# UNLOCKING FINANCE FOR THE AGRICULTURAL SECTOR IN MOZAMBIQUE

## Present mechanisms, products and instruments for local SMEs involved in agricultural value chains

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## PRESENT MECHANISMS, PRODUCTS AND INSTRUMENTS FOR LOCAL SMES INVOLVED IN AGRICULTURAL VALUE CHAINS


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## ABBREVIATIONS

| | |
|---|---|
| ADVZ | *Agência de Desenvolvimento do Vale do Zambeze* → Zambezi Valley Development Agency |
| AFAWA | Affirmative Finance Action for Women in Africa |
| AfDB | African Development Bank |
| Ag | Agriculture |
| AGF | African Guarantee Fund |
| AgFin | Agricultural Finance |
| Agri | Agriculture |
| ARIZ | Support for the Risk of Financing Private Investment in AFD's Areas of Operation |
| ATM | Automatic Teller Machine |
| AVC | Agricultural Value Chain |
| AVCF | Agricultural Value Chain Finance |
| BdM | Banco de Mocambique |
| BDS | Business Development Services |
| BNI | *Banco Nacional de Investimentos* → National Investment Bank |
| CAPEX | Capital Expenditures |
| CB | Commercial Bank |
| CIFAM | *Coordenação Intersectorial de mecanismos de Financiamento ao sector Agrário em Moçambique* → Intersectoral Coordination of Financing Mechanisms for the Agricultural Sector in Mozambique |
| CMA | Collateral management Agreement |
| DFC | Development Finance Corporation |
| DFI | Development Finance Institution |
| DFS | Digital Financial Services |
| EUR | Euro |
| FA | Fixed Assets |
| FAE | *Financiamiento a Agronegocios e Empreendedorismo* → Financing for Agribiz and Entrepreneurship |
| FCID | Catalytic Fund for Innovation and Demonstration |
| FECOP | *Fundo Empresarial da Cooperação Portuguesa* → Portuguese Cooperation Business Fund |
| FI | Financial Institution |
| FNB | First National Bank |
| FNDS | *Fundo Nacional de Desenvolvimento Sustentavel* → National Fund for Sustainable Development |
| FSP | Financial Service Provider |
| FX | Foreign Currency |
| GAPI-SI | *Gabinete de Apoio e Consultoria a Pequenas Indústrias - Sociedade de Investimentos* → Support and Consultancy Office for Small Industries - Investment Company |
| GIZ | Gesellschaft für internationale Zusammenarbeit |
| IFAD | International Fund for Agricultural Development |
| IPEME | Instituto para Promoção de Pequenas e Médias Empresas → Institute for the Promotion of Small and Medium-sized Enterprises |
| IR | Interest Rate |
| KfW | Kreditanstalt für Wiederaufbau |
| KII | Key Informant Interview |
| MADER | *Ministério da Agricultura e Desenvolvimento Rural* → Ministry for Agriculture and Rural Development |
| MCA | Millenium Challenge Account |
| MCC | Millenium Challenge Corporation |

| | |
|---|---|
| MEF | *Ministério da Economia e Finanças* → Ministry of Economic Affairs and Finance |
| MFI | Microfinance Institution |
| MOU | Memorandum Of Understanding |
| MSME | Micro, Small and Medium Enterprises |
| MZN | Mozambican Metical |
| OLP | Outstanding Loan Portfolio |
| P.A. | Per Annum |
| PACE | *Pequeno Agricultor Comercial Emergente* → Small Emerging Commercial Farmers |
| PEDSA | *Plano Estratégico para o Desenvolvimento do Sector Agrário* → Strategic Plan for the Development of the Agrarian Sector |
| PNISA | Plano Nacional de Investimento do Séctor Agrario → National Agricultural Investment Plan |
| REFP | Rural Enterprise Finance Programme |
| RE/EE | Renewable Energy/Energy Efficient |
| SCF | Small Commercial Farmers |
| SDC | Swiss Agency for Development and Cooperation |
| SHF | Smallholder Farmers |
| SI | *Sociedade de Investimentos* → Investment Company |
| SMA | Stock Monitoring Agreement |
| SME | Small and Medium Enterprises |
| TA | Technical Assistance |
| T&C | Terms and Conditions |
| USAID | United States Agency for International Development |
| USD | United States Dollar |
| VBA | Village Based Agents |
| VC | Value Chain |
| VCLF | Value Chain Lead Firms |
| WC | Working Capital |

## INTRODUCTION

In 2019, GIZ ProEcon commissioned a study report titled "Financial Products and Incentives available for the Agricultural Sector of Mozambique," with the objective to shed light on the available financial products and instruments for the agricultural sector in Mozambique. The final report's recommendations suggested that it would be beneficial for a broad range of agricultural value chain actors and other market participants to have access to a regular update of the asymmetrically distributed information about available financing options, mechanisms and programs. As intended by GIZ ProEcon in 2023, this short overview shall now serve as this very update and a continuation of a summary of available data and intel.

However, since 2019/20 - and especially during the last three years (2021-2023) - there have been a series of revises of existing study reports, comprehensive financial ecosystem mappings and newly commissioned surveys and thesis' targeting the complex and unclear landscape of financing options for the agricultural sector in Mozambique.

In order not to merely repeat the diligently gathered and analysed information, this short overview attempts rather to focus on any identified updates or outlooks regarding agricultural finance offerings specifically from commercial banks, DFIs, as well as through publicly or privately funded financial and risk-sharing instruments like dedicated credit lines or loan guarantee facilities - and other support programs/projects focussing on the agricultural sector. It is worth mentioning that, even though there have been various initiatives and pilots on the design and implementation of different insurance products for the agricultural sector driven by the above-mentioned public and private interventions - as of today only one private insurance company has persevered with insurance services for agribusinesses and a weather indexed insurance for small producers. The same counts for the very limited offer and outreach of financial digital services targeting the agricultural sector. Whereas the successful use of different innovative digital solutions to reach and serve agri-based businesses increased exponentially in neighbouring countries like Kenya, Zambia and Malawi – the development and market readiness in Mozambique lacks far behind (see annex IV – other entities offering financing to the agricultural sector). *The additional information captured in this overview – either gathered through the conducted desktop review or the held KIIs – are presented in* ***bold****.*

For a more comprehensive overview of financing options or instruments - including for Rotating Savings and Credit Groups (PCRs), as well as the Rural Women's Funds both in Nampula, Cabo Delgado, Manica and other provinces, and those from other FSPs, agricultural market participants, public and private initiatives, mechanisms and facilities - for which no additional new information could be gathered or researched, referrals will be provided to recently conducted more complete studies and publications under annex V. Some information regarding the above-mentioned will also be available under annexes IV. It shall be mentioned here that the PCRs as well as the Rural Women's Funds in the Northern regions of Mozambique can work quiet successfully, on a smaller scale though, but that the scalability of the applied simple mechanisms require a sustainable and monitored "end of the cycle" linkage approach that links the target groups (demand side) to the formal financial supply side.

To conclude the report, the consultant took the liberty to select a set of recommendations from the vast number of recently suggested well thought-through proposals aiming at improving upon the above-mentioned dilemma.

Obvious reasons like macro-economic realities, e.g. a continuously high prime lending rate (e.g. 24.10% in November 2023), with an average of 19.75% from 2001 to 2023, combined with comparatively low profit margins for market participants along the agricultural value chains of averagely 6-15% already indicate one of the main hindrances for commercial banks to feasibly lend to the agricultural sector. Hence, only about 2.8% of total bank loans in Mozambique are extended to the agricultural sector (trending downward in recent years.)

The Banco de Mozambique's restricting minimum capital requirements which are linked to uncollateralized lending ratios – combined with the proven difficulties of agri-based businesses and producers to provide tangible collaterals – further discourages commercial banks to grow their agricultural loan portfolios.

But there seems to be another angle to the growing financing gap towards the agricultural sector in Mozambique when considering the commercial financial intermediaries as main borrowers. Most of the recent study reports mention that commercial banks show genuine interest in exploring the agricultural sector as another viable field of expansion, partly because of an ongoing highly liquid market due to overall reduced lending and consumption - but at the same time, the recommendations continue to turn around the need for additional and more adequately designed risk sharing mechanisms, grant schemes, first loss funds and capacity building interventions in agricultural value chain finance for commercial banks et al.. These type of financial and TA instruments have been made available to "interested" commercial banks and other financial institutions for a long period now, but despite the fact that a growing number of FIs "run" a dedicated agri-desk or sign "enthusiastically" up to those dedicated credit lines, risk-sharing instruments and capacity building programs, there is – still – little visible growth in their agricultural loan portfolios. Or more precisely, there is little tangible improvement of access to finance for the vast array of market actors along the various agricultural value chains, especially considering the producers and upstream actors.

Through the desktop review as well as the KIIs it came across quite clear that commercial banks as well as equity and impact investors have further diverted their focus from engaging with primary sector value chain actors to increasingly targeting larger agri-based companies or corporates in the second and tertiary sectors.

