



CASA

Commercial Agriculture for Smallholders and Agribusiness

Assessment of the agricultural sector financing gaps in Mozambique: Executive Summary

August 2023



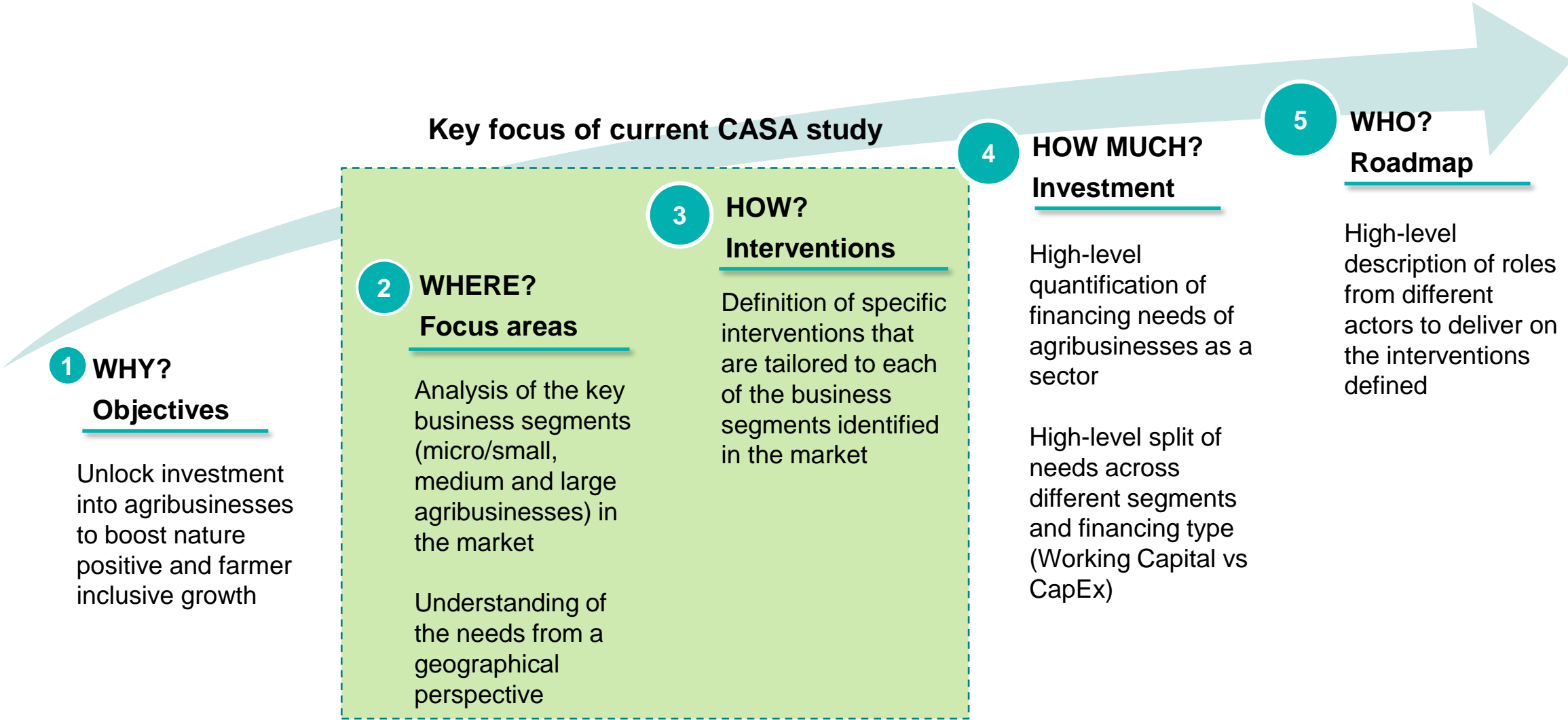
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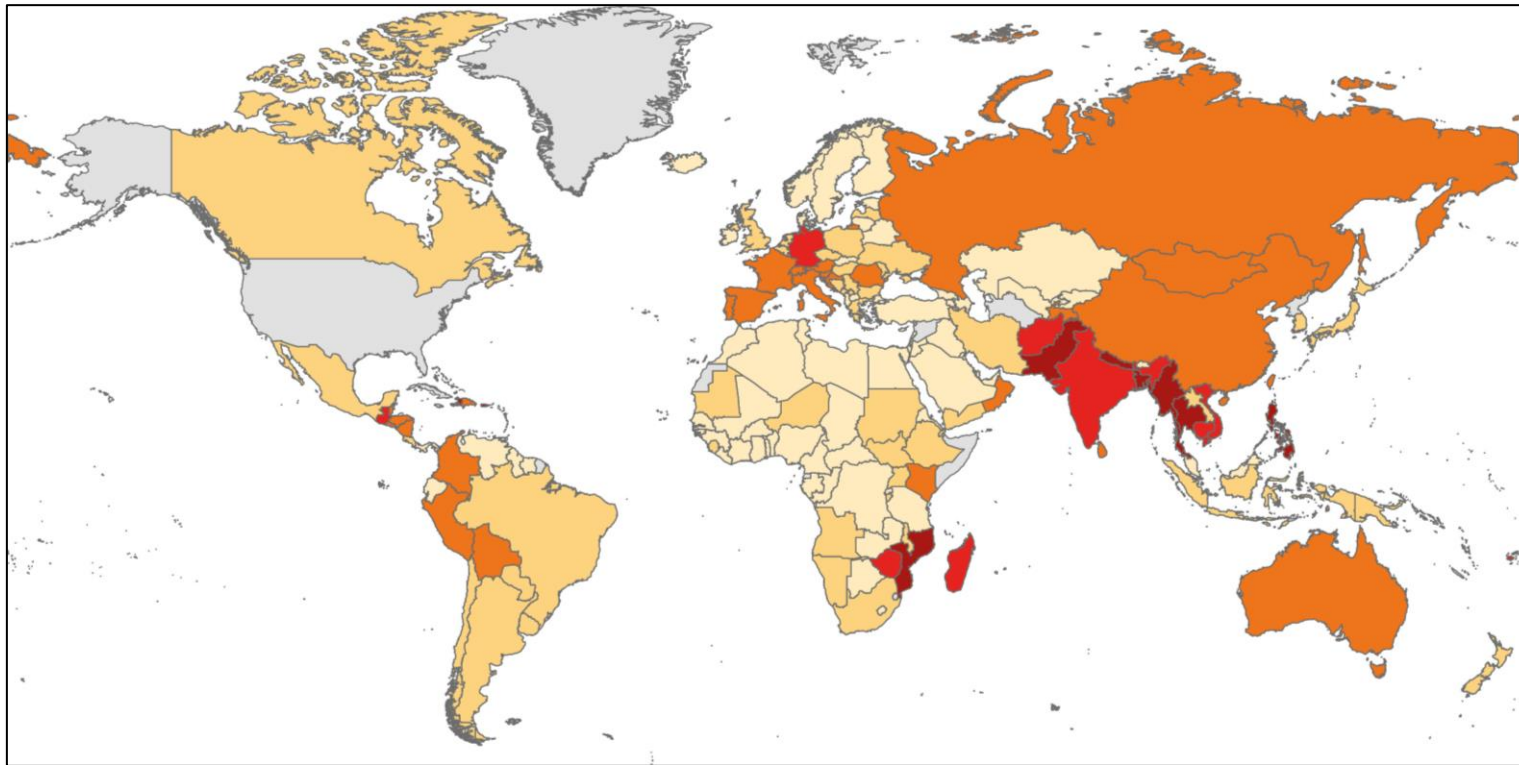
The current study aims to unlock investments in the agribusiness sector by providing data-driven analysis of agribusiness financing needs in Mozambique



