded that segmenting interventions by value chain may lead to missed opportunities to leverage interesting ideas with high potential to catalyze systemic change. As such, FTF Inova has restructured its approach to focusing on interventions in specific market functions that exhibit a credible pathway towards inclusive change in the agricultural market system. Following this decision, this quarter, FTF Inova has re-oriented its management tools, conducted internal workshops, and re-tooled its interventions and strategies to better produce results in the complex Mozambican agriculture market system.

FTF Inova's new holistic approach has significantly increased activity in the partnership pipeline: 24 new applications have been received this quarter, making up 45 percent of the total applications received since project inception. Three new Market Actor Partnership Agreements (MAPAs) and two new Deal Notes were signed, bringing the total number of FTF Inova partnerships since inception from four (two MAPAs and two Deal Notes as of Q1 2018) to nine (five MAPAs and four Deal Notes as of Q2 2018). In addition, FTF Inova is currently developing eight MAPAs, potential interventions that cover a wide range of market functions, enabling the project to find the best leverage to bring change in the agricultural market system.

Radio program pilots in Manica Province mark the first interventions tested under FTF Inova's new approach: As part of the new approach, FTF Inova has started to strengthen the role that media plays in delivering market information and a voice to smallholder farmers (SHFs). A pilot with community radios in two districts in Manica Province was initiated. The objective of the pilot is to help radio stations design, produce, and air a new agricultural program that gives a voice to SHFs, provides feedback to market actors on what farmers need and how much they trust the market, and disseminates information on good agricultural practices. The editorial content of the programs is fully owned by the radio stations, and FTF Inova supports the stations in finding sponsorships for the sustainable production of the program.

Monitoring, Evaluation, and Learning: FTF Inova conducted a baseline study to assess the current firms and commercial relationships of the Mozambican agricultural market system. FTF Inova strives to create enduring change in the underlying dynamics of the market system to increase competitiveness and expand markets and trade to reduce poverty. The study, therefore, investigates metrics at both the market system and market actor levels, against which change can be compared over the life of the project.

Key Terms, Learning, and Events

Market functions targeted under FTF Inova's new approach:

- Input Distribution Network System
- Supply Chain Management System
- Interconnected System
- Business Services System
- Agriculture Support Services System

More information can be found at FTF Inova's partnership pipeline tracker, here: [Public dashboard](#).

"Market Systems in Start up: Learning for Innovation": FTF Inova has published its first blog on Marketlinks, sharing its experience building a culture of learning from the start up phase to set the tone for project success. Read the full blog [here](#).

Select Upcoming Collaborating, Learning, and Adapting (CLA) Events Hosted by FTF Inova:

- Project Launch in Nacala District, Nampula Province: May 16, 2018
- Learning Workshop on Interconnected Systems: May 29, 2018
- Project Launch in Pemba District, Cabo Del Gado Province: May 30, 2018
- Project Launch in Cuamba District, Niassa Province: June 13, 2018
- Agricultural Innovation and Technology Fair on Information Communication Technology (ICT): June 22 – 23, 2018

2. Technical Activities

Major milestones for FTF Inova during the reporting period include: The engagement of new partners under FTF Inova's improved approach focused on strengthening market system functions; the piloting of two radio programs – the first interventions executed under FTF Inova's improved approach - targeting practice and behavior changes in the media interconnected system; and the finalization of early mover¹ interventions, with initial evidence signaling practice and behavioral changes in the input distribution network system. These and other progress updates are detailed below.

2.1 Adapting to the Realities of the Mozambican Agricultural Market

Since the launch of FTF Inova's partnership program, intervention ideas received in each partnership application have been carefully mapped to each of FTF Inova's targeted value chains. The outcome of this monitoring revealed two profound findings:

- 1) **Applications were significantly scattered across several value chains without a critical mass concentrated on any one specific value chain, with the exception of agri-inputs and soya.** For instance, since inception, only four applications have been received by market actors working with cashew, three with pigeon peas, and two with sesame. At the same time, however, 17 applications received have related to the commercialization of agricultural inputs. The small pool of applications for each value chain would likely lead to a slow pace at which FTF Inova could pilot interventions, accelerate learning, and ultimately, catalyze change in the agricultural market system.

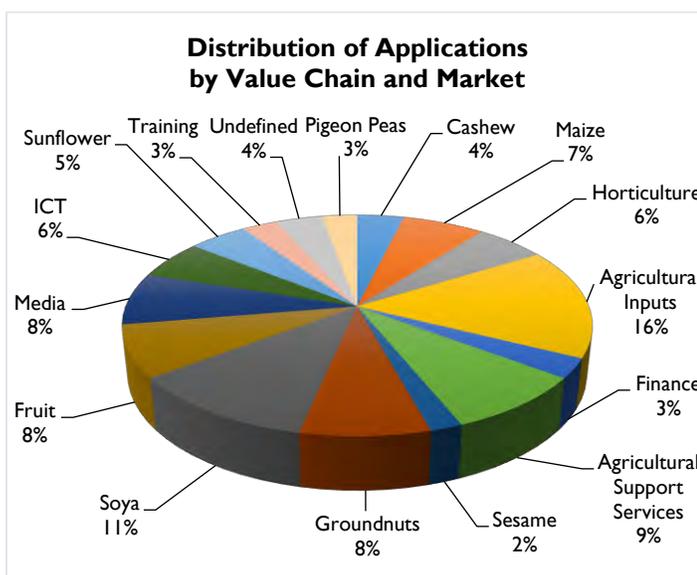


Figure 1. Distribution of partnership applications received across value chain and market.

- 2) **Very few applications exhibited opportunities to deliver impact in FTF Inova's targeted value chains, with the exception of agricultural inputs.** Segmenting interventions by value chain would likely lead to missing opportunities to leverage interesting ideas with high potential to bring about systemic change in the agricultural market system.

These observations coupled with a number of changes brought to the Feed the Future (FTF) initiative,² galvanized FTF Inova to reconsider its approach in Q1, and in Q2, to re-focus its vision towards developing a better understanding of the agricultural market system in its entirety - focusing on market functions rather than value chains - and to better equip itself to make decisions in a complex environment.

¹ "Early movers" refer to the small number of market actors in cashew, groundnut, and inputs engaging in the first set of activities co-created with FTF Inova. These actors were initially identified through interviews conducted with companies during the Value Chain Analysis (VCA), and were pinpointed as clear opportunities through which to develop early interventions aligned with FTF Inova's objectives within target value chains. Four early movers were identified: *Tecnologia e Consultoria Agro-Pecuária, Lda.* (TECAP), Klein Karoo (K2), Condor Nuts, and Ikuru. These four early movers all signed MAPAs, but only two developed into Deal Notes (TECAP and K2). Deal Notes for the remaining two are still in the pipeline.

² At the end of 2017, a new set of FTF target countries were announced and Mozambique became an aligned country instead of a focus country. While focus countries must have selected Zones of Influence and value chains, aligned countries do not have that requirement.

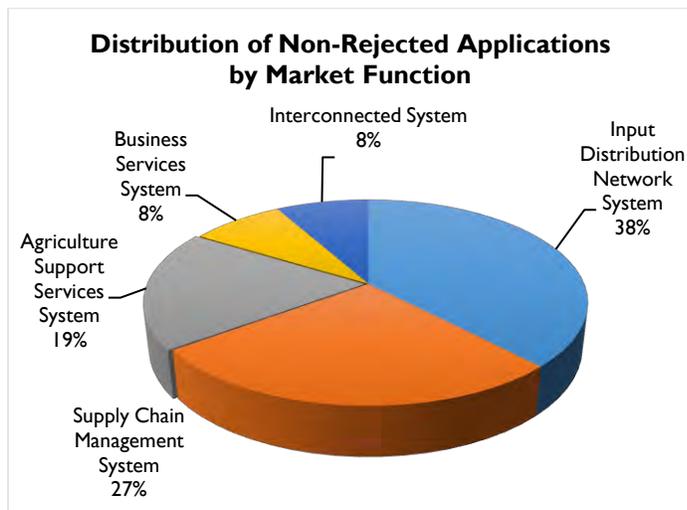


Figure 2. Distribution of non-rejected partnership applications across target market functions.

Understanding and Managing Complexity

FTF Inova understands that attempting to influence how markets - hence society, or parts of society - work, means getting entangled in a complex web of existing relations, conventions, ambitions, goals, and differences in access to capital, skills, and services.³ Market systems can be dysfunctional for a variety of concurrent reasons. For example, fake seeds or chemicals may discourage purchases in the absence of penalties enforced against cheaters, or legitimate input supply companies may lack information on SHF demand but choose to compete for a larger share of the commercial farmer market. Interventions directly addressing one of these constraints necessarily trigger a number of

changes at a number of levels in the market, many of which are often unforeseen. In other words, complexity is inherent to the practice of stimulating innovation and development. Change rarely unfolds in a predictable, linear fashion, and this needs to be factored into the management practices of the project.

In order to be better equipped for dealing with complexity, FTF Inova is re-tooling its management process based on sense-making⁴ principles instead of categorization principles. What this means, in practice, is that FTF Inova is developing management tools that emphasize probing and learning that is more focused on action rather than planning and characterized by lean and rapid methods to gather evidence and use it for decision-making. One of the first things that FTF Inova has done in this respect is to prioritize the areas for the project's intervention by looking at where market actors show appetite for change, hence *traction* for introducing innovations. As such, rather than forcefully targeting interventions at solving weaknesses in the value chain as identified by analysis, FTF Inova prioritizes interventions in areas where the market is showing real appetite for change and innovation. This is achieved by complementing the analytical knowledge that the project possesses with constantly updated maps of applications and innovations against their functional area⁵ in the market, the latter being a proxy indicator for traction. The functional areas that FTF Inova utilizes were drawn from the Agricultural Market Systems Change Wheel⁶, a tool developed by the Feed the Future Bangladesh Agricultural Value Chain (AVC) activity that illustrates potential pathways towards inclusive change in an agricultural market system (see Annex I for a visual). The Change Wheel illustrates a holistic overview of system change, with the outer circle indicating early stage change, the middle circle indicating a mid-transition stage, and the inner circle indicating the threshold for a well-functioning, inclusive market system.

The result of this mapping process determined a shift in FTF Inova's approach, from looking at partner categories (i.e., whether partners grow a specific value chain commodity) to focusing on the relational

³ In other words, referring to the Cynefin framework (https://en.wikipedia.org/wiki/Cynefin_framework), broadening its focus away from value chains allows FTF Inova to strengthen its management capacity and tools, migrating from the complicated to the complex domain.