As stated above, international donors like KfW are working on solutions to bridge the financing gap to the agricultural sector by offering dedicated or specialized credit lines, but – admittedly – for now, the majority seem to be unable to meet the expectations of partnering FIs and/or final beneficiaries, since the uptake of those credit lines remain on low levels, as interviewees have indicated.

Another category of financial instruments that were made available to partnering FIs of different tiers over the last decade(s) by DFIs, donors and government are loan guarantee facilities/funds. But equally to some of the offered credit lines with specific requirements or predefined target markets, the bulk of the agricultural loan guarantee facilities seems to lack the right design or product features/conditions to make them attractive enough for FIs to make substantial use of them. The overview attempted therefore to also gather information about planned or upcoming new and innovative instruments/mechanisms – differently structured with other focusses.

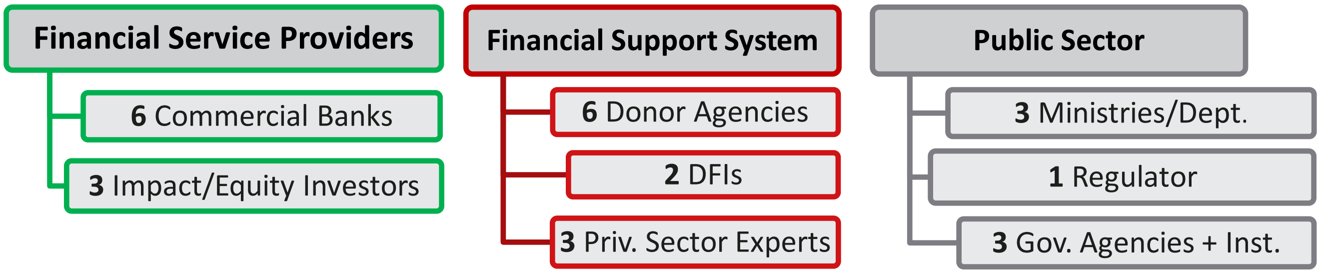
As the final category, we are going to briefly look into some of the publicly or privately/donor-funded support programs/projects that focus on or at least contain components that are geared towards supporting access to finance for the agricultural sector. The range of support programs seems to be vast, comprising various program designs with numerous different components, diverse funding instruments (e.g. blended finance or matching grants) combined with different sorts of TA or as stand-alone initiatives. However, this submission will only briefly outline some of the ongoing programs - and attempt to rather present the planned developments or innovations as collected during the primary and secondary information gathering.

The information regarding financial products, instruments and program details presented in this short overview are mainly obtained through the conducted key informant interviews (KIIs) - as well as through the rapid desktop review of the most recent and updated study reports and publications. No responsibility is taken for the accuracy; there was no intent to come up with a complete overview of the information. The correctness of information adopted from previously conducted study reports cannot be verified by the team of experts responsible for this overview.

## Methodology

The supply-side mapping exercise involved a rapid desktop review of existing study reports, publications and documents (available through stakeholders, internet search or as follow up information to in-person interviews), complemented by a qualitative survey that included 27 KIIs. The subsequent figure illustrates the distribution of participants based on their respective types of institutions.

*Figure 1: Key Informants (Interviewees) by Institutional Type*




As mentioned above, this overview is the continuation of a study on available financial products for the agricultural sector in Mozambique commissioned by GIZ in 2019. It mainly attempts to add a different viewpoint and/or additional value to a variety of recently conducted or updated financial ecosystem mappings and study reports emphasizing on financial instruments and products for agricultural value chain actors in Mozambique.

The interviewed stakeholders and market actors were selected by GIZ ProEcon and the consultant team based on their identified relevance to the specific economic/financial sector, their affiliation to the CIFAM platform and their perceived level of responsiveness and willingness to share relevant information.

All KIIs were conducted by the team of GOPA-AFC consultants during the period of end of October to mid of November 2023 – where the majority of KIIs were accompanied by representatives from GIZ's ProEcon program. The KIIs were conducted as open conversations guided by a couple of recurring lead questions. They were held in-person where and when possible - or realized virtually via MS-Teams video calls. The majority of the key informant interviews were conducted with single interviewees and handwritten notes were taken based on the shared verbal information. However, in some cases these were substantialized by additionally shared information material provided by the interviewees. The time spent per KII ranged between 20-50 minutes, with an average of approx.. 30 minutes. In some instances, and with selected interviewees, the team of experts shared in advance to the scheduled interviews or in case the potential stakeholder indicated limited availability for an in-person interview a set of pre-defined questions (see Annex II). The quantity and quality of the received information was neglectable.

### PRESENT MECHANISMS, PRODUCTS AND INSTRUMENTS FOR LOCAL SMES INVOLVED IN AGRICULTURAL VALUE CHAINS

As the subtitle of the study report indicates, the assignment focusses on financing options for agri-based SMEs. Therefore, the desktop review as well as the KIIs were conducted concentrating purely on the most prevailing funding opportunities for the agricultural sector in Mozambique.

## A. COMMERCIAL BANKS AND THEIR OFFERINGS TO THE AGRICULTURAL SECTOR

The overview of the various available financing options begins with the offerings by the commercial banks (CB) in Mozambique. Commercial banks are considered to be the financial intermediaries with the largest outreach in terms of number of branches, ATMs and staff strength. Despite the fact that some of the larger commercial banks in Mozambique run dedicated agri-desks, with dedicated staff and agricultural finance strategies, the total debt-based investment into the agricultural sector is low (approx.. 2,8% of the total outstanding loan portfolio (OLP); the effective figure might be some percentage points higher as the BdM considers only the primary production sector in its agricultural statistics - but not agri-processing and exporting). Individual interlocutors mentioned that their agricultural loan portfolios contribute between 2-6% to their total OLP. Only one Bank mentioned that approx.. 25% in volume of their OLP is allocated to the agricultural sector (Societe Generale). The vast majority of interviews with the representatives of the commercial banks had the following elements in common:

- Commercial banks prefer to either focus on larger medium or corporate clients (for obvious reasons like attractive interest income, perceived lower risk exposure, lower transaction costs and e.g. better in-house expertise of a “corporate” trade business) or on following a straight-forward supply chain finance (or anchor company/client) approach in which the bank finances first a well-known bigger anchor business (e.g. processor, aggregator, exporter) with good credit history, collateral options and solid financial statements, who then enables the further (or in-house) financing of off-takers, producers, middlemen (e.g. VBAs) through the above-mentioned accolades of the anchor client with the commercial bank

- Commercial banks have piloted financing agri-based (M)SMEs in some sort or to some extent, but the interviewed banks have mentioned that they have made predominantly negative experiences with that heterogenous target group (due to various reasons)
- Commercial banks are aware of the irreconcilable "spread" between the lending prime rate (→ as guideline for the offered market-based interest rate (IR) to clients) and the perceived average profit margin of agri-based enterprises, hence the need for concessional credit lines or grant schemes
- Commercial banks focus their lending activities on medium to large downstream agribusinesses active in profitable (and "safer") value chains like cotton, sugar and tobacco
- Commercial banks in Mozambique have usually neither distinctively branded products and services for agri-based businesses nor a clear sales and marketing plan for them
- Commercial banks "still" lack internal capacity and confidence to assess agricultural credit risk and to understand agricultural finance concepts and methodologies to the level required, hence the continuous request for risk sharing facilities and/or TA

**Table 1: Commercial Banks and their offerings to the agricultural sector**

| Commercial bank | Information | Target group/ AVC sectors | Offered products | Additional information |
|---|---|---|---|---|
| ABSA | Absa Bank has a dedicated agricultural finance team. They serve a broad range of agricultural clients from SMEs to corporates. **Clients with an annual turnover of > 25m USD are considered Corporate. Corporate clients are managed by dedicated Relationship Managers. Their long-term strategic goal is to support substituting imported food with locally produced food and export excess quality produce. Absa does NOT offer specifically branded Agri products. The applied "ecosystem banking approach" mirrors the simple supply chain/anchor firm lending approach.** They have a basic out-grower scheme with Higest financing their out-growers collateral-free. Absa has signed a partial guarantee facility with USAID/DFC to the tune of $16.5 million (50% risk sharing) - and is actively seeking specialized credit lines and strategic partnerships to run with | Primary/ Secondary/ Trade<br>• Multinationals<br>• Corporates<br>• Mediums<br>• SMEs | • Leasing<br>• WC<br>• Overdraft<br>• Trade Loans<br>• Supplier Finance<br>• Non-collateralized SME loans (< 20m MZN)<br>• Facilitates insurance for borrowers | • All AVCs<br>• No start-ups/ new businesses are financed<br>• In the process of signing a MOU with USAID-financed Primer & Resina programs |