Mozambique is in the top 5 countries most affected by weather-related loss events which poses an additional threat to the agricultural sector and food security

Global Climate Risk Index: Ranking 2021

Weather-related Loss Events from 2000 to 2019



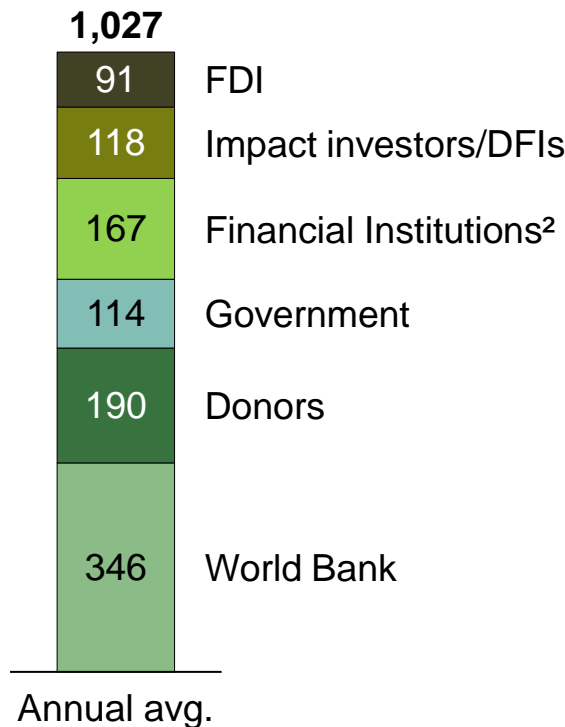
- Mozambique was ranked **5th most affected country by weather-related loss events** such as storms, floods and heat waves by GermanWatch in 2021. It was also the most affected country in the world in 2019, the year of Cyclone Idai
- The country's climate risk vulnerability poses an **additional threat to the agricultural sector and food security**

Source: GermanWatch 2022

The investment landscape in agriculture in Mozambique is highly influenced by bilateral and multilateral donor funding

Directional, non-exhaustive

Estimated yearly investment in agriculture in Mozambique by type of investor¹
(\$M USD)



~\$500-600M to agribusinesses³

Investor type	Investment focus
FDI (Foreign Direct investment)	<ul style="list-style-type: none"> Mainly greenfield investments for primary production and processing
Impact inv. / DFIs	<ul style="list-style-type: none"> Mainly growth capital for large agribusiness (debt and/or equity); tend to focus on both environmental and social impact
Financial institutions	<ul style="list-style-type: none"> Commercial banks: mainly CapEx investments into large businesses although also offer WC Non-banks: non-traditional products (e.g., micro-insurance)
Government	<ul style="list-style-type: none"> Key focus on improving enabling environment (e.g., research, mechanization), infrastructure (e.g., irrigation) and food security (e.g., health, biosafety, SHF integration) investments
Donors	<ul style="list-style-type: none"> Key focus on direct support to smallholders For agribusinesses, mainly small grants for MSMEs to support CAPEX investments, particularly linked to food security Focus on infrastructure and enabling environment (e.g., market access, policy and regulation)
World Bank	<ul style="list-style-type: none"> Focus on infrastructure and enabling environment e.g., market access, policy and regulation Investments also supporting MSMEs Climate change focus e.g., natural resources management, extreme weather events recovery

1. Includes most relevant programs/investments active between 2020-2023; Internal trade financing not included. 2. Based on reported data to Bank of Mozambique as of Dec 22, 2022, including Agricultural production, processing and animal farming; Some DFI financing flows going through financial institutions have been allocated to DFI when those programs have been identified (e.g., KfW), but there could be potential double counting between DFI and financial institutions values, although not expected to be significant. 3. Based on estimating the percentage of investment from projects that go to agribusinesses while the remaining part going to infrastructure, policy and other interventions

Source: Investor websites, expert interviews, PEDSA/PNISA I and II, Bank of Mozambique (BoM), APIEX

Most key value chains have potential for smallholder impact and a need to boost climate resilience, but lack large amounts of investments

Directional, non-exhaustive

Strategic value chain	Competitiveness							SHF impact	Financing	Climate	
	Production (k ton)	Production (M USD) ³	% p.a. (2017-2021)	Potential	Processed locally (%)	Export orientation	Geography	# SHF (k)	Potential farmer profitability	Financing gaps ⁴	Climate resilience ⁵
Cassava	5,598	533	10%	Medium	<25%	Low	National	2,500	Medium	High	High
Sugarcane	2,987	142	1%	Medium	100%	Medium	South - Center	5	High	Medium	Low
Maize	2,100	267	14%	High	25-50%	Medium	Center - North	2,000	Medium	Medium	Low
Fruits	1,129	358	4%	High	<10%	High	South - Center	1,000	High	Medium	Medium
Vegetables ¹	1,015	242	2%	Medium	<10%	Low	National	1,000	High	High	Low
Potatoes ²	805	192	4%	Medium	<10%	Low	National	145	Medium	Medium	Low
Common bean	388	277	11%	High	<10%	Medium	Center - North	554	High	Medium	Medium
Pigeon pea	270	129	1%	Medium	<10%	High	Center - North	908	High	Medium	High
Coconut	246	39	1%	High	<10%	Low	National	154	High	High	Medium
Rice	189	48	8%	High	<10%	Low	National	500	Medium	High	Low
Poultry	143	499	5%	High	25-50%	Low	National	1,300	High	High	Medium
Cashew	135	80	-1%	Medium	<25%	High	National	600	High	High	Medium
Groundnut	130	93	1%	High	<10%	Low	North	433	Medium	High	Medium
Sesame	125	139	12%	Medium	0%	High	Center - North	98	High	Medium	Low
Soy	115	46	23%	High	75%	Low	Center - North	90	Medium	Medium	Medium
Cotton	78	41	10%	High	100%	High	Center - North	142	High	High	High