⁴ Individually, the term "sense-making" describes the complex process by which a person makes sense of his/her situation, and acknowledges the many subtle influences of perceptions, biases, goals, identities, and memories. Organizational sense-making involves all of this at the collective level, describing how groups of people develop shared meanings that make sense to the group.

⁵ Sense-making typically focuses on understanding the relations between the different elements of the system, rather than categorizing them.

⁶ Feed the Future Bangladesh Agricultural Value Chain (AVC) Activity. *Agricultural Market Systems Behavior Change Wheel*. 2017. <https://bit.ly/2IPBbCJ>

function of the partner in the market system. Consequentially, FTF Inova’s portfolio is now comprised of interventions aimed at strengthening functions across the whole agricultural market system, in particular strengthening the input distribution network system and the supply chain management system as well as probing a few interventions in the agricultural support services system, business services system, and interconnected system.

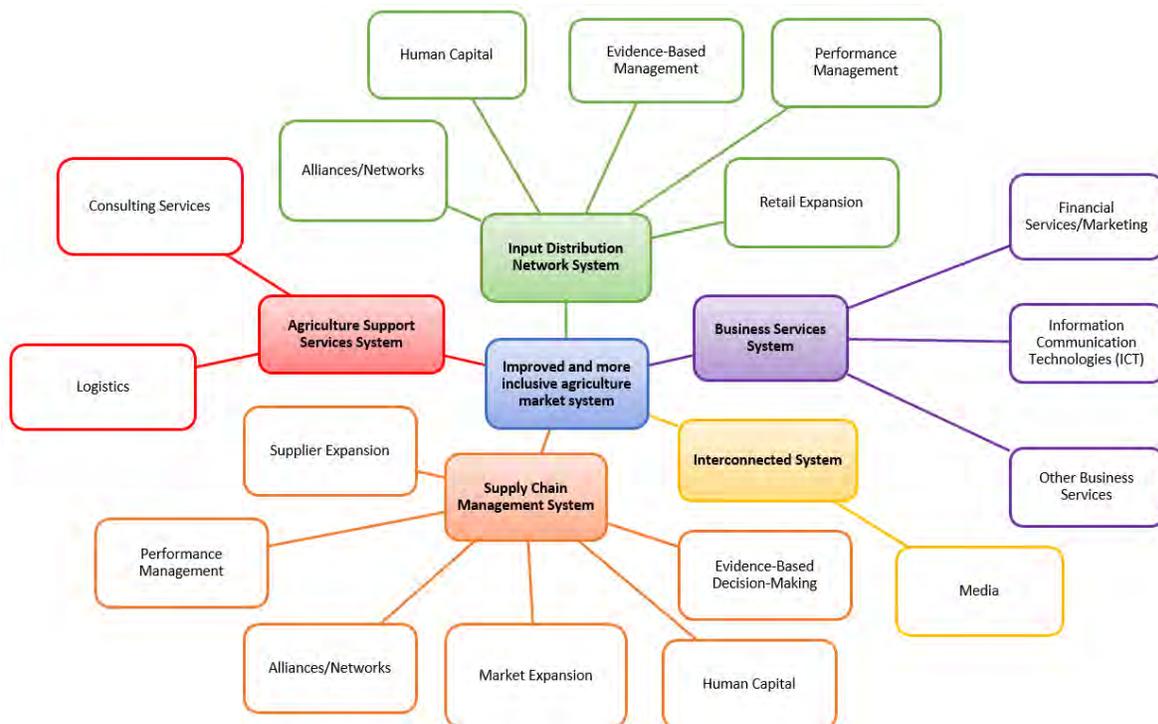


Figure 3. A mind map developed by FTF Inova showing the core market functions affecting the agriculture market system (filled-in boxes), and the practices under each market function where pathways to systemic change begin (outlined boxes).

2.2 Boost in Depth and Breadth of Partnership Pipeline following Shift in Approach

2.2.1 Description of Activity, Achievements, and Progress

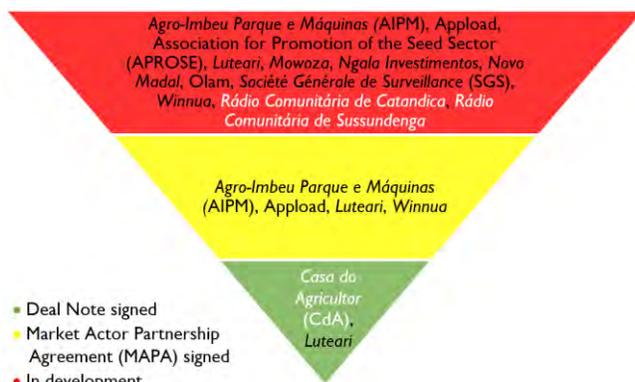


Figure 4. FTF Inova’s Q2 2018 partnership engagement activity (organizations in white indicate partnerships developed outside of the application process).

Since FTF Inova’s shift in focus, the partnership pipeline has expanded in both the quantity of applications received and the diversity in the type and size of applicants. At the same time, the FTF Inova team has also increased its level of partnership engagement producing encouraging progress towards accelerating the pace at which interventions are piloted and learning is achieved.

This quarter, three new MAPAs with *Agro-Imbeu Parque e Máquinas* (AIPM), Appload, and *Winnua*, and two new Deal Notes with

*Casa do Agricultor (CdA)*⁷ and *Luteari* were signed. These additions bring the total number of FTF Inova partnerships since inception from four in Q1 2018 (two MAPAs⁸ and two Deal Notes signed) to nine in Q2 2018 (five MAPAs and four Deal Notes signed). See *Annex III for profiles*, and *Figure 5 for details on the partnership pipeline from inception to Q2 2018*.

Looking at the partnership engagement activity that led to these results, as of March 31, the FTF Inova team received 24 new applications and evaluated 19. The team selected 10 applications from this pool for further evaluation and development. Of these 10, four new MAPAs were signed, and the team managed to develop one of these MAPAs into a new Deal Note within the same quarter. Outside of the partnership application process, two additional potential partnerships were formed with *Rádio Comunitária de Catandica* and *Rádio Comunitária de Sussundenga* through proactive engagement to test an internally developed innovation (see *Section 2.3 for FTF Inova’s pilots with these community radios*), and based on the successful implementation of its first Deal Note, CdA signed a second Deal Note with FTF Inova this quarter. See *Figure 4, which illustrates FTF Inova’s partnership engagement activity for Q2 2018, and Annex III for profiles*.

Comparing this activity against FTF Inova’s partnership count from inception to date shows that most of FTF Inova’s partnership engagement activity has occurred in Q2: Nearly half of the applications received since inception were received in Q2 (45 percent), exactly half of the MAPAs signed since inception were signed in Q2 (50 percent), and half of the Deal Notes signed since inception were signed in Q2 (50 percent). See *Figure 6 for details*.



Figure 6. Breakdown of Q2 2018 partnership engagement activity against FTF Inova’s partnership count for the life of the project.



Figure 5. FTF Inova’s partnership pipeline, since inception, by market function.

FTF Inova’s partnership pipeline, to date, encompasses potential interventions across a good range of market functions providing FTF Inova the opportunity to comprehensively stimulate the agricultural market system to evolve in a way that involves and benefits both businesses and SHFs (see *Figure 5 and Annex II for details*). In order, however, for FTF Inova to consolidate credible pathways towards market level change and solidify replication of critical practice changes at scale, it is necessary for FTF Inova to accumulate more – and more influential – partners within each market function, which will be FTF Inova’s focus in Q3. The project aims to sign a total of 14 Deal Notes by the end of 2018.

2.2.2 Key Challenges & Lessons Learned

- After analyzing the portfolios for each market function and reflecting on how proposed interventions can bring about market function changes, the FTF Inova team concluded

⁷ FTF Inova’s Deal Note with TECAP has been modified such that FTF Inova can work with CdA, a new company of TECAP. Interventions with CdA offer a more advantageous opportunity to mold change in the input distribution network system.

⁸ To avoid double-counting, MAPAs that have developed into Deal Notes are only included in the Deal Notes count. Therefore, while FTF Inova signed four MAPAs with CdA, Condor Nuts, Ikuru, and Klein Karoo (K2) in Q1 2018, MAPAs with CdA and K2 are not included in the MAPA count as they developed into Deal Notes within Q1 2018.

that further outreach to businesses operating in the supply chain management system and the inputs distribution network system is needed. Since the next buying season is only a few months away, FTF Inova will prioritize recruiting partners in the supply chain management system during next quarter.

- Amid FTF Inova’s change in approach, to ensure that partnership engagement focuses on the relational function of the partner in the market system, the FTF Inova team will regularly analyze portfolios against the FTF Inova mind map (see Section 2.1, Figure 3 for a visual of FTF Inova’s mind map; see Annex II for a mapping of FTF Inova’s current portfolio).
- Due to the increased depth and breadth of partnership applications across all market functions, the team must be more selective in its evaluation process to identify quality partnerships. In addition to its regular evaluation process, from the point of initial engagement, Portfolio Managers will analyze whether the business is the right potential partner to work with in terms of its capacity to catalyze change up to the market system level; whether the potential partner can create shared value, merit-based relationships, and trust; and whether the potential partner’s proposed solution exhibits a clear pathway for bringing change not only at the practice level, but at the function level, and ultimately, the market level.

2.2.3 Next Steps

- Begin implementation of new Deal Notes with CdA, and *Luteari*.
- Finalize Deal Notes with AIPM, Appload, and *Winnua*.
- Sign MAPAs and Deal Notes with Association for Promotion of the Seed Sector (APROSE), Olam, *Ngala Investimentos*, *Novo Madal*, *Mowoza*, and *Société Générale de Surveillance* (SGS). See Annex III for profiles.
- Sign MAPAs with *Rádio Comunitária de Catandica*, and *Rádio Comunitária de Sussundenga*.
- Continue to review and evaluate new applications as they are received.

2.3 Generating Market Function Changes through Media Innovations in Radio

2.3.1 Description of Activity, Achievements, and Progress



Photo 1. A community radio worker based in Catandica District, Manica Province interviewing local women SHFs for its upcoming radio program.

FTF Inova’s collaboration with community radios as a means to precipitate changes in the interconnected system serves as a prime example of the project’s new approach in action. Recognizing that media is not merely a communication tool but an industry, FTF Inova began testing a new business model for radio broadcasting companies that focuses on selling content rather than selling air time. Driven by feedback loops based on mutual trust between businesses and SHFs, by targeting the media’s role in amplifying SHF voices, this new business model aims to support the growth and behavior change of agricultural businesses to build a more inclusive agricultural market system.