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| | it. | | | |
| **Access Bank** | After the acquisition of BancABC, Access Bank is addressing its expansion strategy through diverse approaches. GIZ supported/supports Access in the development of their agent network (currently 40 agents in the Nacala Corridor), In collaboration with M-PESA the digital loan product "Txuna" was introduced, particularly targeting PACEs and small-scale producers, including both men and women engaged in cultivating 2-9 hectares of land.<br>Access Bank has designed a dedicated agricultural loan product, focusing on agri-processors and traders, e.g. large off-takers and their aggregators. Access is actively seeking dedicated credit lines and loan guarantee facilities to expand and create pipeline. | Private Individuals<br>Secondary/ Trade<br>• Corporates<br>• Mediums | Txuna (M-Pesa)<br>• WC<br>• Fixed Assets<br>• Overdrafts | • All AVCs<br>• Sesame<br>• Cashew<br>• Pigeon Peas<br>• Maize |
| **BCI** | BCI operates its agri-finance business through a dedicated agro desk. **The bank employs professional agronomists who take care of the in-house agri-credit assessment**. BCI continues to actively seek for specialized credit lines and loan guarantee facilities to reduce its pricing and risk exposure. **In 2023 they had a credit line from USAID specifically for the Cashew value chain that was initially managed by GAPI. BCI has specific technical knowledge in value chains like cotton, and therefore also invests own funds into this VC.** They have a history of working with government funds and public risk sharing facilities (loan guarantee schemes) to mutually promote the sector. | Trade/ Processing<br>• Corporates<br>• Large mediums<br>• Some SMEs | • WC<br>• Overdrafts | • Dedicated loan products for agriculture |
| **FNB** | FNB seems to be committed to the agricultural sector as a viable field of business. Especially in the Nacala corridor, with plans to open an agri-commercial desk in Nampula. | Primary/ Secondary / Export<br>• Multinationals<br>• Corporates<br>• Mediums | • Overdraft<br>• Leasing<br>• WC/ FA<br>• Documentary business | • FNB offers its “agricultural” loans to market rates and with rel. high admin fees |
| **Millenium BIM** | BIM manages a comparatively large agricultural portfolio, despite the fact that it does not mention agriculture as one of its priority sectors. It partners with KfW in their MSME agri-finance credit line offering loans to agri-based MSMEs at an IR of 15% p.a. and benefits from the PRSP/ Italian Embassy with access to funding for loans to agricultural producers and agri-based SMEs in Manica, Sofala and Zambezia at IR of 10% p.a. | Primary/ Secondary / Trade<br>• MSMEs<br>• Multinationals<br>• Corporates<br>• Mediums | • Overdraft<br>• Leasing<br>• WC/ FA<br>• Documentary business | • BIM does not offer agri-branded products and services |
| **Mozabanco** | Mozabanco is very active in the domain of agricultural finance in Mozambique. **Moza is lending to the agricultural sector – (a) with own funds as well as (b) by benefiting from various special credit lines, support programs (e.g. SUSTENTA) and international donor funds/grants (e.g. Kuwait Fund since 2013). But, Moza is also managing** | Primary/ Secondary / Trade<br>• Corporates<br>• MSMEs<br>• Mediums | • Trade finance<br>• SME loans<br>• WC + FA loans | • Moza merged with Banco Terra in 2019 and current shareholders possess strong level of expertise in agriculture |

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| | **international funds earmarked for the agricultural sector as a wholesale institution, e.g. IFAD's REFP, a blended fund consisting of grant and debt funding**. In addition, Moza is engaged with an array of guarantee facilities (e.g. AGF, FECOP). They run their various sector-based activities from a dedicated agri-desk. | | | |
| **Nedbank** | Nedbank does not operate a dedicated agri-desk and has neither an agri-finance strategy nor agri-specific loan products. **Nevertheless, they have a small agri-loan portfolio (~16m MZN), mainly through lending to strategic clients (engaged in agriculture) in sort of off-taker agreements. In the past, they ventured into small scale agriculture production loans, but with no success.** | • Exporters<br>• Corporates | • Trade loans | • Main VC is Macadamia<br>• Nedbank is NOT enrolled in any of the existing credit lines and/ or guarantee facilities/ support programs |
| **Societe Generale** | Societe Generale is committed to work with market participants from the agricultural sector. They have a dedicated mid-term loan product for agri-based SMEs with an annual turnover of > 1,5m USD, but the uptake from the market is slow. **They are enrolled with the KfW's credit lines to offer loans at reduced IRs and combined these with guarantee facilities (e.g. until 05/2023 with Proparco's 50% collateral guarantee scheme ARIZ) in order to reduce the collateral requirements. They also engage in agri-corporate lending, mainly for exporters in the form of short-term (120 days) USD pre-export facilities with high collateral requirements. They work with stock monitoring agreements (SMA), with quarterly checks by ext., independent valuers as well as collateral management agreements (CMA) – mainly in the oilseeds VCs. As some of the other CBs, Societe also follows the anchor company/supply chain finance-approach to engage with the agricultural sector.** | Primary/ Secondary/ Trade<br>• Multinationals<br>• Corporates<br>• Mediums<br>• SMEs | • WC loans<br>• Overdraft<br>• Trade finance (FX)<br>• Leasing (e.g., equipment for out-growers/ facility improv.) | • Exporter's focus in Nampula, nacala, Beira<br>• Main VCs are<br>• Sugar<br>• Poultry<br>• Cash crops (trees)<br>• Oilseeds<br>• Sesame<br>• Pigeon Peas<br>• Groundnuts<br>• Cashew |
| **Standard Bank** | Standard bank is running their agricultural finance activities via a dedicated agri-desk. They engage mainly with the agri-corporates, exporters and larger mediums. It seems like Standard relies mainly on their own funding. | Primary/ Secondary/ Trade/ Transport<br>• Multinationals<br>• Corporates<br>• Mediums | • WC + FA loans<br>• Leasing | • Focus on tree crops<br>• Corporate agreements with agric. Equipment suppliers |

As shown in the table above, some of the larger commercial banks run their operations from a dedicated agri-desk, and some of them putting effort in hiring trained agriculturalists and/or in training their staff members in agricultural (value chain) finance – either in-house through their affiliation to a larger group with expertise in AVCF, or through partnership with donor programs or financing mechanisms with TA component. Despite the fact that the majority of interviewed CBs indicated to support all segments in AVCs, it seems like the bulk is focussing on established entities in the aggregator/trade and export segment – in well-established cash crop value chains like sugar, tobacco, cotton – and nowadays also in tree crops, soya bean, macadamia and litchi. This seems to make sense, as the preferred approach to serve the sector is a corporate/ 'anchor firm/supply chain financing of entities'-approach, putting less risky companies (lead firms) - well-known to them with solid financial statements, favourable credit histories and an abundance of collateral in the centre of their financial service delivery (first).

It also seems worth mentioning that more of the commercial banks spoken to stated that they have interest in partnering and/or collaborating with DFIs, donors or support programs to benefit from subsidized credit lines, risk sharing facilities like loan guarantees, grant schemes or TA arrangements in order to mitigate risk considerations, avoid extensively high interest rates, ease overburdening collateral requirements and overcome the general internal lack of capacity in agricultural value chain finance within the FIs.

## B. DEVELOPMENT FINANCE INSTITUTIONS AND THEIR OFFERINGS TO THE AGRICULTURAL SECTOR

The national DFIs active in Mozambique attempt to play their role in improving the limited access to finance for large segments of agricultural value chain actors in the country (partly due to the extremely risk adverse approach applied by the commercial banks, and partly due to the unfavourable legal and economic environment that those financial intermediaries and final beneficiaries have to operate in). Both focus mainly on managing some of the specialized credit lines that are on offer in various shades of grey – earmarked for predefined target sectors or value chains, equipped with interest rate rebates or implicit easements on collateral requirements – or, simply predefined beneficiaries, amongst others. Equally, risk-sharing mechanisms like loan guarantee facilities with different product features and T&Cs are managed by the DFIs, with the objective of de-risking the agricultural sector for the local financial intermediaries. However, the majority of the existing schemes and mechanisms seem to be somehow "out-of-market", inadequately designed or probably just not "pitched" the right way ((a) to partnering FIs as well as (b) to final beneficiaries) - as most of them suffer from comparatively low patronage - and therefore limited impact. As shown in the table below, the two "local" DFIs are involved with similar type of instruments - and somehow seem to face the same dilemma, despite their commendable efforts.