Notes: 1. Tomato, onion and other vegetables; 2. Potato and sweet potato; 3. Production value was estimated by multiplying the total production volume (self consumption + surplus trade) by an average price / kg for each value chain in recent years and therefore does not represent the official commercialized value of the value chains; 4. Difference between financing demand and capital supply; 5. Level of resilience of each value chain to the effects of climate change and climate shocks. Sources: IAI 2020; FAO Stat 2021; FTF PREMIER; Expert interviews

Different business segments have significantly different needs, different sources of finance to mobilize and different potential to boost smallholder impact and climate mitigation

Business segment	SHF impact			
	1 Scale	2 Leverage	3 Impact & resilience	4 Climate mitigation
Small (Rev. <\$500k)	\$1.0B in financing needs ~ 500k SHFs to be reached	2.0x Leverage (investment unlocked per \$ of donor support) Low interest from investors, significant financing gap	Low mainly lower profit value chains	Low Limited scale for carbon projects
Medium (Rev. \$500k - \$5mil)	\$0.4B in financing needs ~ 290k SHFs to be reached	2.9x leverage Low interest from investors, significant financing gap	Mid-High mainly mid to high profit value chains	Low Limited scale for carbon projects
Large (Rev. >\$5mil)	\$0.8B in financing needs ~ 450k SHFs to be reached	8.0x leverage High interest from investors, medium financing gap	High mainly higher profit value chains	High Offers large scale for carbon projects

Note: 1. Scale refers to the upper range of estimated total financing needs (WC and CapEX) of agribusinesses and total SHFs that can be reached through these agribusinesses; 2. Additionality refers to the leverage ratio (total investment over how much TA and financial incentives are needed to unlock this investment), level of interest from investors to that business segment and level of financing gaps (demand vs supply of capital). 4. SHF impact refers to profitability level for the SHF and climate resilience potential; 4. Climate mitigation refers to the ability of each segment to support carbon sequestration projects

What business segment can be most catalytic to support will depending on the specific objectives and approach on how to support the agribusiness sector

Example sub-objectives	Priority segment	Implications
<p>Maximize number of businesses supported Boost grassroots growth of the agribusiness sector in Mozambique</p>	<ul style="list-style-type: none"> • Micro and small businesses 	<ul style="list-style-type: none"> • Very long-term focus (5-10 years) • High cost and complexity • Important segment for the long-term growth and competitiveness of the sector
<p>Maximize additionality Operate where no one else is currently playing</p>	<ul style="list-style-type: none"> • Medium businesses 	<ul style="list-style-type: none"> • Mid to long term focus • Complex, without too many clear examples of success in the market • Need to attract new sources of funding currently inactive in Mozambique
<p>Maximize impact and value for money Increase jobs and smallholder income and resilience in a cost-effective way</p>	<ul style="list-style-type: none"> • Large segment, via inclusive models 	<ul style="list-style-type: none"> • Focus on boosting and incentivizing resilience and inclusive growth business case • Need to prioritize value chains that can provide higher farmer profitability and have higher need for resilience
<p>Unlock carbon finance for agribusiness sector Develop a new financing mechanism to unlock carbon finance projects</p>	<ul style="list-style-type: none"> • Large segment, with carbon financing 	<ul style="list-style-type: none"> • Carbon finance projects typically require large scale projects to unlock potential impact and dilute upfront investment costs • Specific carbon finance technical expertise needed from inception to monitoring and evaluation

1 Large players dominate most value chains, while smaller businesses are more relevant in locally consumed crops

Directional, non-exhaustive

Approximate number of agribusinesses by segment and value chain

Higher relevance & market share

Lower relevance & market share

Strategic VC	Micro (<\$100k)	Small (\$100k-500k)	Medium (\$500k-5mil)	Large (>\$5mil)
Cassava	~5k Chips, flour producers	1 Dadtco - cassava flour	0 N/A	1 1 beer producer (Cervejas de Moçambique)
Sugarcane	~1k Millers, juice sellers	0 N/A	1 Ouro Verde in Cabo-Delgado (organic sugar)	~5 Large processors (Marromeu, Maragra, Xinavane etc.)
Maize	~5k Rural millers to SHFs	~100 SME maize millers	~10 Few processors (e.g., Miruku, Moagem Ali, Muthozane, Winnua, Star Grain, Farinha Frank)	~20 Several processors (e.g., ETG, Star Grain, MeTL, Afro Moagem, Pembe, Escolha do Povo, DECA, ECA etc.)
Fruits	~500 Women-led products	~50 E.g., Frutas do Revubue	~10 E.g., Afrifruta, EcoMicaia	2 Large processors: Compal (juices), Westfalia (avocados)
Vegetables ¹	~1k Few aggregator/sellers	~50 Few SMEs (e.g., CAVA)	~10 Few processors (e.g., Cephol in Gaza)	1 Large producer/packager (Horta Boa)
Potatoes ²	~1k Few aggregators	~10 Few aggregators/producers	0 N/A	1 Large producer/packager (Massingir Vally Farms)
Com. bean	~1k Few aggregators	~100 Processors (e.g. InvestAgro)	~10 Few processors	~5 Processors, Big traders (clean/grade)
Pigeon pea	~50 Few producers / service providers	~10 Small aggregators	~10 Smaller exporters	~10 1 processor (ETG), traders (METL, Royal, ETG, Patel Trading, IndoAfrica, MozGrain and Terex Impex)
Coconut	~500 Few aggregator/sellers	~5 Coconut oil factories	~5 Coconut oil factories	4 MADAL, MAEVA (coconut oil), EastAgro, Ecomoz (biofuel)
Rice	~1k Small rice millers	8 Processors (Impere, Oziva)	9 Processors in Gaza , Zambézia and Sofala	1 Wanbao/New Arabic Group (took over CAIC)
Poultry	~1k Live chicken producers	~100 Few processors	~50 Few processors	6 Producers (e.g., Abilio Antunes, Novos Horizontes, Higest, Galvos)
Cashew	~1k Roasted kernels sellers	~3 ~2-3 processors (e.g., ADPP)	2 Caju Ilha in Angoche and Lumbo, Indo Africa	6 Few processors (e.g., CN Cajú in Nacala, Condor, Korosho, Sunny Moz, Agrico, Sunshine Nuts)
Groundnut	~1k Small sellers (crushed, roasted unbranded)	~100 Several SMEs (Xikhaba, Owani, Good Trade), traders	~10 Several Traders	~10 Several traders; Big traders (clean/grade)
Sesame	~50 Prod. providing service	~10 Oil processor/aggregators	~5 Few aggregators	~10 Large exporters (e.g., ETG - color sorting)
Soy	~100 Small producers offering services	~10 Small producers offering services	~10 Few processors (6 in Nacala corridor), oil processors	~10 Few aggregators and feed/oil processors (APIL, JFS, Abilio Antunes, Novos Horizontes, Merec, Winnua)
Cotton	~50 Indep. producers	3 E.g., Fesap	~5 E.g., Sam, Olam, China Afr. Cotton	4 Few large processors (e.g., JFS, Plexus, Sanam etc.)
Enablers ³	~1k PACEs, agrodealers	~20 E.g., Proma, Ikuru, CZ etc.	~5 E.g., Oruwera, MozFert, TECAP, K2 etc.	3 Few large input suppliers (e.g., AQL, Agrifocus, ETG)