Specifically, through radio programs broadcasting relevant agricultural content that stimulates SHF discussion and participation, radio broadcasting companies can give a “voice” to farmers, effectively extending a level of power in the market system to SHFs. The amplification of SHFs’ opinions (“feedback”) can serve as a market signal helping to guide and improve decision-making by businesses (“responses”), and as SHF buying patterns change and businesses’ sales

increase, these feedback loops establish a new incentive structure where value is placed on SHF feedback. Businesses are thus willing to pay a premium on content to access this feedback, radio broadcasting companies are willing to broadcast content that generates SHF feedback to maintain financial gain, and SHFs are willing to provide feedback as a result of an improved sense of trust from businesses' responsiveness to their needs and preferences. FTF Inova is piloting this business model with *Rádio Comunitária de Catandica* and *Rádio Comunitária de Sussundenga*, two community radios in the districts of Catandica and Sussundenga in Manica Province. FTF Inova assisted both with outreach to various institutions for content, and representatives from Agrifocus, Bayer, *Luteari*, and the Ministry of Agriculture and Food Security participated as radio program panelists. FTF Inova also supported both community radios with negotiating their initial content sponsorships. Savon Trading and Bayer expressed a willingness to sponsor the radio programs and to provide technical content on a regular basis, preliminarily suggesting that there is interest to invest in this business model.

To guide FTF Inova in identifying interventions with a high potential to affect change in the interconnected system, FTF Inova is developing a Media Market Engagement Strategy with technical assistance from a Media Development Specialist possessing 20+ years of experience in local and international media and Market Systems Development (MSD).

2.3.2 Key Challenges & Lessons Learned

- While FTF Inova does not aim to control the content broadcasted in the radio programs it is piloting, the type of content broadcasted should be such that it appeals to and attracts participation by SHFs. Maintaining the independence of radio broadcasting companies, therefore, is critical especially under this new business model where content is tied to financial gain. This challenge may be mitigated if companies can learn that sponsoring popular content, rather than trying to control the message, is more advantageous for them. This learning, however, is dependent upon evidence. Therefore, FTF Inova is assisting both community radios with developing indicators and collecting data in order to develop a business case to present to potential partners.
- The capacity of community radios, particularly in terms of their negotiation skills, is very low. Moreover, since community radios are highly in need of financial support and are accustomed to the traditional “pay to play” model of simply selling air time, there is a risk that community radios may fall back into their regular pattern of simply accepting offers as they come. To address this challenge, FTF Inova will provide technical assistance to community radios in developing and understanding the business case for this new model, and will build the capacity of community radios to seek valuable and sustainable sponsorships instead of one-off sources of financial support.
- The traditional business model has, to a degree, cultivated a sentiment of apathy and determinism among community radio workers as well as a low sense of motivation to invest in change, take ownership of the radio programs, and play a significant role in their communities. FTF Inova will assess this level of willingness and buy-in, and how it changes if increases in ratings and sponsorships are observed.



Photo 2. A community radio worker based in Sussundenga District, Manica Province interviewing a gathering of local SHFs for its upcoming radio program.

2.3.3 Next Steps

- Broadcast radio programs (scheduled for Q3).
- Pilot radio programs at community radios in Nampula. The difference in context

- (i.e., geography, competition levels, culture) may help identify other factors influencing success or failure.
- Finalize the indicators for monitoring and evaluating the radio program pilot.
- Assess the results of the radio program pilot to gauge behavioral changes that can lead to transformative change at the market system level.
- Depending on the results of the assessment, develop a scale-up strategy taking into consideration geography, capacity, and the potential for replication.
- Build the business case for the new model.

2.4 Implementation of Early Mover Deal Notes

2.4.1 Description of Activity, Achievements, and Progress

During the Value Chain Analysis (VCA) in the first year of the project, FTF Inova identified a group of market actors in targeted value chains, which included agri-inputs. At the time, these “early movers” presented clear opportunities with which to develop interventions aligned with FTF Inova’s objectives within target value chains. CdA and Klein Karoo (K2) (see *Annex III for a profile*) were among the early movers that signed Deal Notes with FTF Inova. These interventions offer a good learning base for FTF Inova to shape and improve upon the project’s approach.

Direct Marketing Tactics

Making steady progress towards fully delivering on FTF Inova’s early mover Deal Notes, FTF Inova continued working closely with CdA and K2 this quarter to finalize and reflect on pilots applying direct marketing tactics tailored to SHFs, a new approach to reaching SHFs that, through developing trust and building loyalties, aimed to demonstrate to firms that cost-effective strategies are productive in reaching SHFs and stimulating demand for critical inputs.

Deal Notes, FTF Inova continued working closely with CdA and K2 this quarter to finalize and reflect on pilots applying direct marketing tactics tailored to SHFs, a new approach to reaching SHFs that, through developing trust and building loyalties, aimed to demonstrate to firms that cost-effective strategies are productive in reaching SHFs and stimulating demand for critical inputs.

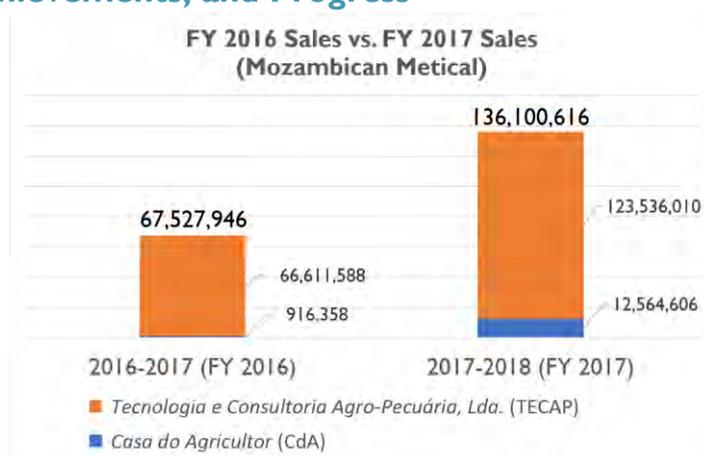


Figure 7. A comparison of total sales from CdA and TECAP’s Maputo Province operations between FY 2016 and FY 2017. TECAP’s Maputo Province sales were included since direct marketing tactics were applied at TECAP’s shops in the area as CdA is a company of TECAP and does not yet have operations there.

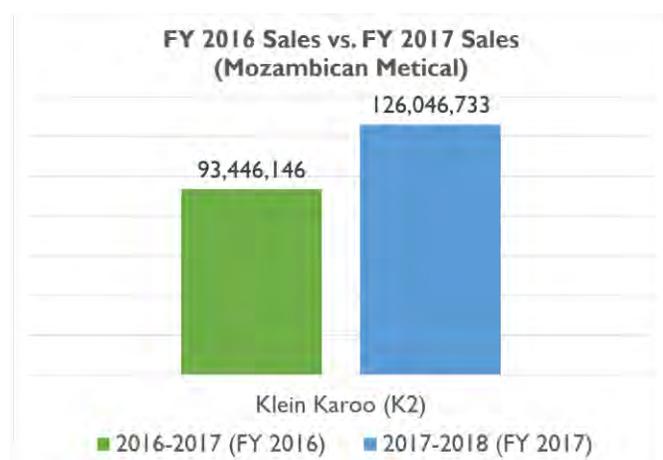


Figure 7. A comparison of K2’s sales between FY 2016 and FY 2017.

Data collected this quarter shows that the value of CdA’s total sales in FY 2017 has significantly increased over the value of its total sales in FY 2016 (see *Figure 7*). Moreover, since direct marketing tactics were applied at TECAP shops in Maputo Province since CdA is a company of TECAP and does not yet have operations in the area, data on TECAP’s Maputo sales was collected and reveal the same upward trend. Although the magnitude of CdA’s increase in sales is due in part to CdA’s geographic expansion – i.e., CdA operated only in Nampula Province in FY 2016 whereas in FY 2017, it operated in the provinces of Manica, Tete, Nampula, and Zambezia – CdA

confirmed that FTF Inova’s pilots contributed to the increase. As a result of this perception, during a Collaborating, Learning, and Adapting (CLA) meeting with CdA to assess the implementation of its first Deal Note, CdA expressed that it now sees the value of targeting SHFs and improving relationships with them. In fact, to continue building this relationship, the company has committed to investing 200,000 USD in a second Deal Note to improve its distribution network to be able to deliver inputs to SHF at the last mile.

Similarly, despite K2 only holding two marketing events compared to CdA’s 15, K2’s total sales in FY 2017 have also increased notably from its total sales in FY 2016 (see Figure 7). Amidst the growth in sales, during a CLA meeting with K2, the company conveyed its realization of the importance of establishing close relationships with SHFs, prompting its decision to invest in the expansion of K2 shops to two regions in the provinces of Tete and Zambezia.

Comprehensive Company Marketing Strategies

To enable the development of high performing distribution networks that can increase SHF demand for improved agricultural inputs and new technologies, under these initial Deal Notes, FTF Inova is also providing CdA and K2 technical assistance to craft integrated marketing strategies. This quarter, FTF Inova’s Senior Business Development and Marketing Specialist consultant delivered the first drafts of tailored marketing strategies for both CdA and K2. CdA’s marketing strategy focuses on market segmentation; developing tactics targeting SHFs; and since CdA’s product offering comprises nearly 4,000 items, identifying the specific products to market to SHFs. K2’s marketing strategy centers on clarifying their role in the market – whether the company is a distributor, wholesaler, or retailer – and defining a branding strategy to effectively promote K2 as a Mozambican company rather than a South African subsidiary.



Photo 3. K2 and FTF Inova discuss branding strategies at an agro-dealer’s shop in Sussundenga District, Manica Province.

2.4.2 Key Challenges & Lessons Learned

- These initial partnerships have helped FTF Inova establish its offer, and it has allowed partners to experience how to work with the project. Now, having proven the value of its offer, FTF Inova is in a much stronger position to leverage behavioral change.
- Early success from the CdA and K2 Deal Notes can be leveraged as a business case to present to other businesses in the input distribution network system for the purposes of replication.

2.4.3 Next Steps

- Finalize CdA and K2’s marketing strategies and provide support for their implementation.
- Announce the winners of the CdA raffle program, and broadcast the winners on radio stations across the provinces of Manica, Nampula, and Tete to stimulate interest and motivation among more farmers to purchase agri-inputs in the next buying season.
- Continue collecting data and conduct further analysis on data collected post-intervention to validate results and develop a business case for use in partnership engagement.
- Leveraging FTF Inova’s pilot radio programs, recruit SHFs to provide testimonies on their positive experiences with CdA and K2’s products to encourage other SHFs to follow suit.

Snapshot: Adapting Coca Cola’s Distribution System for Agri-Input Companies Aiming to Reach Smallholder Farmers



Photo 4. CdA and Appload learning about Coca Cola’s distribution system.