**Table 2: DFIs and their offerings to the agricultural sector**

| DFI | Information | Target group | Offered products | Additional information |
|---|---|---|---|---|
| GAPI-SI | GAPI is considered the only pre-dominantly privately owned FI with DFI character in Mozambique. **They offer three different main services: Financing, Consultancy/ business training and Development of companies & institutions. Due to their legal set up as Sociedade de Investimentos (SI), they can also play the role of a fund manager for donor and/or government-funded credit lines and guarantee funds for the agricultural sector** (e.g. agro-garante), In addition, they have and continue to participate in a number of support programs – equally publicly and/or donor funded (e,g. IFAD-REFP)<br>**PLANNED: 1) GAPI is in the process of setting up a cloud-based platform for agricultural market information (e.g. market prices, weather data, financing opportunities, etc.) for agri-based value chain actors.** In collaboration with a fintech (associated) the cloud-based digital payment platform and an integrated accounting software can be used by its network of microbanks and eventually be adopted by members of AMOMIF.<br>**PLANNED: 2) GAPI is also working on a project called "GAPI Capital", which will mainly consist of an initial/anchor fund that seeks further private funding for the target group at hand** | • SMEs<br>• Microbusinesses<br>• Cooperatives/ other organized producer groups<br>• Young agri-related graduates/ general youth<br><br>• All actors in AVC<br><br>• All actors in AVC | • Term loans<br>• Group loans | • Currently involved in 11 programs/ financial initiatives |
| BNI | The state-owned BNI was initially set up to act as a sort of national development bank project-funding infrastructure and industrial sectors. But it now rather focusses on managing some of the donor or government-funded specialized credit lines and loan guarantee facilities – and took over some of those fund management activities from GAPI.<br>**PLANNED 1): BNI has two programs lined up to be launched in 2024: One of them is the 2nd phase of the FAE – "Financing for Agribusiness and Entrepreneurship" Project in partnership with the Agencia de** | FAE:<br>• Young agri-related graduates<br>• Companies, cooperatives, profit-oriented associations<br><br>FAE II:<br>• Young agri-related graduates<br>• Companies, | • Term loans, mainly WC | • BNI has various partnerships, e.g. with Afrexim Bank and the Tade Development Bank to promote exports<br>• Main supported AVCs:<br>• Grains<br>• Poultry<br>• Cashew<br>• Vegetables<br>• Macademia<br>• Soybeans |

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| | **Desenvolvimento do Vale do Zambeze, planned for 2024-2028 with a volume of up to 700m MZN (IR: 5% - 12,5% p.a.) and the objective to promote specific AVC (actors) relevant for Mozambique, like beans, sweet potatoes and vegetables – as well as to foster entrepreneurship in the agribusiness sector as part of the national project for the development of technical and professional skills. PLANNED 2): The other one is a loan guarantee fund for the agricultural sector that is planned to be launched in partnership with the African Guarantee Fund equally in 2024.** | cooperatives, profit-oriented associations | | |

## C. PUBLIC AND PRIVATE CREDIT LINES & GUARANTEE FACILITIES FOR THE AGRICULTURAL SECTOR

As in the previous chapters outlined, the available specialized credit lines and guarantee facilities come in most cases with binding covenants and high-level objectives. The table below shows a brief snapshot of the most relevant current credit lines/guarantee facilities – listed with an emphasis on updates or outlooks (**in bold**). As mentioned above, for more comprehensive information about existing credit lines and loan guarantee funds to which no additional new information could be gathered or researched, referrals to existing detailed information can be found under annex V.

**Table 3: Specialised credit lines and guarantee facilities for the agricultural sector**

| Funder/ Manager | Financial instrument / Support measure | Partner FIs | Objective | Pricing |
|---|---|---|---|---|
| **Specialized credit lines** | | | | |
| **KfW / BdM** | 1) MSME credit line (incl. RE/EE): EUR 16.7 million \| *expired by end of 2023.* **PLANNED 1: Involved stakeholders (KfW and BdM) will renegotiate the conditions in early 2024. Interest rates are expected to fall below 10% (MFI <= 20%); KfW plans to collaborate with new (and existing) partner FIs.** | → 1) Partner banks: Millennium BIM, BCI, mybucks (MBC), Société Générale SMEs | Financing of investments of MSMEs in rural areas | CBs 15% p.a./ MFIs 42% p.a. |
| | 2) **Ongoing:** MSME agricultural credit line: EUR 10 million **–.** Low uptake from the PFIs (and final beneficiaries), mainly due to high IR. 3) **PLANNED 2: Agricultural credit line “Rural financing facility”: EUR 10 million - no credit line agreements** | → 2) Partner banks: Millennium BIM, BCI, Société Générale, Microbanco Confiança | Financing of MSMEs and micro-entrepreneurs operating in the agricultural sector | CBs 15% p.a./ MFIs 25% p.a. |

| | | | | |
|---|---|---|---|---|
| | **concluded yet (interest rate will be below 10% p.a.)** | | | |
| **USAID/ GAPI** | **Ongoing**. Resilience Fund (Natural disasters and Covid-19) for MSMEs in the agribusiness and food systems value chains. | → GAPI<br>→ MFIs | A sustainable financing instrument designed to provide credit combined with technical assistance to MSMEs affected by natural disasters and the Covid-19 pandemic. | • 9-12% p.a. for women and youth; and 15% p.a. for men) |
| **Financing for Agribusiness & Entrepreneur-ship (FAE) / ADVZ** | Credit line. **UPCOMING**: **2nd phase of the FAE – "Financing for Agribusiness and Entrepreneurship" Project in partnership with the Agencia de Desenvolvimento do Vale do Zambeze, planned for 2024-2028 with a volume of up to 700m MZN** | → BNI/ ADVZ | Fund to promote specific AVC (actors) relevant for Mozambique, like beans, sweet potatoes and vegetables – as well as to foster entrepreneurship in the agribusiness sector as part of the national project for the development of technical and professional skills | • IR: 5% - 12,5% p.a. |
| **Rural Enterprise Finance Project (REFP) – IFAD/ Mozabanco** | **Ongoing. Credit Line managed by Mozabanco as wholesale lender. The grant scheme foresees a matching grant scheme 40/60% for small investments up to 15k USD, mainly targeting private individuals and SMEs.**<br>**The credit line max amounts are limited per PFI. Max. 3m USD for CB, and max. 2m USD for MBs. MFIs can access max. up to 300k USD.**<br>**UPCOMING: Mozabanco has submitted a proposal to engage the fund in financing of off-taker/contract farming schemes in order to generate more uptake, reduce the default risk and reach more beneficiaries. IFAD has approved the proposal end of 2023 – and it seems like the fund adds another promising funding approach to its already long list of financial instruments.** | → Microbanco Confianca, Letshego, BCI,BIM,Access Bank | Improved access to adapted financial services for rural entrepreneurs - is to provide different and novel routes of providing funding to accelerate the development of the agriculture and fisheries smallholder, agricultural and non-agricultural entrepreneurial sectors in rural communities of Mozambique. | • **USD 30 m**<br>• **23 m USD as credit line**<br>• **6m USD as grant facilty**<br>• **Refinancing rate for MFIs: 4%**<br>• **Refinancing rate for CBs: 6%** |
| **Food Security Credit Line / Kuwait Fund** | The special credit line financed by the Kuwait fund is exclusively available to Mozabanco. **The financing is purely done as off-balance sheet transactions It appears that the line is difficult to disburse due to the heavy collateral requirements of 100%. Currently, the fund financed activities up to 100m MZN (outstanding).** | → Mozabanco | Financing MFIs, small and medium projects in the Agribusiness sector | • **Total vol. 300m MZN**<br>• Interest rate: 14% (direct), 12% (indirect)<br>• Max amount: up to MZN 2.5M for SMEs |

| | | | | |
|---|---|---|---|---|
| | | | | • Maturity: min. 6 months, up to 5 years<br>• **100% Collateral required** |
| **Loan guarantee facilities** | | | | |
| **Portuguese Cooperation Business Fund (FECOP)** | **Ongoing:** Guarantee fund – Guarantees 55-80% of investment projects of MSME's, associations or cooperatives of producers in the food and agro-industry sector, furniture, construction materials, recycling, chemistry, among others. *Comes with a credit line with subsidized interest rates and favourable grace periods as criteria.* | → BCI, Moza | To facilitate access to finance for MSMEs in the rural areas | • Prime – 4%<br>• Max: MZN 25.000.000; 60 meses FA; Max: 12 months grace period; |
| **DFC (USAID)** | **Ongoing:** Credit guarantee facility for MSMEs and primary agric sector. All operations should terminate until 2028. | → Nedbank, Moza, Absa, Socremo, MBC (Xtenda) | Increase access to innovative finance for SMEs to strengthen productivity, improve business efficiency and increase food security.<br>● Support women-owned businesses | • Countrywide.<br>• Sectors: All agri-business sectors;<br>• Amounts: Maximum USD 12m (in MZN)<br>• Minimum 6 months<br>• Maximum 96 months<br>• Grace period 12 months |
| **African Guarantee Fund (AGF)** | **Supports ventures developed by Mozambican SMEs operating in various economic sectors** | → e.g., Moza | Medium and long-term financing | • Countrywide<br>• Amounts: Maximum USD 1,25m (in MZN)<br>• Minimum 6 months<br>• Maximum 60 months |
| **World Bank / MEF** | **PLANNED:** Credit Guarantee Scheme to foster agricultural finance products. Similar to Agro-Garante (Danida/GAPI) | | | • Fund between 200-300m USD |
| **KfW** | **PLANNED:** KfW is looking into another approach to de-risking lending to the agric. sector. The approach is to offer cash collateral as guarantee, rather than a fund or facility with cumbersome operational/claim processes. | | | • No details yet |

# D. OTHER PUBLIC AND PRIVATE SUPPORT PROGRAMS/PROJECTS

## D.1. Government initiatives

**SUSTENTA**

The SUSTENTA program (part of PEDSA and PNISA) is implemented by the Fundo Nacional de Desenvolvimento Sustentável (FNDS). SUSTENTA is a government initiative, primarily funded by the World Bank since 2019 during its pilot phase, initially covering geographically the Central and Northern Regions. It was designed to support mainly smallholder farmers (individual or associated), small commercial farmers (SCF), with the integration of at least 100 SHF and value chain lead firms (VCLF), with the integration of at least 500 SHF. Focus AVCs are rice, soy, sesame, sunflower, corn, beans, peanuts, vegetables, cassava, cotton and tobacco.