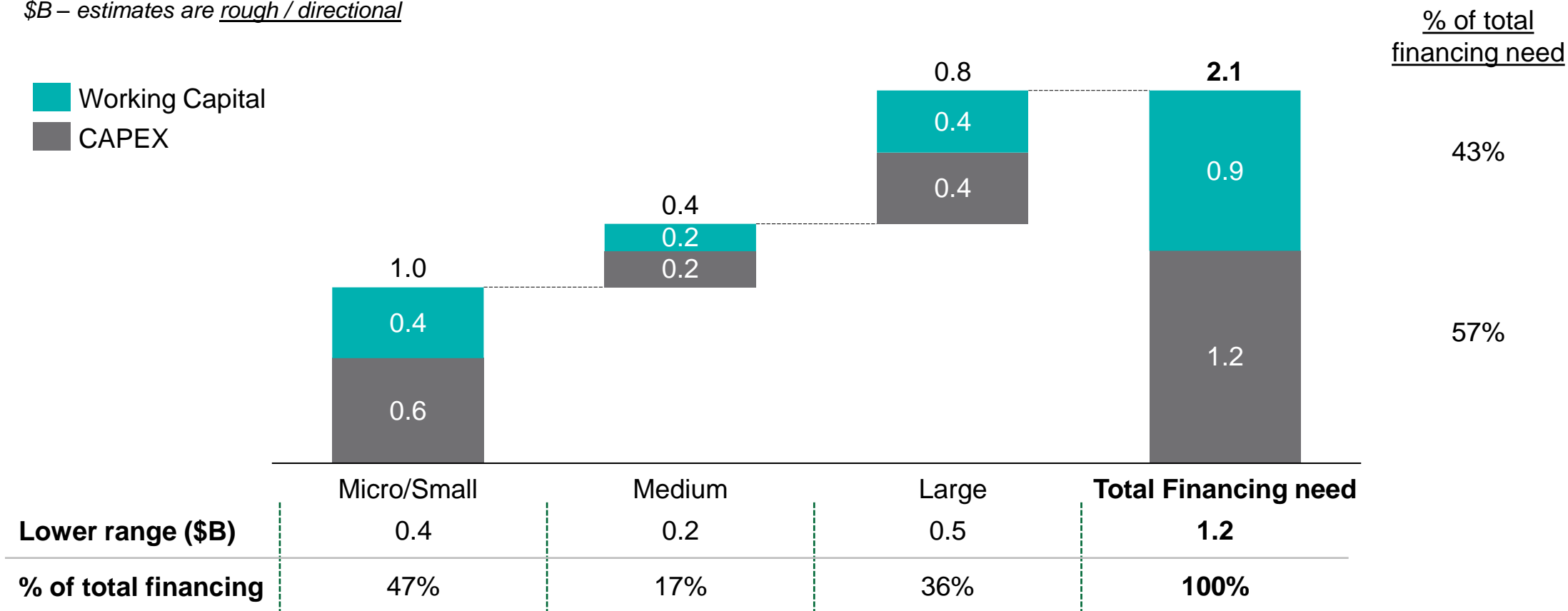
Notes: 1. Tomato, onion and other vegetables; 2. Potato and sweet potato; 3. Enabling environment actors such as input suppliers. Sources: FTF PREMIER; Annual SDAE Reports by district; Expert interviews

1

Scale of financing needs: most of the annual financing need is concentrated on large businesses, especially for CAPEX