One of the struggles that FTF Inova’s partners in the input distribution network system face is how to reach far away and dispersed SHFs. As Coca Cola holds one of the largest distribution systems in the world, FTF Inova organized a field visit to an official Coca Cola distributor with the aim of identifying how Coca Cola’s “route to market” (RTM) distribution model could be adapted and applied to agricultural inputs. Mr. Sugunendran Nadarajah, RTM and Sales Operations Manager of Coca Cola Sabco (Mozambique), guided Ms. Teresa Boane, Marketing Manager of CdA, and Ms. Claire Housson, Director of Appload, through Coca Cola’s RTM distribution model. CdA and

Appload gleaned three key takeaways: 1) Coca Cola has a clear profile of a successful distributor, which assists them in selecting distributors to work with; 2) Since Coca Cola has a vast number of products, it uses the “80/20 principle” where focus is on the 20 percent of products that provide 80 percent of the returns; and 3) Coca Cola is highly customer-centric and involves customer feedback in its decision-making processes.

2.5 Stimulating Investments in Inclusive Business Approaches through Market Systems Workshops

2.5.1 Description of Activity, Achievements, and Progress

On February 19-23, FTF Inova, in collaboration with Feed the Future Partnering for Innovation (FTF P4I), organized a market systems workshop facilitated by EcoVentures International. A total of 45 senior leaders and technical experts participated in the workshop out of which 20 were from agricultural output firms, 23 were from agricultural inputs firms, and two represented implementing partners (IPs). The workshop was not just an opportunity for businesses to learn about the MSD approach and their role and agency in creating market system changes, but also a chance to learn how to apply the MSD approach in practice.

Attendees discussed how to engage and incorporate SHFs in their business decisions by reviewing experiences and lessons learned from local and international contexts, and participating in simulations developing and executing strategies for creating customer and supplier loyalty; delivering specialized services through co-investments; and implementing competitions between farmers and between lead service providers to stimulate market demand. These no-



Photo 5. Market systems workshop attendees simulate business decisions using approaches inclusive of SHFs.

"I think the [workshop] was very useful and helped me to have a broader overview on how to improve my business and create a better relationship with my clients. I hope this [workshop] is replicated and extended to more market actors because if we are all aligned we will all benefit from changes in the Mozambican agricultural sector."

- Célia Ribeiro, General Director, Luteari

risk simulations afforded participants the unique opportunity to make the kinds of decisions they must make in the real world to increase their bottom line, but with trying a new approach of catering to underserved markets, and immediately seeing the positive outcomes that such alternative decisions could have on the growth and success of their companies. Enabling market actors to visualize the potential gains from approaches inclusive of SHFs helps catalyze a shift from seeking financial support for one-off activities that are typically distortionary and unsustainable, to thinking critically about solving business challenges through implementing approaches that affect the market system in which they operate.

In addition to provoking serious thought around the MSD approach and incentives for implementing it, bringing businesses together in one room provided participants a space to explore synergies and opportunities for collaboration, which can minimize the transaction costs involved in implementing business innovations, a further incentive for businesses to implement the MSD approach. Moreover, forming fictitious companies requiring open and frank conversations during simulations established connections and promoted relationship- and trust-building that can continue to be built and drawn from long after the workshop.

Providing a single workshop alone, however, cannot make market actors operating in nascent market systems try new innovations that may involve high risks and high investments up front. Cognizant of this fact, FTF Inova actively followed-up with participants to facilitate the practical application of the various ideas discussed at the workshop. Through this follow-up, three output buyers – *Novo Madal*, *Olam*, and *Winnua* - and two inputs distributors – *AIPM* and *Luteari* – are now working with FTF Inova to co-create and pilot interventions. *See Section 2.2 for details on the partnership pipeline.*

2.5.2 Key Challenges & Lessons Learned

- Based on surveys of output buyers, of the topics discussed, output buyers liked strategic alliances (44 percent), customer services (19 percent), and training of agents/SHFs (12 percent)⁹ the most.
- Based on surveys of input firms obtained after the event, of the topics discussed, input firms liked customer databases (23 percent), strategic alliances (14 percent), and staff training (14 percent) the most.
- Output buyers indicated investment interests in: Electronic customer databases, “Best Farmers” programs, representatives/agents, end market incentive programs, and strategic alliances, which cover all five practice areas of the supply chain management system (evidence-based management, human capital, supplier expansion, and market expansion, respectively). Transforming this interest into Deal Notes has high potential to drive change at the market function level.
- Input retailers indicated that they would be willing to invest in the following tactics: Electronic customer databases, promotional campaigns, preferred dealers, and shop remodeling. This finding suggests that input retailers are slightly more interested in practice changes that affect retail expansion. FTF Inova can target interventions in this practice area as “quick wins.”
- As access to information is the first step to behavior change, equipped with a new understanding of the MSD approach, FTF Inova can use market systems workshops to pitch its added value to businesses -

⁹ 13 percent of participants indicated that they liked all topics discussed.

that the project can serve as an advantageous resource to assist businesses in further analyzing their challenges, identifying potential solutions, and facilitating the design and piloting of those innovations.

2.5.3 Next Steps

- Increase proactive outreach to participants that have shown an interest in investing in and piloting tactics discussed at the workshop.

2.6 Facilitating Market Linkages Using Business-to-Business (B2B) Workshops

2.6.1 Description of Activity, Achievements, and Progress

As a platform to identify synergies and promote collaboration to drive down transaction costs and close information gaps, FTF Inova facilitated a B2B workshop on March 13, 2018 in Nampula Province. SGS, a national service provider offering food safety certification services to upgrade product quality as well as precision farming solutions to improve productivity and competitiveness, pitched to six companies – Export Trading Group, Ikuru, *Emaju Sociedade Unipessoal Lda.*, Agrifocus, *Mocaju* and *Novo Madal* – and one research institution – *Instituto Internacional de Agricultura Tropical* - at the workshop. While businesses learned about SGS's offering that could help them grow their businesses inclusively, SGS also had the opportunity to learn more about the core business of the firms attending the event in order to more realistically craft and target their offer – at the workshop itself, and in the larger market. Recognizing the added value of market linkages with service providers, to further incentivize uptake of SGS's services, FTF Inova offered to support companies interested in piloting one of SGS's solutions.

As a direct result of the workshop, Ikuru expressed an interest in SGS's precision farming solution and requested a quotation to assess 200 hectares of land for polyclonal cashew seed farming.

2.6.2 Key Challenges & Lessons Learned

- The preliminary discussions between SGS and Ikuru indicate that B2B workshops with a similar structure could serve as a powerful tool for facilitating strategic alliances between market actors that: 1) May not have been aware of the available services or range of actors in the market, 2) May not have known about critical gaps in their business approaches, or 3) May not have otherwise come together.
- At future B2B workshops service providers should involve technical level representatives in addition to sales representatives to be able to convey a solid business case and answer targeted questions from businesses. FTF Inova can provide assistance to service providers on MSD and the vision for facilitating relationships with agribusinesses to help shape the content of their presentations.
- One of the solutions presented to attendees was precision farming. This may be a solution more suited to larger companies, particularly in that it is fairly expensive. An assessment of needs from a variety of companies will be gathered to better target future B2B workshops.

2.6.3 Next Steps

- Follow-up with Ikuru and SGS to pilot a precision farming intervention.
- Follow-up with attendees to reiterate the business case for and gauge interest in testing SGS's solutions.
- Assess priority business needs, identify a relevant service provider, and organize a second B2B workshop.

2.7 FTF Inova Launched in Quelimane and Angonia

2.7.1 Description of Activity, Achievements, and Progress

As part of FTF Inova’s partnership engagement strategy, two mini-workshops were organized this quarter in the districts of Quelimane and Angonia in the provinces of Zambezia and Tete, respectively. The workshops were held to introduce the project; explain what FTF Inova can do to support the market as well as the value of its offer; and to promote the Annual Partnership Program Announcement. In total, 81 participants consisting of SHFs, agro-dealers, processors, output buyers, and agricultural department and local government representatives attended the workshops. Participants showed enthusiasm around the practical investment tactics presented, and a total of four potential partnerships were identified. In Quelimane, FTF Inova connected with *Novo Madal*, which has since applied for a partnership, and Mr. Gil Fonseca, a large-scale farmer with 4,000 outgrowers in the rice and horticulture value chains in Namacurra District of Zambezia Province. In Angonia, FTF Inova identified AIPM, which has since signed a MAPA with the project, and *Sikazakossa e Sr. Albino*.

2.7.2 Key Challenges & Lessons Learned

- Despite the logistical challenges of bringing businesses from different districts together for provincial level launches, in-person launches provide FTF Inova the opportunity to clarify misperceptions about its partnership program, address questions in real-time, gauge the potential and quality of prospective partnerships up front, and facilitate market linkages between participating market actors.
- Some businesses still have trouble understanding the nature of FTF Inova partnerships. The FTF Inova team is in the process of re-developing communications materials to convey FTF Inova’s offer in a more direct, concise, and easily understandable manner. Additionally, the FTF Inova team plans to analyze and adapt its pitch to ensure that the message is on point and consistent across portfolios.
- In addition to bringing businesses together during the mini-workshops, the FTF Inova team recognized that launches could be leveraged as a platform to promote deeper market linkages. Through inviting vetted service providers to pitch their solutions to related businesses, FTF Inova can broker investments that will help close critical gaps in the market system. *See Section 2.6 for details.*

2.7.3 Next Steps

- Organize launches in Pemba District, Cabo Delgado Province; Nacala District, Nampula Province; Cuamba District, Niassa Province; and Beira District, Sofala Province. *See Section 5, Table 2 for details.*
- Follow-up with *Sikazakossa e Sr. Albino* and Mr. Gil Fonseca to further discuss potential opportunities.
- Reflect on and hone the overall message disseminated during project launches to ensure consistency and to target quality partnerships.
- Invite market actors from the business services market system to pitch their services to market actors in the inputs distribution network system and the supply chain management system.



Photo 6. The FTF Inova team pitching the value of its partnerships to attendees at the Project Launch in Angonia District, Tete Province.

2.8 Updates on Ongoing and Other Technical Activities

Table 1. Progress and achievements, key challenges and lessons learned, and next steps for FTF Inova's ongoing and other technical activities.