**Table 4: Sustenta - funding details**

| Target group | Terms and Conditions |
|---|---|
| **Smallholder farmers** | **Inputs credit (in kind)**<br>Interest rate: 0%;<br>Repayment period: 12 months;<br>Amount (credit limit): up to MZN 60,000.<br><br>**Additional conditions:**<br>In the first year of integration to SUSTENTA, inputs will be granted to the SHF with a financing coverage of 100% of the total cost. In the second year the financing reduces to 50% of the total cost of inputs, and in the third year to 25% |
| **Small commercial farmers** | **Inputs credit (in kind)**<br>Interest rate: 0%;<br>Repayment period: 12 months;<br><br>**Fixed assets loan**<br>Repayment Period: 60 months with annual amortizations;<br>Grace Period: 12 months;<br><br>Amount (credit limit): up to MZN 60M<br><br>**Additional conditions:**<br>Subsidy of up to 80% of the SUSTENTA credit limit for SCF;<br>Minimum contribution of 20% of the SUSTENTA credit limit. |
| **Value chain lead firm** | **Credit for investments**<br>Amount (credit limit): up to MZN 60M<br>Interest Rate: Up to 12%; Repayment Period: Up to 10 years.<br><br>**Working capital loan**<br>Amount (credit limit): MZN 60M<br>Interest Rate: Up to 12%<br>Refund Period: 12 months.<br>**Additional conditions**<br>Subsidy of up to 60% of the credit limit of SUSTENTA<br>Minimum contribution of 40% of the SUSTENTA credit limit |

Source: World Bank

**Agência de Desenvolvimento do Vale do Zambeze (ADVZ)**

The ADVZ prioritizes specific value chains and focusses on the key corridors in central Mozambique. It is set up to support synergies of entire agricultural value chains and their actors - from SHF level to agro-industries. It facilitates inclusive business models, i.e. VCLFs linked with SHFs, SCFs, MSMEs with various roles within the value chain. In terms of its financial support to the target group it makes use of FIs and national DFIs (GAPI, BNI) for implementation and outreach (see above). In terms of BDS, capacity building and logistics, ADVZ collaborate with private and public companies/agencies, e.g. IPEME and local/national universities. The agency also applies specific access rules and incentives to promote gender balance, to facilitate access to finance to young entrepreneurs and to increase resilience to climate change. The range of financial instruments offered through various programs run by ADVZ consist of:

- subsidized loans (interest rate from 0 to 12% and repayment terms from 1 year to 10 years)
- cash and in-kind credit
- matching grants for CAPEX and inputs
- performance loans for the purchase of tractor.

**PLANNED: Warehouse receipt finance scheme - Mozambique Commodity Exchange**

In February 2023 it was made public by the Government that a warehouse receipt financing scheme (WHR) is planned to go live with one of the objectives being to support smallholder farmers and emerging agricultural producers in their efforts to access finance for their agricultural activities. The WHR falls under the responsibility of the Bolsa de Mercadorias de Moçambique (Mozambique Commodity Exchange) in collaboration with the Bolsa de Valores de Mocambique (Mozambique Stock Exchange). A MOU between the Mozambique Commodity Exchange and the Mozambique Stock Exchange was signed, facilitating that warehouse receipts will be accepted as tradable financial instruments at the Mozambique Stock Exchange. The legislation for the WHR was until end of 2023 at the council of Ministers – hence, till date the WHR financing scheme is not operational. Since 2018, the public warehouses are managed by a private company as a public-private partnership. The official certification of the individual warehouses lays within the responsibility of the Mozambique Commodity Exchange. At the end of 2023, the Mozambique Commodity

Exchange identified more than 150 warehouses, but none of them were yet certified. In terms of the financial framework of the WHR financing scheme, the interlocutor mentioned that interest rates to be offered are within the discretion of PFIs, but that too high interest rates would make the scheme inoperable. Interested PFIs are BCI, Millenium BIM, Mozabanco – and MOUs have been signed with them. At the end of 2023, the planned WHR financing scheme seemed to be scrutinized by the Central Bank. The foreseen implementation of the WHR financing scheme in Mozambique seems to be supported by the Turkish and Danish Government (Danida).

## D.2. Catalytic Funds / Matching Grants

Matching grants (or catalytic funds) have become an increasingly popular instrument to financially supporting the agricultural sector in developing economies. There are currently a few matching grant schemes active in Mozambique. The table below lists some of the ongoing - and potentially planned/discussed schemes.

**Table 5: Catalytic Funds and Matching Grant Schemes**

| Funder / Manager | Financial instrument / Support measure | Partners | Objective | Volume |
|---|---|---|---|---|
| **Catalytic funds/ matching grants** | | | | |
| **World Bank / ADVZ** | Matching grant scheme → Matching grants<br>**Ongoing: The 2nd Edition of the FCID, underway since 2021, with an amount of 11 million dollars available for medium and large companies to strengthen value chains with regional integration.**<br>**Ongoing: The 3rd Edition of the FCID, Catalytic Funds for Innovation and Demonstration (15 m USD) is targeting Small and medium-sized companies to support their supply of products and services to the mega projects.**<br>**In line with the Economic Connections for Diversification Project (CONECTA NEGÓCIOS), ADVZ**<br>**PLANNED: Catalytic Fund for Innovation and Demonstration (FCID) IV to be announced still in 2024** | → Government agencies | • The Catalytic Fund for Innovation and Demonstration is a financing platform for private sector initiatives, with an inclusive business linkages approach, focused on improving market access for micro, small and medium-sized enterprises through private and public investments.<br>• Phase III of the FCID covers the provinces of northern Mozambique, namely Cabo Delgado, Nampula and Niassa. | **Fund: 11m USD (II), 15m USD (III) –><br>- Form of Financing: Subsidised grants<br>- Target group: Small and Medium-sized Enterprises (SMEs)<br>- Grant limits: 50,000 - 400,000 USD<br>- Small Companies: 50,000 – 250,000 USD;<br>- Medium-sized companies: 50,000 - 400,000 USD<br>- Financing limits: Up to 70% of investment. Reimbursement: 30% or more of the investment** |

| | | | | |
|---|---|---|---|---|
| | | | | value. |
| **ABC Fund / Bamboo Capital, Injaro** | **Ongoing:** Alternative investment fund (impact fund). ***Currently no investments in Mozambique.*** | → AGRA<br>→ IFAD<br>→ Rabobank | • Direct catalytic funding to cooperatives, farmer organizations and SMEs in underfinanced yet profitable segments of agricultural and agribusiness value chains<br>• TA<br>• Indirect funding through financial intermediaries to further improve access to financial services for smallholders, cooperatives and farmer organizations, as well as agribusiness SMEs | **No information about current investments in Mozambique though Cumulative investments up to 12/2022 of 43m USD** |
| **Compact II – Grant fund to support the rural infrastructure and commercial agriculture n Zambezia province (MCA/ MCC)** | **PLANNED: Results-based grant scheme (matching grants) planned to be launched for the 2024/2025 agricultural campaign. Managed by Millennium Challenge Accounts, supported by ThirdWay Africa, who is responsible for fund structuring and design.** | | **Compact II –**<br>• **(i) Promotion of Investment in Commercial Agriculture,**<br>• **(ii) Rural Connectivity and Transport, and**<br>• **(iii) Climate Change and Coastal Development** | • **Up to 500m USD** |
| **MSP Southern Africa Agricultural Trade and Investment Partnership Facility / (DAI)** | **PLANNED: 2024-2026, Milestone-based matching grant partnership program, based on 50% one-to-one matching investment from beneficiaries. Part of "Feed the Future Market Systems and Partnerships (MSP)".** | Private sector firms (medium to large) | • **Increase agricultural trade from regional countries to South Africa;**<br>• **Increase agricultural investment from South Africa to the region; and,**<br>• **Increase agricultural exports from southern African countries to the United States through the African Growth and Opportunity Act (AGOA).** | • **MSP gives performanc e-based grants $300,000 - $1,000,000**<br>• **Total fund volume not available** |
| **ADAPT Africa Fund / USAID (Third Way** | **PLANNED: ADAPT Africa Fund - Adaptation and Development for Agricultural Productivity and** | • 10-20 companies needing an investment of | • **The Fund invests in primary** | • **75m USD** |

| | | | | |
|---|---|---|---|---|
| Partners) | **Transformation. Development and commercial funding under a *blended-finance structure.*** <br>• **Grants (3-5%):** <br>• **Catalytic capital (20-40%):** <br>• **Impact capital (25-35%):** <br>• **Commercial capital (25-35%):** | USD 2.5 - 7.5m <br>• Debt (20-30%), Mezzanine (40-60%), Equity (20-30%) | **agriculture aimed at integrating SHFs into commercially profitable value chains, climate adaptation capex and scaling of SMEs, and innovative technology to strengthen climate change resilience, increase agricultural yields and resource efficiency** | |

It appears important to mention that international investors (e.g. impact investors, equity investors), but also multi-lateral donor programs and support initiatives - despite the fact that Mozambique is part of the regional focus of some of the above-mentioned - eventually ending up not to engage in investments or financing activities for the agricultural sector in the country. It would have gone beyond the scope of this short exercise to look deeper into this predicament, but initiatives like AfDB/AGF's AFAWA finance series (incl. AFAWA's Guarantee for Growth) or blended-finance impact funds like IFAD/SDC's ABC Fund are currently not offering their financial mechanisms or instruments to the target sector in Mozambique (or aren't unable to find partner financial institutions or direct investees in the target sectors) – despite the fact that considerable investments are made in the agricultural sector of neighbouring countries in Eastern and Southern Africa.