Estimated yearly agriculture financing needs in Mozambique by segment and type

\$B – estimates are *rough / directional*

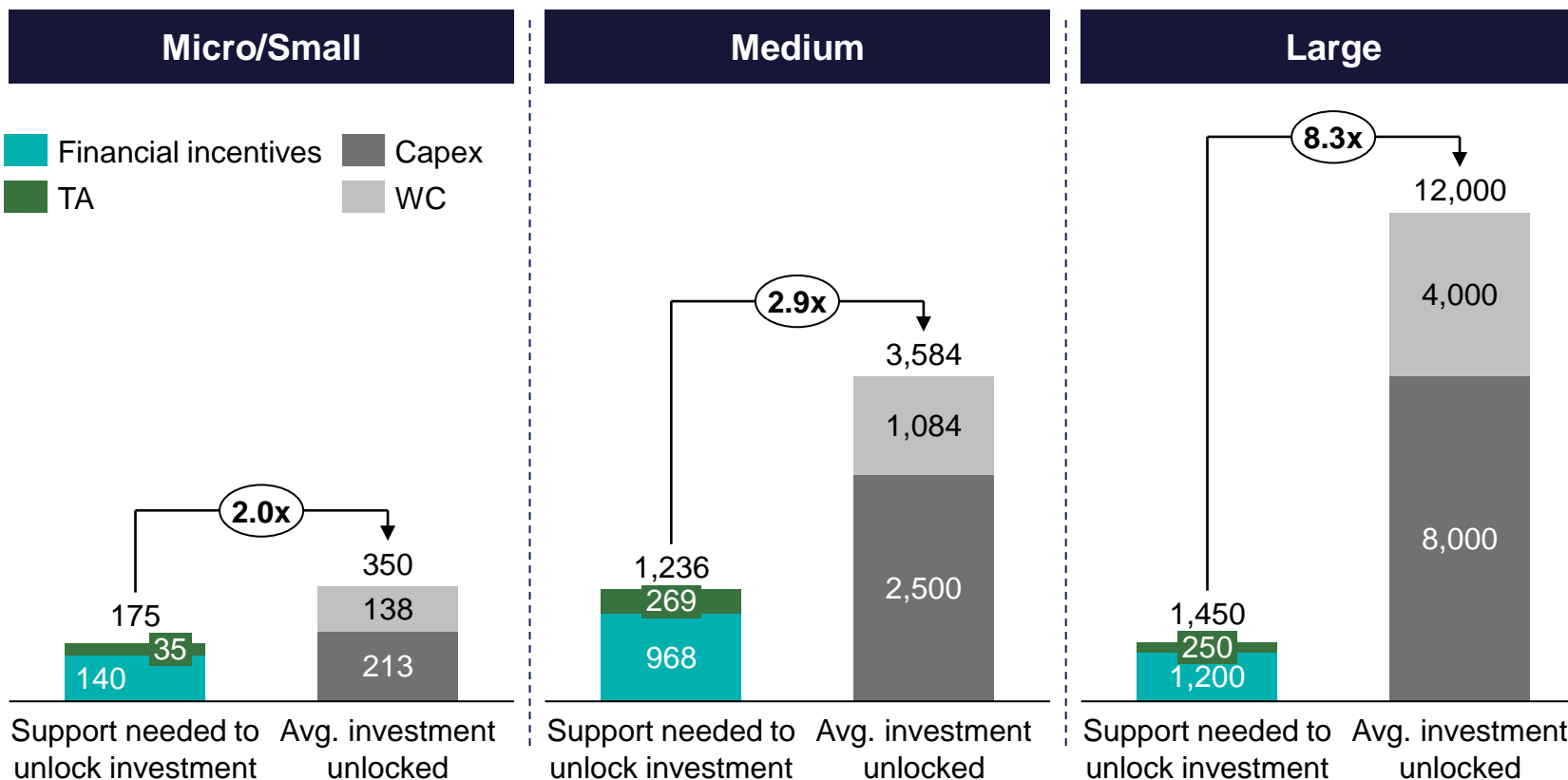


Note: Based on estimated number of agribusinesses by segment (Micro/small: 4k to 12k; Medium: 90 to 150; Large: 60 to 90), including processors, traders, service providers, aggregators, input suppliers, agrodealers etc., and estimated average financing need per business (Micro/small: \$140k for WC and \$120k for yearly CapEx; Medium: \$1.1M for WC and \$1.5M for yearly CapEx; Large: \$4.0M for WC and \$4.6M for yearly CapEx)

Source: Investor websites; FTF Premier; Annual SDAE Reports by district; Expert interviews

2 Leverage: the larger the agribusiness and investment needs, the higher the efficiency to unlock investments through technical assistance and financial incentives

Estimated technical assistance (TA) and financial incentive¹ requirements per agribusiness to unlock investments
\$k



Typical interventions to unlock co-investments

Financial Incentives

- Mainly guarantee facilities, grants for CAPEX and subsidized interest rates for investors / banks to incentivize co-investment deals

Technical Assistance (TA)




- Pre- and post-investment TA provided to agribusiness to ensure investment readiness and effective use of resources

Note: 1. Assumes that every deal would require all types of incentives for both CAPEX and WC;

Source: Investor and expert interviews; FTF Premier; CASA

2













Investor interest: there is more interest for investing in large agribusinesses mainly from DFIs and banks, with higher need for incentives to attract investors for other segments

	Main capital suppliers	Type of current financing	Level of interest for investing in Mozambique
Small (Rev. <\$500k)	<ul style="list-style-type: none"> • Donors • Microfinance institutions • Aggregators and agrodealers 	<ul style="list-style-type: none"> • Grants • Microfinance 	 <ul style="list-style-type: none"> • Limited interest from investors given high risk / low return profile and high need for TA
Medium (Rev. \$500k - \$5mil)	<ul style="list-style-type: none"> • Donors • Impact-first investors • Commercial banks 	<ul style="list-style-type: none"> • Grants • Debt (mainly short-term loans) • Equity 	 <ul style="list-style-type: none"> • Typical DFIs/impact investors increasingly moving to larger deals (+\$5M) to achieve financial sustainability for the deals • Need for de-risking mid-sized deals (\$2-5M) with incentives
Large (Rev. >\$5mil)	<ul style="list-style-type: none"> • DFIs • Large impact investors • Commercial banks • Private investors (FDI) 	<ul style="list-style-type: none"> • Growth capital both as debt and/or equity • Small grants (from donors) 	 <ul style="list-style-type: none"> • Investors typically interested in large ticket size investments (\$10M+) • Pipeline fairly well developed, but FX/regulatory uncertainties as main barriers to attract more capital

Source: Investor and expert interviews

2

Financing gaps: however, the smaller the business, the higher the needs for financing and capacity building

	Financing needs		Capacity needs	
	Working capital	CAPEX	Core business & capacity needs	SHFs inclusivity model & resilience
Small (Rev. <\$500k)	 Significantly expand access to financing (e.g., microfinancing, innovative solutions) at affordable rates	 Expand grants and access to financing at affordable rates	 Hands-on support to incubate and grow businesses	 Improve market access/linkages of emerging inclusive models
Medium (Rev. \$500k - \$5mil)	 Increase access to financing at affordable rates	 De-risk projects to attract more capital for mid-sized deals	 Hands-on support to incubate and grow businesses to commercial size	 Increase climate resiliency of inclusive business models
Large (Rev. >\$5mil)	 Affordable financing required to boost inclusive growth (i.e., buy more from SHFs more effectively)	 Incentives to support CAPEX projects that could enable inclusive growth	 Best practices and optimization opportunities	 Capacity building on inclusive models

Source: Investor websites, expert interviews

2

Demand: While large agribusinesses need support to expand operations in an inclusive way, small players struggle with working capital & talent skills to run daily activities

Level of support needed

- High
- Medium
- Low

	Financing needs		Capacity needs	
	Working capital	CAPEX	Core business & capacity needs	SHFs inclusivity model & resilience
Small (Rev. <\$500k)	Avg. need per business (\$M) 0.14 <ul style="list-style-type: none"> Monthly cash flow management Buying production from SHFs at harvest 	Avg. need per business (\$M) 0.21 <ul style="list-style-type: none"> Start / finalize processing facilities (buildings, equipment) 	<ul style="list-style-type: none"> Market-driven, long-term planning Financial management and process improvement 	<ul style="list-style-type: none"> Model validation & expansion
Medium (Rev. \$500k - \$5mil)	1.08 <ul style="list-style-type: none"> Access financing to support SHFs (inputs, credit, TA) Buying production from SHFs at harvest 	2.50 <ul style="list-style-type: none"> Access financing to expand land, processing and storage facilities 	<ul style="list-style-type: none"> Financial management and process improvement Talent upskilling Governance and oversight 	<ul style="list-style-type: none"> Increase SHFs climate resilience De-risk projects (side selling, illegal exports) Traceability to reach new markets
Large (Rev. >\$5mil)	4.00 <ul style="list-style-type: none"> Expand raw material purchases Improve financial capacity (credit to SHFs) 	8.00 <ul style="list-style-type: none"> Large infrastructure projects (silos, irrigation systems etc.) 	<ul style="list-style-type: none"> Best practices and process optimization 	<ul style="list-style-type: none"> Expand model to reach more SHFs in a viable way Develop business case to work more with SHFs (in vs out-grower models)