Activity & Description	Key Market Function	Progress & Achievements	Key Challenges & Lessons Learned	Next Steps
Deal Note #2 with CdA. Based on lessons learned from its first Deal Note, the second Deal Note aims to support CdA in expanding the retail of inputs to the last mile (i.e., SHFs) at scale by establishing an e-distribution system. The system will be piloted in the provinces of Nampula, Tete, and Manica. The intervention contributes to the strengthening of the market for agricultural inputs through: 1) Expanding the agri-inputs market to SHFs, 2) Facilitating the segmentation and targeting of SHFs, and 3) Helping SHFs discern and source quality inputs.	<ul style="list-style-type: none"> Input distribution network system 	<ul style="list-style-type: none"> Deal Note signed. Consultant Scope of Work (SOW) developed. Consultant identified. Preparatory work for the first activity (field visit to Copia Global, an input company based in Nairobi, Kenya that has developed an e-distribution system to reach SHFs, to learn from and share experiences) has begun. 	N/A	<ul style="list-style-type: none"> Sign contract with consultant. Travel to Nairobi, Kenya for field visit to Copia Global. Identify and procure software and hardware for CdA's e-distribution system.
Deal Note #1 with K2. Facilitate strengthening of the agricultural inputs market through: 1) Providing K2 with direct experience executing marketing tactics tailored to SHFs, 2) Providing SHFs increased value from adopting feedback loops captured via a customized Customer Relationship Management (CRM) system, and 3) Strengthening SHFs' trust in K2 products through establishing a mechanism for sharing feedback with other customers.	<ul style="list-style-type: none"> Input distribution network system 	<ul style="list-style-type: none"> The CRM has been procured. Customization of the CRM is in progress. See Section 2.4 for details on K2's direct marketing tactics. 	See Section 2.4 for details on K2's direct marketing tactics.	<ul style="list-style-type: none"> Complete customization of the CRM. Deploy the customized CRM. Recruit and hire a Junior Data Analyst. See Section 2.4 for details on K2's direct marketing tactics.
Deal Note #1 with Luteari. Develop a marketing approach for building customer loyalty and establish a "buyer's club" and a network of trusted community-embedded sales agents to identify cost-effective retail expansion and distribution systems to create durable relationships with SHFs as buyers of agricultural inputs. The intervention contributes to the strengthening of the market for agricultural inputs by: 1) Expanding the agri-inputs market to SHFs, and 2) Facilitating the relationship between input firms and SHFs.	<ul style="list-style-type: none"> Input distribution network system Agricultural support services system 	<ul style="list-style-type: none"> MAPA and Deal Note signed. Consultant SOW developed. Volunteer consultant (Fellow) SOW developed. Fellow identified. 	N/A	<ul style="list-style-type: none"> Sign contract with consultant. Fellow to commence SOW. Begin business plan development.
Proactive Engagement to Develop Partnership Pipeline Based on FTF Inova's Improved Approach. In a targeted manner, develop proactive strategies to build partnerships with market actors in key market functions.	<ul style="list-style-type: none"> All 	<ul style="list-style-type: none"> Identified and met with Very Important Potential Partners (VIPPs). 	N/A	<ul style="list-style-type: none"> Closely follow-up with VIPPs to build interest in piloting relevant interventions.

3 Monitoring, Evaluation, and Learning (MEL)

3.1 Market System Baseline Study

FTF Inova conducted a market system baseline study during the quarter under review, and separate baseline measurements were also taken on a rolling basis as new interventions were brought into the Activity baseline survey, particularly for the qualitative indicators. The focus of the study was to assess the baseline health (e.g., attitudes and norms, women’s decision making, level of innovation among firms, and commercial relationships) of the market system.

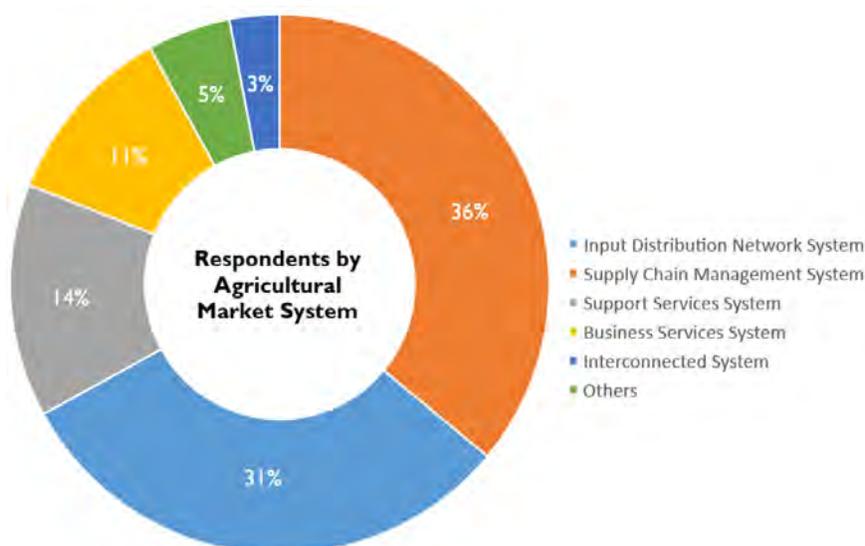


Figure 8. Respondents by Agricultural Market System (source: FTF Inova Baseline Survey, 2018).¹⁰

The baseline study uses the Change Wheel (see Annex I) as a basis for its qualitative sample strategy, conducting in-depth interviews with actor types within the supply chain management system, input distribution network system, business services system, agriculture support services system, and interconnected system. The interviews were conducted to capture all levels (wholesale, distribution, and retail). Qualitative information was collected from a quota sample of interview respondents with the aim of reaching the saturation point. This resulted in an interview sample of 137 respondents among 20 market actor types. A large share of these interviews was from the core market functions, which include the input distribution network system (31 percent) and the supply chain management system (36 percent). A full breakdown of the interviews by market function is presented in Figure 8. Data collection was led by the Monitoring and Evaluation team, with contributions from the entire FTF Inova technical team.

The baseline study provided important information on the health of the agricultural market system in Mozambique. The current status of sentinel indicators for market system change as well as FTF Indicators will be established. Examples of indicators tracked include: 1) Observed shifts in cooperation and trust between SHFs and other value chain actors, 2) Average Business Model Innovation Index, 3) Number of SHFs who have a new/improved commercial relationship with partner firms, and 4) Number of FTF Inova partner firms who have a new/improved commercial relationship with other firms among others.

A detailed report on the baseline has been submitted to USAID. The report provides an analysis and baseline for each indicator. Preliminary findings indicate that FTF Inova begins in a context of low cooperation across the agriculture market system, characterized by limited formalized relationships, a lack of customer

¹⁰ In the baseline study, FTF Inova referred to the input distribution network system, the supply chain management system, the business services system, support services (i.e., the agricultural support services system), and the interconnected system as “market systems”. Since the study, the project has adapted and refined its terminology to refer to these as “market functions” instead.

orientation, and a lack of loyalty between buyers and sellers – though there is notable case-by-case variation. Also, low levels of cooperation in the market system are particularly apparent in the lack of marketing investment made towards SHFs. The baseline study reveals that the perception of low integrity, competence, and reliability characterizes mistrust across the market system, and this is particularly pronounced in the input distribution network system where product quality is unreliable, and buyers lack recourse when inputs do not meet expectations.

3.2 Progress on Performance Indicators

FTF Inova set targets for six FTF Indicators this quarter and began collecting data against them. Although these indicators will be discontinued at the end of FY 2018 and replaced by newly published FTF Phase II Indicators under the Global Food Security Strategy, FTF Inova is well-placed to track the FTF Phase II Indicators as most of the new indicators were included as original custom indicators in FTF Inova's approved MEL Plan.

The six indicators that FTF Inova is tracking performance against include:

- EG.3-1 Number of households benefiting directly from United States Government (USG) assistance under Feed the Future
- EG.3.2-5 Number of public-private partnerships (PPPs) formed as a result of USG assistance
- EG.3.2-17 Number of farmers and others who have applied improved technologies or management practices with USG assistance
- EG.3.2-18 Number of hectares of land under improved technologies or management practices with USG assistance
- EG.3.2-20 Number of for-profit private enterprises, producers' organizations, water users' associations, women's groups, trade and business associations, and community-based organizations that applied improved organization-level technologies or management practices with USG assistance
- EG.5.2-1 Number of firms receiving USG-funded technical assistance for improving business performance

While these indicators are officially reported on an annual basis, FTF Inova has set quarterly targets to internally track progress and enable FTF Inova to accelerate learning and proactively adapt and adjust strategies as needed. Some key findings from the first quarter of data are outlined below:

- **The number of PPPs formed as a result of USG assistance through FTF Inova is increasing.** During the quarter, three new MAPAs and two new Deal Notes were signed, bringing the total number of FTF Inova partnerships since inception from four (two MAPAs and two Deal Notes signed) in Q1 2018 to nine (five MAPAs and four Deal Notes signed) in Q2 2018. *See Section 2.2 for details.*
- **The number of firms receiving USG-funded technical assistance for improving business performance during the period was 45.** The figure represents firms in the agricultural input and output supply chain. Most of these firms were represented by senior managers in the market systems workshop co-organized by FTF Inova and FTF P4I. *See Section 2.5 for details.*
- **The area of land in hectares under improved technologies or management practices with USG assistance through FTF Inova is estimated to be about 1,000 hectares,** according to records from two partners, CdA and K2. Data from CdA and K2 show increasing volume and value sales from FY 2016 to FY 2017. *See Section 2.4 for details.*

4 Major Implementation Issues

Although no major implementation issues were observed this quarter, two potential risks and corresponding mitigating actions are presented below.

Responsiveness to FTF Inova Assistance. Due to the prevalence of grantmaking institutions in Mozambique as well as a limited awareness of the MSD approach, firms continue to misperceive FTF Inova’s offer. Despite explaining that FTF Inova is not a grant-making institution, and reiterating a focus on systemic change through facilitation, during project launches and one-on-one follow-ups with potential partners, potential partners continue to ask questions such as, “How much money are you going to invest?”, and “What is the maximum [investment]?”

Due to these realities, Portfolio Managers have been guided to understand that FTF Inova’s support starts upon initial contact with a potential partner – not at the point a partnership agreement is signed. Initial discussions with potential partners, therefore, can and should focus on gauging a potential partner’s vision for their business and what they have tried to achieve that vision. In so doing, Portfolio Managers can better craft a targeted pitch that allows the potential partner to see the added value of working with FTF Inova. In addition, Portfolio Managers can also cite concrete examples from FTF Inova’s portfolio to help the potential partner visualize just how partnerships with FTF Inova work. To supplement these conversations, FTF Inova’s Communications Specialist is in the process of refining and adapting FTF Inova’s external communications to work within the level of knowledge on the ground around the MSD approach.