## Conclusion and Recommendations

***General remarks:***

The above chapters (in combination with the annexes) have attempted to give a broad overview of the financial landscape for financing options available to the agricultural sector in Mozambique. By summarizing the above, one can state that the various financing entities have distinct financing focusses. The commercial banks do not sufficiently fulfil their mandate as financial intermediaries to the agriculture sector with very limited offerings – mainly to bigger lead or anchor firms – encompassing fixed asset facilities as well as working capital, primarily in the form of overdrafts. The perceived necessity by the banks to share risk exposures attributed to the agricultural sector with public or private stakeholders through loan guarantee facilities or to work with concessional external funding in form of specialised credit lines goes hand in hand with the above described. The donor community continues on one hand to emphasize on direct support to smallholder farmers and emerging producers (upstream actors) with dedicated support projects and programs, but also makes more and more use of blended finance instruments, e.g. by combining credit lines with results-based grants or by offering matching grant schemes with subsidized credit lines. On the other hand, the donors' support initiatives targeting an enabling environment for the agriculture sector and the improvement in the countries' rural infrastructure (e.g. policy and regulation market access, etc.) are ongoing. The small number of impact investors in the country, like Renew Capital or ThirdWay Africa offer predominantly growth capital for larger agri-related enterprises (as debt and/or equity) – always with environmental and social impact in mind, whereas foreign direct investments, typically with emphasis on younger stage firms in primary agricultural production as well as processing are currently quite rare in the country. The government, by implementing its various policy papers and initiatives (e.g. PEDSA, PNISA, RFS II, SUSTENTA, ADVZ, etc.), puts its key focus on improving an enabling environment (e.g., research, mechanization) and infrastructure investments as well as on food security (e.g. SHF integration).

The overall increasing interest in funding large(er) agribusinesses mainly from commercial banks as well as international DFIs, seems to continue leaving the small agribusiness sector to donors, public or private support programs as well as to direct value chain actors like aggregator, agro input dealer or processor and VBAs. The medium sector remains vastly with the international donors and their bi- or multilateral initiatives, sporadically with impact focused investors and partly with commercial banks - either the ones with experience and knowledge in specific sectors or value chains and with access to the various incentive schemes and risk-sharing facilities, or with the carefully engaging new market entries. The offered instruments and products consist predominantly of grants, short-term debt financing and surprisingly little equity investments for the small and medium sector - and substantial growth capital for larger enterprises. Based on the above results, the CIFAM platform and its conceptual framework represents an important instrument to promote and design initiatives aimed at unlocking finance for the mentioned target.

### *Recommendations*

In line with the presented information in the report and the general concluding remarks, the following recommendations for financial mechanisms can be made:

**Table 6: Recommendations**

| Recommendation I: Integrated Financial Ecosystem for agri-based MSMEs |
| --- |
| • **Development of an open digital infrastructure (for agri-based MSMEs) in Mozambique**<br>○ An (agri-based) MSME Financial Empowerment Programme can help MSMEs to build basic digital financial literacy skills and gain a solid understanding of financial services & products.<br>○ A market linkage framework can link agri-based MSMEs in Mozambique (provinces) in order to expand their business connections and sales markets, through a network of business-to-business physical market places, e-commerce platforms and the BMM.<br>○ Partnering financial institutions can provide innovative digital financial services, products as well as documentary business (e.g. LoC, guarantees) for eligible MSMEs through a digital platform.<br>○ Potential Stakeholders (e.g. BdM, fintechs, MNOs and financial institutions) can jointly develop « financial trust frameworks » to assess the credit worthiness of agri-based MSMEs for financing from enabling financial institutions by using alternative data sets (e.g. track record of successful payments to suppliers and tax payments to relevant authorities).<br>○ A digital platform to facilitate, coordinate and improve accessibility of information to catalyse finance for the agriculture sector, on additional data collection, analysis and data processing. Potential partners: Instituto Nacional de Estatistica (INE) and Agenda de Desenvolvimento do Vale do Zambeze (ADVZ).<br>○ Capitalize on the high traffic of BdM's website by disseminating the various financing options for the agricultural sector (as presented) – as a one-stop information hub for AVC actors as well as financial service providers (demand and supply linkage) |
| **Recommendation II: Fiscal Incentives for Financial Service Providers** |
| ○ Identify and propose fiscal incentives and/or fit-for-purpose policies to support Financial Service providers (FSPs) to increase the offering of a broad range of financial products and services to the agri-based MSMEs.<br>Potential partners: Millennium Challenge Corporation (MCC) - alignment with their program proposing fiscal reforms in the agriculture sector. BdM – prudential regulatory requirements. |
| **Recommendation III. Financial mechanisms for the small agri-business sector** |
| • **Active promotion of intra-value chain financing ← InBM approach with LGF and TA component**<br>○ InBM approach of medium to large agribusinesses |

- Promote medium to large businesses to lend to intra-value chain actors (e.g., SMEs, small aggregators, VBAs) accompanied by **innovative risk-sharing facilities (e.g. cash guarantee from international DFI or donor)** and paired with an **inclusive TA component for agri-based MSMEs** (e.g. BDS)

- **Active promotion of off-taker/contract farming-based financing mechanisms**
    - Tripartite corporate agreements-based
    - Credit line/Fund-driven (e.g. REFP)
    - Bi-/Multilateral program/project-driven (e.g. SUSTENTA)

## Recommendation IV. Financial mechanisms for the medium agri-business sector

- **Proactive facilitation of commercial bank lending to growth-oriented established agri-businesses**
    - Accessible, **specialized credit lines** with focus on affordable costs and tenure of available funds, harmonised with a **loan guarantee facility** to reduce collateral requirements
    - Paired with a **performance-based grant scheme** (e.g. FCDO's agricultural
    - investment fund) or cash incentives (e.g. Aceli Africa approach)
    - **Capacity building / knowledge development** for FSPs in agricultural value chain finance through bi- or multilateral support programs (with TA component)
    - **Fiscal and regulatory incentives** for FSPs with strategic interest in AVCF and track record
    - **Linkage** to public-private information sharing platforms, like CIFAM and AgriRED

## Recommendation V. Financial mechanisms for the large agri-business sector

- **Creation of incentives for large agri-based businesses to develop and enhance their upstream value chain partner inclusive models**
    - Leverage on different financial entities for the different financial needs of large businesses, i.e. CAPEX from internat. DFIs (e.g. KfW, FMO), WC from large commercial banks (e.g. ABSA, NedBank, Standard) and growth capital from (e.g. AgDevCO, ThirdWay)
    - Incentivize inclusive investments by providing:
        - Technical assistance for large agri-businesses (support to create InBM with benefits for downstream and upstream actors)
        - Outcome-based subsidies to agribusinesses **and** financial partner to unlock more capital to projects promoting smallholder inclusion
        - Support DFIs and commercial banks to work as partners with the large agribusiness
        - Support commercial banks to develop tailor-made WC products

Recommendations III-V based on: TechnoServe, (2023) CASA - Assessment of the agricultural sector financing gaps in Mozambique: FCDO, UK AID with additions

## ANNEX I – LIST OF KEY INFORMANT INTERVIEWS CONDUCTED

| Nr | Institution | Name | Contacts |
|---|---|---|---|
| | Commercial Banks | | |
| 1 | Absa | Marcelino Botao | marcelino.botao@absa.africa |
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| 4 | Mozabanco | Danilo Abdula | danilo.abdula@mozabanco.co.mz |
| 5 | Nedbank | Bruno Guimaeres | bruno.guimaraes@nedbank.co.mz |
| 6 | Societe Generale | Guillaume Conil, Ricardo Guambe | guillaume.g.conil@socgen.com<br>ricardo.guambe@socgen.com |
| | Impact/ Equity Investors | | |
| 7 | AGRA | Benvindo Verde | bverde@agra.org |
| 8 | Renew Capital | Licinio Chissano | lchissano@renewcapital.com |
| 9 | Third Way Africa | Danila Boneva | dboneva@thirdway.earth |
| | Donor Agencies | | |
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| | Ministries/ Departments | | |
| 21 | Ministry of Economy and Finance (MEF) | Cristina Matusse (Divisão Nacional de Planeamento e Orcamento) | cristina.matusse72@gmail.com |
| 22 + 23 | Ministry of Agriculture… (MADER) – 2 Depts | Ines Cuambe (Direcção Nacional de Desinvolvimento Economico Local)<br>Bertao Ulisses (Direcção Nacional de Promoção da Agricultura Comercial) | ines.cuambe@gmail.com<br>bulisses2011@gmail.com |
| | Government Agencies & Institutions | | |
| 24 | Agencia de Des. do Vale do Zambeze | Manuel Victorino Mindoso | manuel_victorino@yahoo.com.br |
| 25 | FNDS | Dania Falcão | dania.falcao@fnds.gov.mz |
| 26 | Bolsa de Mercadorias de Moçambique (BMM) | Antonio Namburete | antonio.namburete@gmail.com |
| | Regulator | | |
| 27 | Banco de Moçambique (BdM) | Fatima Nota<br>Efrone Nhanala | fatima.nota@bancomoc.mz<br>nhanala5@gmail.com |

## Annex II – Shared questions on financial mechanisms, products & instruments

**Questions on financial mechanisms, products and instruments for local SMEs involved in agricultural value chains**

*- For financial institutions, impact investors and development financiers and donors –*

*Financial Institutions:*

1. **How important is the local (& export oriented) agricultural sector for your institution as a business segment?**

2. **Is your institution currently offering dedicated financing products for agri-based businesses and smallholder farmers - or has been offering in the past (last 5 years)?**
    a. If yes – What type of products, and do you actively market them as those?
    b. If no – Why not, and are there any strategic plans to do so within the next 12-24 months?
    c. In the PAST: If yes - What type of products, and what has your institution's experience/performance been?