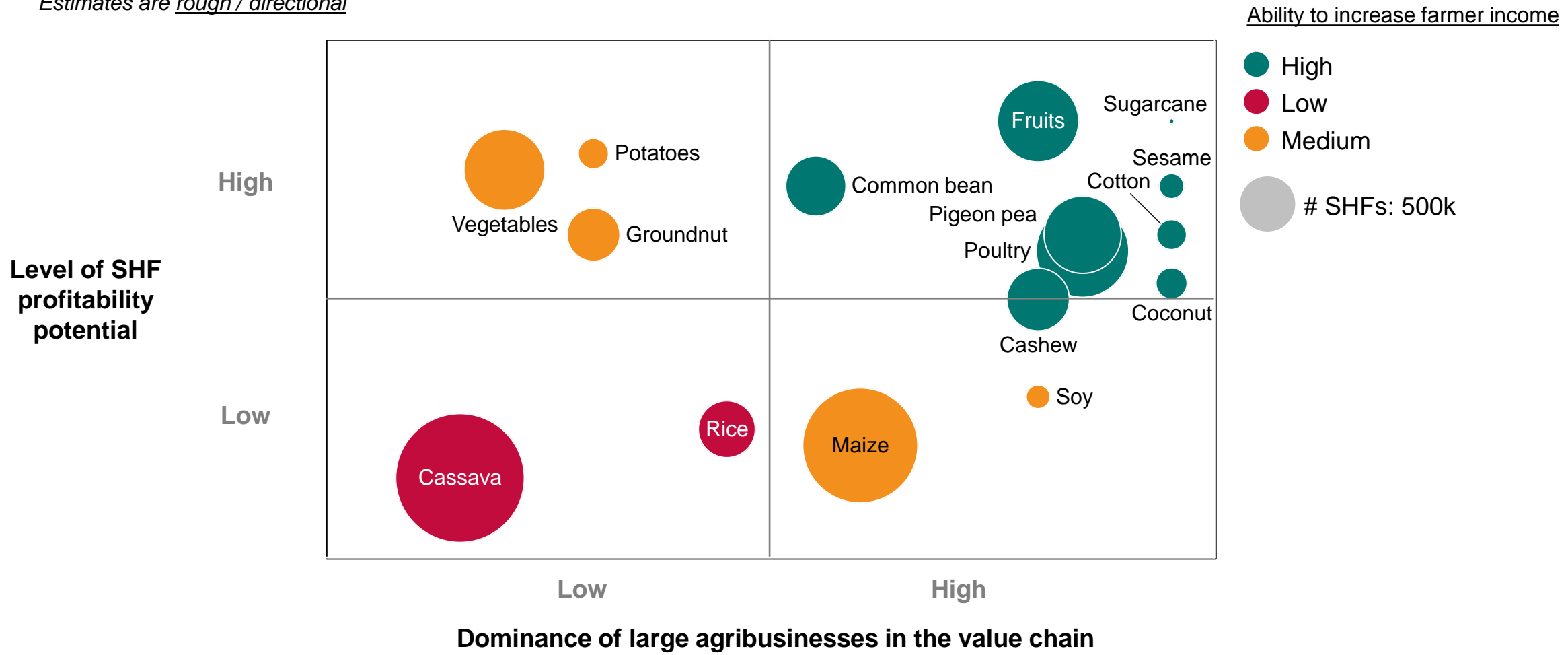
Source: Agribusinesses and expert interviews

3

SHF Impact: value chains with higher profitability potential for SHFs are usually dominated by large agribusinesses

Value chains by SHF profitability potential, dominance of large agribusiness and number of SHFs

Estimates are rough / directional



Sources: IAI 2020; FAO Stat; FTF PREMIER; Expert interviews

3

Climate resilience: Each climate resilience solution can be used by different segments

	Increase SHFs income	Resilient agricultural practices / inputs	Infrastructure improvements	Climate insurance
Small (Rev. <\$500k)	<p>Low</p> <ul style="list-style-type: none"> Lower margin crops Higher focus on business needs 	<p>Low</p> <ul style="list-style-type: none"> Lower margin crops Higher focus on business needs 	<ul style="list-style-type: none"> Usually, no ability for SMEs to support smallholders with infrastructure Investments provided by government or multilaterals (e.g., World Bank, AfDB) 	<p>Low</p> <ul style="list-style-type: none"> Limited financial capacity to support farmers with insurance
Medium (Rev. \$500k - \$5mil)	<p>Mid-High</p> <ul style="list-style-type: none"> Mid/High margin crops More ability to support farmers 	<p>Mid</p> <ul style="list-style-type: none"> Support businesses (e.g., input providers) can increase access to resilient practices / inputs 		<p>Low</p> <ul style="list-style-type: none"> Limited financial capacity to support farmers with insurance
Large (Rev. >\$5mil)	<p>High</p> <ul style="list-style-type: none"> Higher margin crops More ability to support farmers 	<p>High</p> <ul style="list-style-type: none"> Higher margin crops More ability to support farmers 		<p>Low</p> <ul style="list-style-type: none"> Mainly provided for in-grower models only

Sources: TNS; CASA; Expert interviews

Climate mitigation: economies of scale are an important factor to unlock carbon finance projects so large businesses are typically better suited for these interventions

	Ability to monetize carbon sequestration (carbon finance)		Businesses directly tackling climate mitigation	
Small (Rev. <\$500k)	Low	<ul style="list-style-type: none"> • Very difficult for Voluntary Carbon Markets (VCMs) due to lack of scale • More potential when part of SBTi compliant corporation value chain, which is uncommon in Mozambique 	Low	<ul style="list-style-type: none"> • Limited scale and ability to invest in low carbon practices • Key business focus more likely to be on growth vs climate mitigation
Medium (Rev. \$500k - \$5mil)	Mid	<ul style="list-style-type: none"> • A few of the businesses could reach the scale to unlock carbon finance projects 	Mid	<ul style="list-style-type: none"> • Certain ability to invest in low carbon models
Large (Rev. >\$5mil)	High	<ul style="list-style-type: none"> • Several businesses that could potentially unlock carbon financing benefits (e.g., cashew, maize, sugar etc.) with businesses with more than 5k SHFs 	High	<ul style="list-style-type: none"> • Higher ability to invest in low carbon technology and practices, especially when there is a positive commercial business case for it • More meaningful scale and mitigation potential