Adapting to FTF Inova’s Change in Approach. With the project’s transition from a focus on individual value chains to a focus on specific market functions, the FTF Inova team has had to work more closely together to adapt. Notably, Portfolio Managers have been collaborating to assess and realign pitches with the new approach; and internal CLA events have been scheduled (*see Section 5, Table 2 for a list of events*) to analyze, review, and reiterate the project’s goals as well as to identify the linkages between each portfolio’s interventions and FTF Inova’s vision for change in the respective market functions. In addition to these discussions, various tools have been developed or identified and distributed to help ease the transition. Such measures will help not only build knowledge around the new approach, but also confidence in applying it.

5 Collaborating, Learning, and Adapting (CLA)

5.1 Learning Events

To continually build the FTF Inova team’s knowledgebase and to apply and adapt new learning as the project identifies and builds interventions to spur practice level changes and ultimately market system level changes, FTF Inova conducted various learning events this quarter and collaborated with other Mozambique FTF activities, namely FTF-P4I, *Sementes Melhoradas para uma Agricultura Renovada*, FTF Mozambique Resilient Agricultural Markets (RAMA) Beira Corridor, FTF RAMA Nacala Corridor, as well as the Innovation for Agribusiness Project, and Financial Sector Deepening Mozambique. Details of key learning events (not discussed above) and collaborations this quarter are provided in Table 2 below.

Table 2. Key learning events completed in Q2 2018 and planned for Q3 2018.

Completed	Learning Event	Major Findings/Recommendations
External	Workshop on Irrigation Technologies in Nampula Province on February 16, 2018	<ul style="list-style-type: none"> Workshop organized by FTF RAMA Nacala Corridor with the objective of sharing the results of a preliminary study on irrigation technologies and discussing sustainable strategies to promote irrigation and water technologies. The output from the meeting was the creation of a working group led by the Provincial Directorate of Agriculture and Food Security in coordination with <i>Instituto de Investigação Agrária de Moçambique</i>, International Development Enterprises, <i>Horti-Sempre</i>, FTF RAMA, and other interested parties. FTF Inova can leverage the information gained from the event – and future information shared at working group meetings – to target businesses aiming to improve SHF productivity and competitiveness.

Completed	Learning Event	Major Findings/Recommendations
	Mini-workshop to Present Developments in the Cashew Sector on March 1, 2018	<ul style="list-style-type: none"> As heated debates between the Government of Mozambique, cashew processors, and exporters are underway, this workshop was organized in collaboration with the USAID Supporting the Policy Environment for Economic Development (SPEED+) activity to discuss the current status of the cashew legislation revision related to export taxes. SPEED+ commissioned a study to identify the opportunities and challenges of increasing or decreasing the export tax. Four scenarios were presented: a) Increase of the tax; b) Tax on processed cashew kernel; c) Elimination of the export tax; and d) Gradual reduction of the export tax (i.e., from 18 percent to 14 percent, then to seven percent until reaching zero). The fourth scenario was found to be reasonable. Concerns were presented on the role that <i>Instituto do Fomento do Caju</i> (INCAJU) will play in the process. The study recommended that INCAJU outsource the research and development as well as extension services to outside parties, and that private sector actors play the leading role in seedlings, nursery management, integrated cashew plantation management, input provision, commercialization of cashew, processing, and exporting. Currently, FTF Inova is developing interventions with companies working in and with the cashew sector. Therefore, developments in the cashew sector have relevant implications. Moreover, as the project intends to promote competitive and inclusive businesses, understanding the status of the current enabling environment is key.
	DevResults Training in Nampula Province on March 6, 2018, and in Maputo on March 14, 2018	<ul style="list-style-type: none"> The DevResults platform was adopted by USAID with an objective of standardizing the way IPs report their performance. DevResults is a useful tool for FTF Inova to monitor and report progress. For instance, the platform can generate visuals (charts, graphs) to show progress against targets, with the possibility of disaggregating indicators. There is also an option to geo-reference indicators.
Planned		
Internal	Quarterly Portfolio Review in Maputo on April 18-19, 2018	
	Learning Lunch in Maputo on April 20, 2018	
	Ethics Training in Maputo on April 30, 2018	
	Market Systems Discussions: FTF Inova's Vision on Performance Management and Retail Expansion in the Input Distribution Network System – Results from the <i>Profiling of Smallholder Farmers as Agri-Input Users</i> study on May 17, 2018	
	Market Systems Discussions: FTF Inova's Vision on Performance Management and Supplier Expansion in the Supply Chain Management System on June 6, 2018	
	Market Systems Discussions: FTF Inova's Vision on Evidence-Based Management and Information Communication Technology (ICT) Systems to Manage Distribution and Supply on June 20, 2018	
External	Market Systems Development Symposium in South Africa on April 24-26, 2018	
	Market Systems Training and Discussions in Maputo on May 2, 2018 (TBC)	
	Mini-workshop to launch FTF Inova in Nacala District, Nampula Province on May 16, 2018	
	Learning Workshop on Interconnected Market Systems on May 29, 2018	
	Mini-workshop to launch FTF Inova in Pemba District, Cabo Delgado Province on May 30, 2018	
	Mini-workshop to launch FTF Inova in Cuamba District, Niassa Province on June 13, 2018	
	Agricultural Innovation and Technology Fair – ICT on June 22 – 23, 2018	
	Mini-workshop to launch FTF Inova in Beira District, Sofala Province on June 27, 2018	
	Exchange Visit to Kenya (TBD)	
	Exchange Visit to Zambia (TBD)	

5.2 FTF Inova Research Activities

One of FTF Inova's objectives under its CLA Plan is to ensure that programming is regularly reviewed and adapted based on learning. This quarter, FTF Inova commenced work on three different research studies, the findings of which aim to inform the development of interventions affecting change in the input distribution

network system, the supply chain management system, and the interconnected system. Details on FTF Inova’s ongoing research activities are provided in Table 3 below.

Table 3. Current FTF Inova research activities.



Market Function		
Supply chain management system	Input distribution network system	Interconnected system
Research Title		
<i>Assessment of Market Demand for Groundnut Products with Safe Aflatoxin</i>	<i>Profiling of Smallholder Farmers as Agri-Input Users</i>	<i>Development of a Strategic Vision and Initial Interventions in Agri-Finance for FTF Inova</i>
Beneficiaries		
<ul style="list-style-type: none"> • Outputs companies • Groundnut producers 	<ul style="list-style-type: none"> • Inputs suppliers • SHFs 	<ul style="list-style-type: none"> • FTF Inova
Scope of Work (SOW)		
<ul style="list-style-type: none"> • Assess domestic and international demand for higher quality (safe-aflatoxin) groundnut products by estimating potential market size, margins, and analyzing market segmentation. • Define an ideal-typical business model, which illustrates the steps and investments required to approach the market segments identified. 	<ul style="list-style-type: none"> • Provide an accepted definition of the average SHF and the average small commercial farmer for the provinces of Gaza, Manica, Nampula, Tete, and Zambezia. • Estimate the business model for the average SHF and commercial farmer, including expected turnover, cost of inputs used, capital, and labor. • Provide a snapshot of the buying behaviors of SHFs and small commercial farmers. 	<ul style="list-style-type: none"> • Develop a brief overview of the Agricultural Financial Sector including challenges, opportunities, and learning. • Define an ideal-typical business model, which illustrates the steps and investments required to approach the market segments identified. • Identify possible agri-finance partnership opportunities. • Outline possible project collaborations.
Status		
<ul style="list-style-type: none"> • Research firm identified; contracting currently in progress. • Research will commence in Q3 2018. 	<ul style="list-style-type: none"> • Consultants hired. • Initial interviews to inform methodologies conducted. • Data collection commenced; focus group discussions with input firms and SHFs ongoing. • Intermediate deliverable presented. • Research will be concluded and final report will be submitted in May 2018. 	<ul style="list-style-type: none"> • Consultant hired. • Field work has commenced. • Assessment and recommended interventions will be completed in May 2018.

6 Key Activities Planned for Q3 2018

Table 4. List of prioritized activities planned for Q3 2018.

Key Planned Activities	
Partnership Engagement	
1	Finalize Deal Notes with AIPM, Appload, and <i>Winnua</i> , and begin implementation of interventions.
2	Sign MAPAs and Deal Notes with APROSE, Olam, <i>Novo Madal</i> , <i>Movoza</i> , <i>Ngala Investimentos</i> , and SGS, and begin implementation of interventions.
3	Sign MAPAs with <i>Rádio Comunitária de Catandica</i> , and <i>Rádio Comunitária de Sussundenga</i> .
4	Follow-up with Ikuru and SGS to pilot a precision farming intervention, and follow-up with other market

	actors to reiterate the business case for SGS's services and gauge interest in testing SGS's solutions.
5	Follow-up with <i>Sikazakossa e Sr. Albino</i> and Mr. Gil Fonseca to further discuss potential opportunities.
6	Proactively reach out to participants that have shown an interest in investing in and piloting tactics discussed at the market systems workshop to develop potential partnerships.
7	Assess priority business needs, identify a relevant service provider, and organize a second B2B workshop.
8	Organize Project Launch events in Pemba District, Cabo Delgado Province; Nacala District, Nampula Province; Cuamba District, Niassa Province; and Beira District, Sofala Province. Invite market actors from the business services market system to pitch their services to market actors in the inputs distribution network system and the supply chain management system.
9	Develop partnerships with local universities to build an internship program as a resource for partners.
10	Continue to review and evaluate applications received.
Radio Program Intervention	
1	Broadcast radio programs developed with <i>Rádio Comunitária de Catandica</i> , and <i>Rádio Comunitária de Sussundenga</i> .
2	Pilot radio programs at community radios in Nampula.
3	Finalize the indicators for monitoring and evaluating the radio program pilot.
4	Assess the results of the radio program pilot to gauge behavioral changes that can lead to transformative change at the market system level.
5	Depending on the results of the assessment, develop a scale-up strategy taking into consideration geography, capacity, and the potential for replication.
6	Build the business case for the new business model.
Implementation of Early Mover Deal Notes	
1	Finalize CdA and K2's marketing strategies and provide support for their implementation.
2	Announce the winners of the CdA raffle program, and broadcast the winners on radio stations across the provinces of Manica, Nampula, and Tete.
3	Continue collecting data on CdA and K2's direct marketing pilots, and conduct further analysis to validate results and develop a business case for use in partnership engagement.
4	Recruit SHFs to provide testimonies on their positive experiences with CdA and K2's products.
Other and Ongoing Activities	
1	Deal Note #2 with CdA: Travel to Nairobi, Kenya for a field visit to Copia Global, and identify and procure software and hardware for CdA's e-distribution system.
2	Deal Note #1 with <i>Luteari</i> : Begin work with the identified Fellow and commence development of the business plan.
3	Deal Note #1 with K2: Complete customization and deployment of the CRM, and recruit and hire a Junior Data Analyst.
4	Finalize and sign Deal Note #1 with Condor Nuts to integrate a traceability system into the company's cashew supply chain.
MEL	
1	Finalize baseline data collection and analysis, and submit baseline report to USAID by April 15, 2018.
2	Organize and execute upcoming CLA events.
Research Activities	
1	Sign service contract with market research firm to conduct research for the <i>Assessment of Market Demand for Groundnut Products with Safe Aflatoxin</i> , and commence research.
2	Finalize the research and final report for the <i>Profiling of Smallholder Farmers as Agri-Input Users</i> study.
3	Finalize the assessment for the <i>Development of a Strategic Vision and Initial Interventions in Agri-Finance for FTF Inova</i> study, and complete recommendations.
Management and Administration	
1	Organize and hold a team-building session.
2	Roll-out annual procurement plans.
3	Finalize recruitment of open positions.