3. **What are the main fundamentals, variables or factors determining your decision to enter or not the financing of the Mozambican agricultural sector?**
    a. Name the main five

*Impact investors:*

1. **How interesting/relevant is the Mozambican (& export oriented) agricultural sector for you as an impact investor these days?**

2. **Is your outfit currently invested in the agri-based businesses and smallholder farmers space – or has been invested in the past (last 5 years)?**
    a. If yes – What type of investment, and why did you (or the beneficiary) opt for it?
    b. If no – Why not, and are there any strategic plans to do so within the next 12-24 months?
    c. In the PAST: If yes - What type of investments, and what has the investment's performance been?

3. **How would you assess the legal and regulatory framework for impact investing into the agricultural/rural sector in Mozambique?**
    a. Good ☐
    b. Medium ☐
    c. Insufficient ☐

4. Are there sufficient incentives and opportunities for impact investors to invest in the Mozambican agricultural/rural sector?
    a. If yes, which ones?

*Development financiers and donors:*

1. **How important is the local (& export oriented) agricultural sector for your entity focus area for development interventions?**

2. **Is your entity currently running any projects or initiatives dedicated to / or taking into consideration the financing Mozambican agri-based businesses and smallholder farmers – or has run any in the past (last 5 years)?**
    a. If yes – What type of financial support does the programs entail?
    b. Is the program, project or intervention an uni-, bi- or multilateral initiative?
    c. Is the intervention supported by or anchored to Mozambican stakeholders?
        i. If yes, to private or public stakeholders?
    d. In the PAST: If yes - What type of financial support, and what has your entity's experience/project performance been?

3. **How do you assess the Mozambican government's initiative and political dedication to facilitate the development of the agricultural (& export) sector (e.g. PEDSA 2023, Rural Finance Strategy II (2021-2026), Financial inclusion Strategy?**
    b. Good ☐
    c. Medium ☐
    d. Insufficient ☐

## ANNEX III – BIBLIOGRAPHY


Absa Bank Mozambique, (2023) Overview sheet USAID/DFC Guarantee with Absa Bank

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## Annex IV – Other Entities Offering Financing to the Agricultural Sector

**Microfinance and Microbanks** (from: Ayani, 2023. Financial Ecosystem Mapping, Feed the Future, Premier. with additions gathered from KIIs)

| FI | Overview | Target Group | Products | Priority AVCs & Terms |
|---|---|---|---|---|
| Africa Works | Microfinance lender primarily operating in the Southern and Central Provinces, has recently opened a branch in Nampula covering Morrupula. Primary focus on credit for peri-urban commerce but piloted a start-up poultry production loan as part of a "graduation" program for youth in coordination with GIZ and Novos Horizontes. It would be interested in expanding its agricultural portfolio to small producers only if it could manage this portfolio off-balance sheet (so, participating in joint ventures or development partnerships), similar to its program with Novos Horizontes. | • Microenterprise<br>• Small producers<br>• Start-up producers (poultry) for youth | • Group loans<br>• Individual loans for informal traders<br>• Loans embedded with supplier (poultry) | In Nacala corridor:<br>• Poultry<br>• Informal market commerce<br><br>In South:<br>• Cassava<br>• Informal commerce<br>**General terms:**<br>IR 5.75% p.m.<br>Group size: 10-25 members, graduating to smaller groups of 5-10. L<br>Loans size: 6k MZN to 50k MZN<br>4-month repayment cycle<br>Collateral: Stock value min.75% and ii) assets (excluding residences) min. 150% |
| Microbanco Futuro | Microfinance lender present in Nampula City and Ribaue. It does not yet have loan products for agriculture, but agriculture is a central strategic direction, as demand in the area seems to be high. **In addition, the Swiss Embassy is looking into supporting Banco Futuro in their expansion plans into the Northern Regions → Cabo Delgado and Niassa (incl. their planned expansion into AgFin).** Target would be small producers. | • Microenterprise<br>• Small enterprises | • Groups loans<br>• Individual Term Loans<br>• Equipment loans | Not yet engaged in agriculture |
| MyBucks (**AgFin discontinued**) | **Mid 2020, MyBucks' ownership has changed to Xtenda (with MyBucks maintaining a 25% share), but it still operates under MBC. Already under the previous ownership, there was a** | | | |

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| | **drastic strategy change - away from agriculture towards a strong focus on payroll-backed consumer loans to government employees.** | | | |
| Microbanco Confiança | Microbanco Confianca is a FI ith limited regional exposure (only in Maputo province). They offer loans to agri-based micro and small enterprises and farmers with average loan sizes between EUR 500 – 800. | Agri-based MSMEs | Instalment loans for MSMEs in the agricultural sector | **Operations limited to Maputo region** <br> **15% interest rate, re-financed by the KfW agri-finance credit line** |
| Socremo (Microbanco) | **Socremo is an established microbank, that does not specialize in the agricultural sector despite the fact that it has signed up to DFC/SIDA's loan guarantee scheme for agricultural finance exposures** | MSMEs (no focus on agri-based businesses) | Instalment loans | Not active in Cabo Delgado and Tete |
| **Mobile Money Provider** (from: Ayani, 2023. Financial Ecosystem Mapping, Feed the Future, Premier. with additions gathered from KIIs) | | | | |
| **M-PESA** | The leading provider of mobile money in the country, with a good variety of services including transfers, payments to businesses, and a loan product. It has the largest network of agents and has been expanding in rural areas of the Nacala Corridor. <br> PLANNED: GIZ / M-PESA partnership aimed at designing suitable financial products and services for smallholder farmers and MSMEs | Individuals | 1. Person to person transfer services <br> 2. Person to business payment services <br> 3. Mobile wallet which retains value - similar to current account <br> 4. Loan – Txuna M-PESA (See Access Bank) | Not value chain specific |
| **eMola** | The most recent mobile money service, eMola started slowly but has increased its outreach and agent network relatively quickly over the past two years. It appears to be doing a good job of supporting its agents with cash and float. It has the advantage of the Movitel network, which has a better coverage of rural areas. | Individuals | 1. Person to person transfer services <br> 2. Person to business payment services <br> 3. Mobile wallet which retains value - similar to current account | Not value chain specific |

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| **Paytech** | The digital payment platform PayTech was negotiating a partnership with a national NGO to set up a microfinance institution with the aim to use digital payments and to establish a network of digital payments agents. | | | No recent update available. |
| **mKesh** | This service is not used extensively, and no actors interviewed knew where agents could be found. One organization indicated that it had facilitated linkages with savings groups to mKesh, but they are having difficulty accessing their funds for the past year. | Individual | 1. Person to person transfer services<br>2. Person to business payment services<br>3. Mobile Wallet | Not value chain specific |
| **Insurance companies** (from: IPC, 2022. Feasibility study on the setup of a rural financing facility – Mozambique, KfW) | | | | |
| **Hollard / Credi-Seguro** | Credi-Seguro is a loan guarantee facility for small and medium enterprises (SMEs), designed to assist Mozambican SMEs to access debt funding. The “Credi-Seguro” will guarantee SME loans provided by commercial banks and micro-banks, implemented through a digital platform. Credi-Seguro is a joint project between Hollard insurance and the promoter EikosRisk Capital. Hollard insurance provides the guarantee and the funding for the pilot stage, while EikosRisk Capital manages the fund. | Small and medium enterprises (SMEs), (e.g. emerging producers, agro-dealers, aggregators and processors, etc.) | In the market since 2021; Total volume: $500,000 (funded by Hollard). Maximum amount $10,000 per project; Hollard guarantees 50% of the risk in cases of bank financing. In cases of supplier credit, Hollard guarantees 100% of the risk (net loss basis - i.e. Hollard guarantees 50% or 100% of the loan after collecting collateral); Hollard does its own analysis of the project (as an independent entity) and then recommends the entity providing the loan (e.g. bank or input supplier); | N/A |