Sources: TNS; CASA; Expert interviews

While impact potential for small and medium businesses comes with unlocking investment, impact for large businesses comes with promoting smallholder inclusive growth models

Target segment	Recommendation	Capital supplier target	Description	Examples
1 Small	1.1 - Promote intra-value chain financing	<ul style="list-style-type: none"> Large businesses 	<ul style="list-style-type: none"> Promote large businesses to lend to intra-value chain actors (e.g., SMEs, small aggregators) with risk-sharing (e.g., guarantees) and inclusive supplier development programs 	<ul style="list-style-type: none"> Input suppliers and traders currently exploring solutions
	1.2 - Connect high-growth potential businesses from existing donor programs to impact investors	<ul style="list-style-type: none"> Selected impact investors playing in the SME space Donors 	<ul style="list-style-type: none"> Link with donor programs who are already offering TA and certain type of access to finance to small businesses to i) create pipeline of the high-growth potential businesses and ii) connect them to impact investors to continue growth journey 	<ul style="list-style-type: none"> Donor programs already working with SMEs (e.g., USAID Premier)
2 Medium	2 - Facility to unlock investment for medium segment high-growth potential businesses for both CapEx and WC	<ul style="list-style-type: none"> Concessional finance impact investors (Acumen, CFC, etc.) Commercial banks (mainly for WC) 	<ul style="list-style-type: none"> Incentivize impact investors to invest in middle size businesses for both WC and CapEx; need for stronger incentives; focus on core business growth Guarantee scheme / interest rate subsidy framed as performance-based support 	<ul style="list-style-type: none"> Not many current successful examples investing in medium size businesses
3 Large	3.1 – Incentivize and support large businesses to adopt and enhance their smallholder inclusive models	<ul style="list-style-type: none"> Commercial banks (WC) DFIs / large impact investors (CapEx) 	<ul style="list-style-type: none"> Incentivize large inclusive businesses by i) unlocking investment, mainly WC, to engage and buy from more farmers and ii) supporting them to adopt and enhance their inclusive models 	<ul style="list-style-type: none"> A few dozens of large agribusinesses that could potentially benefit from support to unlock WC investment and to improve inclusive models
	3.2 - Support carbon finance projects	<ul style="list-style-type: none"> Project developers/ financiers Multilaterals Other private sector 	<ul style="list-style-type: none"> Support large businesses 1) defining their carbon finance models with SHF focus, 2) connecting to project developers and pre-financing solutions, and 3) Potentially de-risking projects with incentives 	<ul style="list-style-type: none"> A few businesses already exploring / eligible for carbon projects: JFS, Xinavane, ECA

1.1 Promote intra-value chain financing

Main problems/constraints

- Smaller businesses **lack access to financing** and **fail to integrate** on their value chains (high level of informality)
- Many large agribusinesses **do not have the appetite** to work with micro and small suppliers

Interview quotes

“Smaller businesses in Moz fail to prove that they understand how they are integrated in the market”

Investor

“Lending to small aggregators is risky because I am not sure they will honor their contract with us”

Agribusiness

Proposed solution

Illustrative

Large businesses

Examples (non-exhaustive)

- **Large input suppliers**, such as AQI, Agrifocus, etc., provide credit for some of its smaller agrodealers, who then sell quality inputs for SHFs in remote areas
- **Large traders**, such as ETG, Olam, etc., are exploring solutions to increase level of credit for smaller aggregators on their value chains

Small businesses

- Typically **input suppliers, service providers** (e.g., cashew spraying groups), **agrodealers or aggregators** (e.g., village-based agents) working directly with SHFs

Donors

Key roles

DE-RISK

- Develop **guarantee schemes or incentivize insurance facilities** (e.g., Hollard) for large businesses to **reduce risk exposure** of financing smaller suppliers and **increase their financial capacity** for intra-value chain financing

MITIGATE RISK

- Work with other donors to promote **inclusive supplier development programs**, ensuring small businesses can be capacitated to work effectively with large ones

Source: Stakeholder interviews

1.2 Facility to unlock investment for medium segment high-growth potential businesses for both 2 CapEx and WC

Main problems/constraints

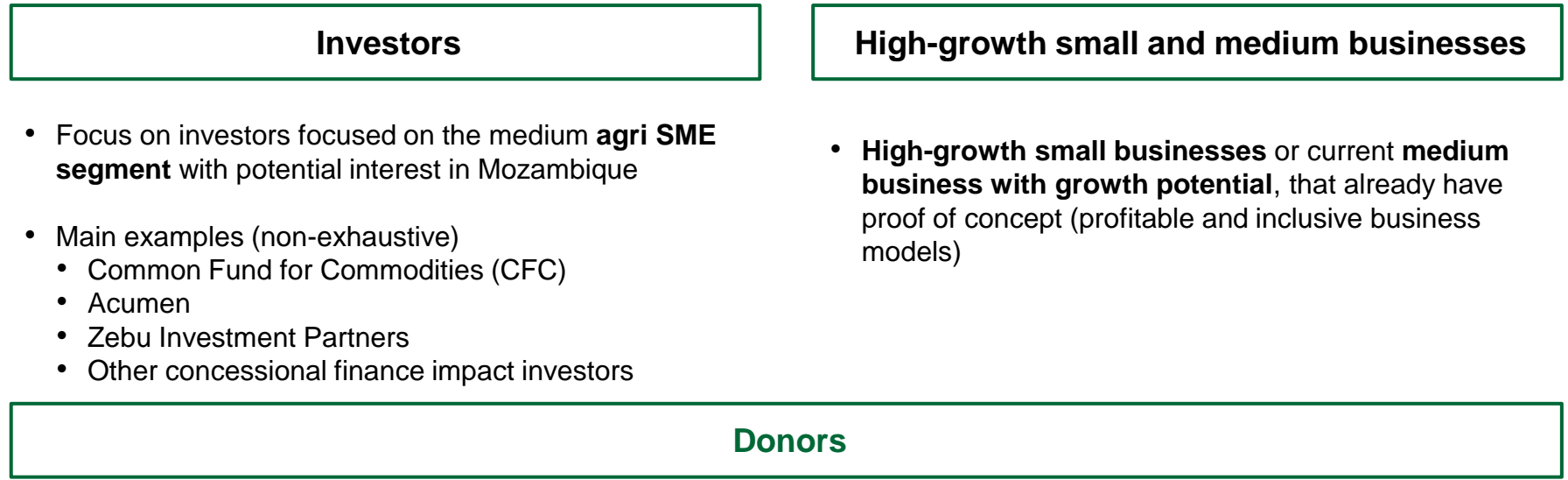
- Investing directly in medium businesses is **not financially viable** given high risks
- Investors are more and more **looking for larger deals** in pursuit of greater financial sustainability
- “Missing middle”**: There are fewer medium businesses in Moz and they lack ability to grow to commercial size