7 Management and Administration

7.1 Systems and Workflow

- **FTF Inova registration.** After completing all requirements under Mozambican Law to officially register FTF Inova as a new branch office of DAI in Mozambique, the project has concluded the registration process for its Chimoio office.

- **Field Financial Reporting.** The Finance and Administration Officer – Chimoio has taken over all financial reporting for the Chimoio Office. This has decreased the administrative burden on the Maputo-based finance team, and has contributed to faster monthly financial reporting.

7.2 Procurement

7.2.1 Operations Procurement

- **Motor vehicles.** Two Sports Utility Vehicles (SUVs) were purchased for the Nampula and Chimoio offices. One SUV has been delivered to the Chimoio office. The project is coordinating the delivery of the second SUV to the Nampula office; the SUV is expected to be delivered in Q3.
- **Procurement of health insurance and workman’s compensation.** FTF Inova concluded the procurement of a health insurance and workman’s compensation plan. The service agreement has been signed, and will go into effect in Q3 on April 1, 2018.
- **Internet for field offices.** Following the signing of an internet services contract with Vodacom in Q2, the installation, network configuration, and provision of internet services was completed in both the Nampula and Chimoio Offices.

7.2.2 Technical Procurement

- **Procurement of promotional items for K2.** FTF Inova initiated the procurement of promotional items to support K2 in their direct marketing activities to reach SHFs. *For details on K2’s marketing activities, see Section 2.4.*
- **Procurement of CRM for K2.** FTF Inova closed the procurement process to purchase a CRM platform for K2. The installation, integration, and customization of the CRM will conclude in Q3. *For details on the CRM, see Section 2.8.*
- **Procurement of research services.** FTF Inova concluded the procurement process for services to conduct research on the *Assessment of Market Demand for Groundnut Products with Safe Aflatoxin*. A company has been identified, and the service agreement will be signed in Q3, with an estimated start date of early May. *For details on the assessment, see Section 5.2.*
- **Recruitment of an e-Marketing Specialist consultant for CdA.** FTF Inova has initiated the recruitment process for a consultant to assist CdA with designing content for an online shop and product catalog.
- **Expression of Interest (EOI) to respond to Deal Note procurement needs.** The project launched a request for EOIs to identify services for anticipated intervention needs such as ICT-based supply chain management solutions, marketing and communication strategy advisory services, and events management. The procurement is expected to conclude in Q3.

7.3 Recruitment and Personnel

- **Two positions have been filled this quarter, and one staff member has resigned.** A new Partnership Manager and replacement Accountant have been hired this quarter, and the project’s Human Resources (HR) Manager has resigned.
- **Partnership Manager.** Mr. Dan Langfitt was hired in Q3 to serve as the new Partnership Manager. The Partnership Manager will act as a liaison to the technical and operations teams to align the goals of the two teams and guide them in working collaboratively to transform the activities, interventions, and strategies developed in each Deal Note into operational plans. Moreover, the Partnership Manager will ensure that the technical strategies and activities are effectively launched in compliance with USAID procurement, recruitment, and logistics requirements. The new Partnership Manager will commence duties in Q3 on April 1, 2018.
- **Accountant.** Due to a decision to shift FTF Inova’s current Accountant to the Finance and Administration Officer – Nampula position to reinforce the Nampula office’s finance and operations

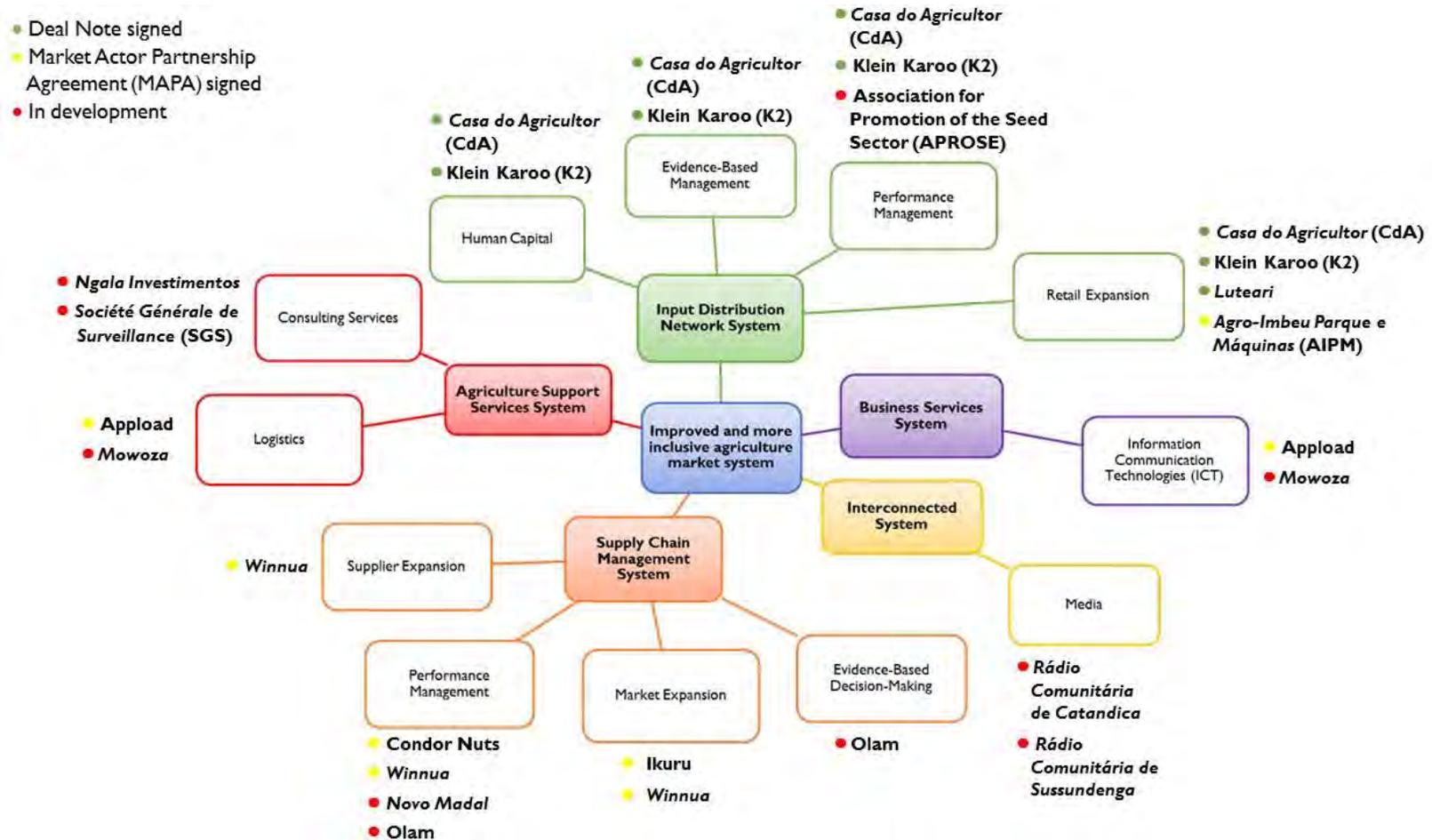
capacity, FTF Inova initiated the recruitment of a replacement Accountant, and a candidate has been selected and hired. The new Accountant will commence duties in Q3 on May 7, 2018.

- **Information Technology (IT) Specialist recruitment.** Although a candidate for the IT Specialist position was identified in Q2, the candidate declined FTF Inova's offer. As such, recruitment for the position is still in progress. Given FTF Inova's new approach, the job description for the IT Specialist has been revised to include technical contributions, in particular bringing expertise on ICT service interventions as part of affecting change in the business services system market function. A new IT Specialist is expected to commence duties in Q3.
- **HR Manager.** FTF Inova's HR Manager resigned in Q2. An HR consultant has been hired to continue ongoing recruitments and key HR activities. FTF Inova is in the process of hiring a replacement HR Manager; a new HR Manager is expected to commence duties in Q3.

7.4 Key Challenges and Lessons Learned

- FTF Inova's technical and operations teams have increased engagement and coordination on the planning and implementation of technical activities. To further build team cohesion, a team-building session is being organized, and will be held in Q3. The FTF Inova management team is developing additional strategies to further improve collaboration and coordination between the two teams.
- Recognizing the expertise inherent within the operations team, FTF Inova will leverage operations team members' skills in procurement, finance and budgeting, compliance, IT, and management and administration, among others, in the technical implementation of Deal Notes, particularly those related to practice changes in human capital, performance management, and evidence-based management. In working side-by-side with partners, the operations team can concurrently ensure the smooth implementation of Deal Notes.
- To further assist with the smooth and timely implementation of Deal Notes, the FTF Inova procurement team is in the process of instituting annual procurement plans. The first plan will be rolled out in Q3.
- Staff retention and recruitment continues to be a challenge. The FTF Inova management team is currently analyzing factors contributing to these issues and developing and reviewing solutions.