## ANNEX V – DETAILED MAPPING OF FINANCING PRODUCTS OFFERED BY FIS

| From: Ayani, 2023. Financial Ecosystem Mapping, Feed the Future, Premier. | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Bank** | **Funder** | **Type of Loan** | **Target** | **Loan size** | **Interest rate** | **Period** | **Grace Period** | **Other info** |
| ABSA | Internal line | Overdraft | SME, Medium, Large companies | Up to USD 25 million | Market rate | 3-12 months | 1 month | Collateral 120% |
| | Internal Line | Input Finance (short-term) | SME, Medium, Large companies | Up to USD 25 million | Market rate | 3-18 months | Up to 12 months | Collateral 120% |
| | Internal line | Structured trade commodity finance | SME, Medium, Large companies | Up to USD 25 million | Prime+ margin (forex: Libor + Mar gin) | 3-18 months | Up to 12 months | Can make direct payments to suppliers for higher risk projects<br><br>Collateral: 120% |
| | Internal line | Ag equipment with John Deere / Lonagro shops | Ag SMEs | Up to equipment value / max USD 25 million | Varies (reduces depending on advance payment by customer) | 12-60 months | Up to 12 months | Lonagro pays first instalment? 4<br><br>payments per year |
| Access | Internal | Short term loan (up to 30 days) linked to M-PESA | Individual users of M-PESA (field research indicates that some small producers use this.) | 70 MZN – 3,500 MZN | 180% - 520% | Up to 30 days | NA | Request is made through M- PESA and loan allocated to M- PESA wallet. |
| | Internal | Overdraft facility: first payment aligned with cashflow, and thereafter works as an overdraft | Large off takers/exporters<br>SME aggregators | NA<br><br>Exports- available in USD | Prime +/- 0.5-2.5%<br><br>USD rates linked to Libor | 12 months renewable | Defined by cashflow | Collateral required<br>Interest rates in accordance with collateral offered<br>Off-taker contract required |
| BCI | Internal line | Term Loans<br>Overdraft | Agricultural SMEs | Up to 25 million | Market rates | | | Collateral target >100%, but in practice can be substantially lower with contracts, good history |
| | FECOP | Term Loan<br>Overdraft | SMEs | Up to 25 million | Prime minus 3% | | | Collateral target >100%, but in practice can be substantially |

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| | | | | | | | | lower with contracts, good history Borrower must finance 20% of project with own resources |
| | Internal line | Term Loan Overdraft | SME, Medium, Large companies | Typically, 500: to 100 million MZN (w exceptions) | Prime +/- spread | | | Collateral target >100%, but in practice can be substantially lower with contracts, good history. |
| BNI | Emergency COVID line | Short term loan to reinforce working capital | SMEs affected by COVID | 2.5 million – 15 million MZN | 8-12% | 12 months | | Physical collateral (e.g. buildings) required |
| Capital Bank | | Term Loan | Agricultural Commercialization | MZN 250K = 2.5 million | 14% | | | Collateral – buildings, bank, gvt or movable assets |
| FNB | Internal line | Overdraft | SME, Medium, Large companies | | Market rates | Up to 12 months | | Fees up to 2.5% |
| | Internal line | Leasing | SME, Medium, Large companies | | Market rates | Up to 60 months | | Fees up to 2.5% |
| | Internal line | Term Loan | SME, Medium, Large companies | | Market rates | Up to 60 months | | Fees up to 2.5% |
| | Internal line | Off balance sheet | SME, Medium, Large companies | | Market rates | Up to 12 months | | Fees up to 2.5% |
| BIM | PRSP-Ital Emb | Reduced IR | Ag production, SME agribusinesses Man/Sof/Zamb | Max 12 million | 10%pa | | | |
| | KFW ag line | Reduced IR/7 years | Ag MSMEs | Max 15 million | 15% pa | 7 years | 3 months | |
| Moza (former BTM) | Food Security Promotion | Reduced IR | Ag, MSMEs, large ag biz (Chimoio, Malema, Nampula) | 500K – 2.5 million | 23.5% | | | Working capital/ investment |
| | MoF | Standard fixed loans | Ag, SMEs and large | 500K and above | MIMO + spread | negotiated | Negotiated | |
| Nedbank (former Banco Unico) | USAID (Agricultural credit line for SMEs in the agricultural sector) | | Women-owned Agribusinesses in Nampula, Zambezia, Manica, Tete in oilseeds, cashew, fruit, vegetables. | | Market rates | Loan periods to end in 2024. | | |
| SocGen | KfW | Term loan | MSMEs in agricultural sector | | Below market | 2-5 years | | |
| Standard | Internal line | Ag finance and | Ag – focus on tree crops | | MIMO + | | | |

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| | | fixed term | medium and large | | 0.5-4% | | | |
| | Internal line | Leasing (no formal agreements signed with suppliers) | | | | | | |
| | Internal | Ag | Medium to large agribusinesses and their networks (out growers, suppliers, etc) | | FPC =/- 0.5-4% | Adjusted to business cycle (short, medium, long-term) | | |
| | Internal | Enterprise | Businesses engaged in primary, secondary activities and logistic in select VCs | Leasing | | | | Tri-partied arrangement with equipment supplier |
| AW | Internal | Micro | Term loan, group or indiv informal bus | Indiv: 30K-300K<br>Group:<br>6K-150K MZN | 69% | Indiv:<br>2 - 6 month<br>Group:<br>4-5 month | | Indiv: guarantee 95-150% movable assets<br><br>Group: solidarity guarantee |
| | GIZ project | Term Loan | Youth start-ups in egg production, embedded with Novos Horizontes and GIZ training program | 100K-300K | 10% | 24-30 months | 1 month | Must have graduated from a grant/training program from GIZ. Loans disbursed through Novos Horizontes<br>No collateral requirements |
| GAPI | Agri Empreender | Term loan | Ag MSMEs | 100K-15 million MZN | 18% | 3-60 months | Up to 91 days | Collateral 120% of loan value |
| | LINFINCA | Term loan | MSMEs | 100K-10 million MZN | 12.5% | 3-60 months | Up to 91 days | |
| | LCCA | Term loan | MSMEs | 100K-5 million MZN | 18% | 3-24 months | Up to 91 days | |
| | Internal line | Term loan | MSMEs | 100K-15 million MZN | 25.6% | 3-60 months | Up to 91 days | Collateral 120% of loan value |
| | FERN | Term loan | MSMEs | 100K-5 million MZN | 14.25% | 3-60 months | Up to 91 days | |
| MB Futuro | Internal | Group | Microenterprise – group loans for working capital | 6K-30K | 58% | 4-12 months | | Fees: 3%<br>Group: solidarity guarantee |
| | Internal | Individual | Microenterprises – working capital | 10K-50K | 58% | 6-18 months | | No fees<br>Collateral – movable assets 100% |
| | Internal | Individual | MSE – working capital | 50K-300K | 48% | 6-12 months | | Fees 2.5% |

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|---|---|---|---|---|---|---|---|---|
| | | | | MZN | | | | Collateral – movable assets 125% |
| | Internal | Individual | SME- working capital | 300K – 3 million MZN | 42% | 6 – 48 months | | Fees 2%<br>Collateral – movable assets 150% |
| | Internal | Term Loan | Investment loan for equipment, vehicles | 100K – 3 million | 40% | 3-48 months | | Fees: 2%<br>Collateralized by asset purchased |
| MyBucks | Internal line | SME | Working capital and invest, all sectors-SMEs | Min 400K | 42% + 2% fees | 4 – 60 months | | Up to 25% of share capital |
| | Internal line | Ag | Production through aggregators – solidary groups min 5 members Manica, Zambezia | 10K-40K | 50,4% + 2% fee | 35-52 weeks | | Collateral – movable assets 50% of loan value; 15% savings |
| | Internal line | Micro | Term loans- informal bus | 10K-40K | 50,4% + 2% fee | 6-36 months | | |
| Socremo | Internal line | SME loans | All sector, no ag except CD and Tete) | 351K-7 million | Varies +1.5 commission | | | Guarantee: mortgage of fixed property / pledge of movable assets |
| | Internal line | Micro loans | Mainly trading | 500-350K MZN | Ave 58% | 3-24 months | | Idem |

## ANNEX VI – REFERRALS TO ADDITIONAL DETAILED INFORMATION OF FINANCING INSTRUMENTS


- Ayani, (**2023**) Feed the Future Promoting Innovative and Resilient Agriculture Market Systems (FTF Premier), Financial Ecosystem Mapping, USAID
- De Vletter, Fion (**2023**) Financing opportunities for agricultural aggregator companies working with village-based agents (VBAS) – The case study of Luteari, German Cooperation and GIZ
- TechnoServe, (**2023**) CASA - Assessment of the agricultural sector financing gaps in Mozambique: Executive Summary, FCDO, UK AID
- Banco de Mocambique, (**2022**) Linhas especiais de financiamento ao sector privado, 2nd Edition
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- IPC GmbH, (**2022**) Feasibility study on the setup of a rural financing facility – Mozambique, KfW
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