Interview quotes

“Medium businesses still need a lot of hands-on support until they can reach commercially investible size (\$10M+)”
Investor

Proposed solution

Illustrative



Key roles

- ATTRACT INVESTORS** • Identify **short-list of investors** with the right fit for investing in agri SMEs in Mozambique and **work with them to attract more capital** for the segment, providing right business pipeline and incentives
- INCENTIVES** • Offer **financial incentives** to impact investors such as:
 - Guarantee** schemes (covering at least 50% of the deal size)
 - First-loss** arrangements to de-risk investments
 - Guarantee or insurance** schemes to allow investors to return their investment abroad
- Offer **TA to agribusinesses** to ensure investment readiness and strong business cases (pre-investment TA) and **youth training/upskilling** to be the next generation of business leaders in the country

Source: Stakeholder interviews

3.1

Incentivize and support large businesses to adopt and enhance their smallholder inclusive models

Main problems/constraints

- Large agribusinesses **lack the incentives and financial capacity** to create and expand **inclusive models**
- They have access to **commercial finance**, but it is still prohibitively **expensive**

Interview quotes

“We don’t have enough working capital to buy from more farmers, even though we have already received CapEx support from DFIs to expand our processing capacity”
Agribusiness

“Large businesses can better control their value chain. Their ability to source locally can be a competitive edge”
Investor

Proposed solution

Illustrative

Investors

- Typically **large impact investors, DFIs and commercial banks** looking at larger ticket sizes

Debt / WC examples

- KfW
- ABSA
- NedBank
- Other commercial banks

Direct investments / Growth capital examples

- BII
- AgDevCo
- IFU
- ThirdWay
- Other investors

Large businesses

- **Large agribusinesses with inclusive models** (e.g., in or out-grower schemes, providing climate resilience support to SHFs and promoting gender equality)



Donors

Key roles

INCENTIVES

- Incentivize **inclusive investments** by providing:
 - **Inclusive TA** for large businesses (support to create business case with vantages for both businesses and SHFs)
 - **Outcome-based incentives/subsidies** to agribusinesses and investors/banks to unlock more capital to projects promoting smallholder inclusivity and climate resilience
- Help DFIs and commercial banks be **complementary** to each other
 - **Commercial banks** can further support **WC needs** with the right product fit & interest rates for agribusinesses (e.g., providing guarantees with more liquidity to banks)

Source: Stakeholder interviews

3.2 Support Carbon finance projects

Main problems/constraints

- The carbon financing landscape in Moz is still on its **early stages**, with **little coordination** among actors to create success cases
- **Talent and technical skills** in the space are **expensive**, typically coming from abroad
- Some companies and investors are interested in the space to **improve SHF income**

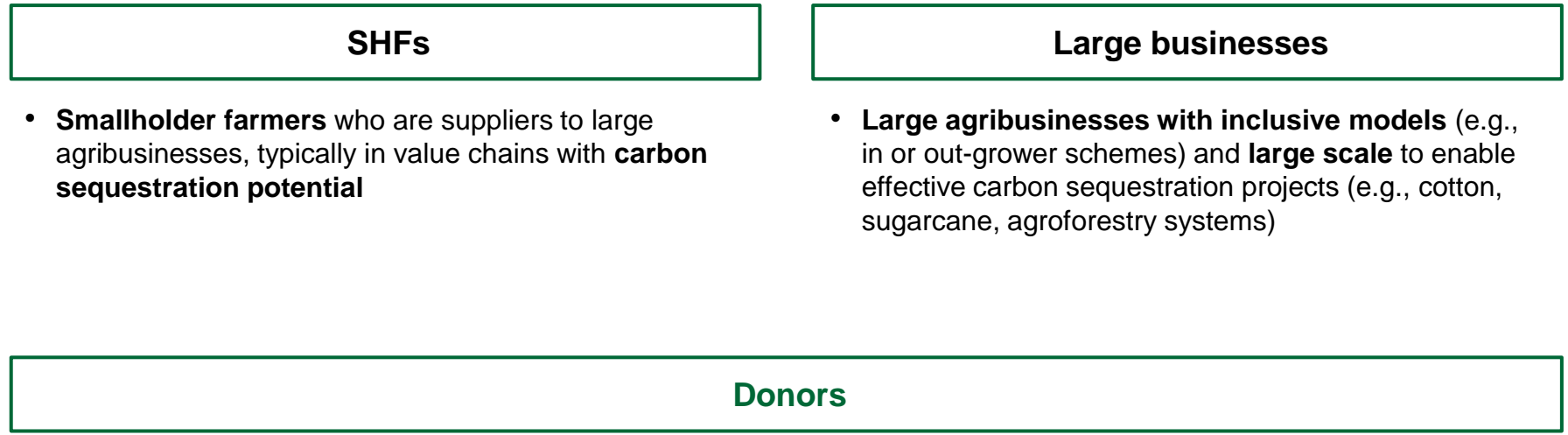
Interview quotes

“We are investing in Macadamia in Moz to meet our CO2 reduction targets while driving social impact through our investments”

Investor

Proposed solution

Illustrative



SHFs

- **Smallholder farmers** who are suppliers to large agribusinesses, typically in value chains with **carbon sequestration potential**

Large businesses

- **Large agribusinesses with inclusive models** (e.g., in or out-grower schemes) and **large scale** to enable effective carbon sequestration projects (e.g., cotton, sugarcane, agroforestry systems)

Donors

Key roles

- STUDIES** • **Finance case studies or business cases** to support organizations define the right carbon financing model for their operations
- INCENTIVES** • **Incentivize pre-financing investments** for carbon sequestration projects or **provide grants to de-risk** projects
- KNOWLEDGE** • Work as a **knowledge facilitator to support the financial market players** better understand green finance initiatives and opportunities that relates to smallholder farmer agriculture

Source: Stakeholder interviews

Thank you

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