Annex II. Map of Pathways to Market System Change under FTF Inova's Current Portfolio



Annex III. Profiles of FTF Inova Partners and Potential Partners (by Market Function and Practice Change)

Market Function	Practice Change	Company	Company Profile	Partnership Stage	Partnership Details
Input distribution network system	Retail expansion	<i>Agro-Imbeu Parque e Máquinas</i> (AIPM)	AIPM began its operations in 2016 in Tete Province. The company is mainly engaged in seed multiplication, particularly open pollinated variety seeds such as Matuba. AIPM owns 120 hectares of land, out of which 73 hectares are dedicated solely for maize seed multiplication. AIPM runs an outgrower scheme with some SHFs to multiply maize seed, and the company's four technicians offer extension services to outgrowers and other SHFs in the area. AIPM sells approximately 250 metric tons of maize seed and the peak demand period for their seed is September through April. The company also supplies different legume and horticultural seeds. Apart from SHFs, AIPM's wholesale customers include Klein Karoo (K2), <i>KC Investimentos</i> , and <i>Ndodzu Comercial</i> . In addition to its seed business, AIPM runs a rental service for agricultural equipment in the districts of Angonia, Tsangano, and Macanga in Tete Province.	Market Actor Partnership Agreement (MAPA)	Through this partnership, FTF Inova will support AIPM in expanding its distribution network for its seeds, particularly different varieties of maize seed, by launching a new value-for-money line of seed products suitable for the SHF market segment. This line of seeds will carry a good value proposition, with a mix of quality, price, and distribution. Additionally, FTF Inova will support AIPM in its piloting of innovative direct marketing tactics such that it can build relationships and increase volume of sales to SHFs.
Input distribution network system	Performance management	Association for the Promotion of the Seed Sector (APROSE)	APROSE is a multi-sectoral initiative that facilitates the development of the seed industry in Mozambique. The Association works with actors across the seed value chain as well as development practitioners, among others.	In development	MAPA/Deal Note not yet signed.
Input distribution network system	Evidence-based management Human capital Performance management Retail expansion	<i>Casa do Agricultor</i> (CdA)	CdA is a two-year old company of the <i>Tecnologia e Consultoria Agro-Pecuária, Lda.</i> (TECAP) Group; TECAP is one of Mozambique's oldest and largest agricultural input companies, having operated in the country for over 30 years. TECAP developed CdA to increase its network of distributors in the country. CdA is dedicated to the commercialization of quality agricultural inputs at affordable prices. Within the last two years, it has operated three distribution centers in four major cities: Maputo, Nampula, Tete, and Chimoio.	Deal Note (2)	The objective of Deal Note #1 is to contribute to the development of a more inclusive inputs value chain by expanding market access to SHFs. In order to trigger such changes, FTF Inova will support CdA to expand its supply of inputs to SHFs by testing/piloting direct marketing strategies and tactics that raise awareness and demand for agricultural inputs among SHFs. The objective of Deal Note #2 is to support CdA in its input retail expansion to SHFs at scale, in the provinces of Nampula, Tete, and Manica.
Input distribution network system	Evidence-based management Human capital Performance management Retail expansion	Klein Karoo (K2)	K2 is a seed company, with operations in Mozambique, South Africa, and Zimbabwe. The company has operated in Mozambique for the past four years.	Deal Note	The objective of Deal Note #1 is to contribute to the development of a more inclusive inputs value chain by expanding market access to SHFs. Specifically, FTF Inova will provide K2 direct experience with marketing tactics tailored to SHFs, triggering increased value to SHFs for adopting agricultural inputs, and strengthening SHFs' trust in K2's products through the establishment of feedback loops.

Market Function	Practice Change	Company	Company Profile	Partnership Stage	Partnership Details
Input distribution network system	Retail expansion	<i>Luteari</i>	<i>Luteari</i> , a woman-owned company that has only been in operation for one year, focuses on inputs distribution and product aggregation. <i>Luteari</i> has three shops in Manica Province, one in Chimoio (<i>Luteari</i> 's base), one in Gondola, and one in Sussundenga. These shops deliver agro-inputs to farmers, and buy and aggregate commodities for Export Trading Group and other commodity traders.	Deal Note	The objective of Deal Note #1 is to contribute to strengthening the market for agricultural inputs by expanding the agri-inputs market to SHFs and facilitating a relationship between <i>Luteari</i> and SHFs. Specifically, FTF Inova will support <i>Luteari</i> in establishing a network of trusted agents, and in developing a marketing approach based on delivering value to SHFs and improving their loyalties.
Support service system	Consulting services	<i>Ngala Investimentos</i>	<i>Ngala Investimentos</i> is a recently established business, having commenced operations in 2017. The company specializes in agricultural service provision, with a focus on cashew spraying and the repair and maintenance of sprayers. <i>Ngala Investimentos</i> links with local operators who spray farmers' cashew trees based on an agreed price, paid in-kind (three sprayings cost 2.5 kilograms of raw cashew nut).	In development	MAPA/Deal Note not yet signed.
Supply chain management system	Performance management	Condor Nuts	Condor Nuts, founded in 2007, is a processing factory for Condor, one of the three largest cashew nut processors in Mozambique. Together with Condor's other processing factory Condor Caju, Condor Nuts has the capacity to process approximately 15,000 tons of cashew nuts annually. The factory sources raw cashew nuts from various districts in Nampula Province and through Condor, it exports mainly to the United States of America (USA) (62 percent of total exports), Europe (28 percent), the Middle East (eight percent) and South Africa (two percent).	MAPA	This partnership aims to expand export market options for Mozambique cashew. Currently, cashew processors like Condor Nuts, struggle to penetrate potential international markets due to a need for food safety standards like Hazard Analysis and Critical Control Points (HACCP) and British Retail Consortium (BRC) certification by major importers in the USA and the European Union. As Condor has already obtained HACCP certification, FTF Inova will support Condor Nuts in attaining BRC certification.
Supply chain management system	Market expansion	Ikuru	Ikuru is one of the largest producer associations in Mozambique. It operates as a trading company, trading cashew, sesame, groundnut, and soy, among others. The company also has seed operations; specifically, it buys grains, manages an outgrower scheme, and has two seed processing facilities one of which is located in Nampula Province. Ikuru is made up of forums of farmers' associations, and has 20,000 members. The company is currently owned by <i>Gabinete de Apoio e Consultoria a Pequenas Indústrias</i> , API, Norgesvel, and SIDE.	MAPA	This partnership aims to expand Ikuru's access to local and export markets through investing in market research on the consumer demand for aflatoxin free/low-level aflatoxin groundnuts.
Supply chain management system	Supplier expansion	<i>Novo Madal</i>	<i>Novo Madal</i> is a Mozambican company with operations dating back to 1877. The company originally focused on coconuts, and possesses 159,000 hectares of land (94,000 hectares are under forestry concession, 31,000 hectares are allocated for agriculture, and 34,000 hectares are used for eco-tourism and game farms). Currently, there are about 3,000 farmers surrounding the company's land, mostly women who grew coconuts on the company's farm. <i>Novo Madal</i> was purchased in September 2017; since last year, the company has converted its oil factory to press different oilseeds like sunflower and ricin), and is planning to start an ingrower production scheme of Guar beans.	In development	MAPA/Deal Note not yet signed.

Market Function	Practice Change	Company	Company Profile	Partnership Stage	Partnership Details
Supply chain management system	Evidence-based decision-making	Olam	Olam began its operations in Mozambique in 1999, handling cashew procurement in Nampula Province. Currently, the company handles seven product categories, including an award-winning rice business, an edible oils distribution business which includes two wholly-owned processing units in the provinces of Sofala and Maputo, and three cotton concessions in the North and Central regions of Mozambique (through its Cotton Extension Services, Olam increases farmer productivity, yields, and livelihoods by ensuring that farmers receive agricultural inputs, financing, and a ready market for their products). Olam possesses extensive distribution networks that operate throughout Mozambique.	In development	MAPA/Deal Note not yet signed.
Supply chain management system	Market expansion Performance management Supplier expansion	<i>Winnua</i>	<i>Winnua</i> is a medium-sized agro-processing company operating in Mocuba District in Zambezia Province. The company has 31 employees of which three are women. <i>Winnua</i> has well-established infrastructure to process maize flour. Currently, <i>Winnua</i> buys maize mainly from village traders (agents) who source from SHFs.	MAPA	This partnership aims to design and pilot innovative tactics to engage SHFs and traders that produce maize. If successful, the pilot will provide an avenue for <i>Winnua</i> to support farmers in improving their post-harvest practices to increase both volume (through reduced waste) and quality.
Agriculture support services system Business services system	Logistics Information Communication Technology (ICT)	Apload	Currently in its concept phase, Apload is a technology solution for cargo logistics in Mozambique, with advisory support from UX Information Technologies, an established Mozambican Information Technology (IT) company. The Apload platform aims to establish a trustworthy way of shipping goods through transportation mapping, freight storage and management services, and access to service providers based on time and location. Through the platform, users engage in a more competitive and transparent negotiation process, while encouraging reliability and professionalism through their service provider ranking system, endorsed directly by customers.	MAPA	This partnership seeks to address logistical constraints affecting agricultural distribution systems and contributing to low access to inputs. The partnership will work to lower input and distribution costs by increasing supply and access to service providers, anticipating input needs based on historical shipping patterns, and facilitating a transparent negotiation process. Additionally, the partnership aims to establish increased trust within the distribution market by incentivizing professionalism and accountability through the platform's service provider ranking system.
Agriculture support services system	Consulting services	<i>Société Générale de Surveillance (SGS)</i>	SGS is a leading inspection, verification, testing, and certification company, and has operated in Mozambique since 1962 with headquarters in Maputo and regional offices in Beira District, Sofala Province and Nacala District, Nampula Province. SGS's core services include consulting, outsourcing, and training. It serves companies in a variety of sectors, including: Agriculture and food; mining; environment, health and safety; oil, gas, and chemicals; industrial manufacturing; logistics; energy; and the public sector.	In development	MAPA/Deal Note not yet signed.
Agriculture support services system Business services System	Logistics ICT	<i>Mowoza</i>	<i>Mowoza</i> provides services to informal micro-, and small-scale retailers and farmers in emerging markets. This target group, which is comprised of mostly women, struggles to reach markets and to increase profits due to limited resources. <i>Mowoza</i> re-engineers informal supply chains through the application of smart technologies so that micro- and small-scale retailers and farmers can optimize their resources, trade faster, and operate competitively. <i>Mowoza</i> provides the following services: 1) Training programs that increase business skills for micro and	In development	MAPA/Deal Note not yet signed.

Market Function	Practice Change	Company	Company Profile	Partnership Stage	Partnership Details
			small informal retailers, 2) Connecting micro- and small-scale retailers to supply chains, and 3) Geo-location, micro-tagging solutions to provide insights into informal markets and supply chains.		
Interconnected system	Media	<i>Rádio Comunitária de Catandica</i>	<i>Rádio Comunitária de Catandica</i> was created in 2006. It reaches nearly 132,000 listeners, broadcasts in three languages, and covers the districts of Guro, Macossa, and Vanduzi in Manica Province.	In development	MAPA/Deal Note not yet signed.
Interconnected system	Media	<i>Rádio Comunitária de Sussundenga</i>	<i>Rádio Comunitária de Sussundenga</i> was created in 2000 and has six employees and 30 volunteers. It reaches 25,000 listeners, broadcasts in three languages, and covers the districts of Mussorize, Gondola, Chimoio, Manica, and Sussundenga in Manica Province.	In development	MAPA/Deal Note not yet signed.

