

# SME Finance Working Group Meeting

23 September, 2021



# Agenda

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## ■ Introductions

Hollard Insurance SME Credit Risk & Guarantee Facility

GiZ ProEcon Program - Financial Systems Development

FCDO Mozambique Agricultural Jobs and Investment Programme

Discussion

# Introductions



Hollard.

**Israel Muchena**

MD of Life & Agricultural Insurance  
Hollard



**giz** Deutsche Gesellschaft  
für Internationale  
Zusammenarbeit (GIZ) GmbH

**Gabriela Rosales-Rogge**

Team Leader of the Financial  
Systems Development Component  
GIZ



Foreign, Commonwealth  
& Development Office

**Sérgio Dista**

Private Sector Development Advisor  
FCDO – British Embassy in Maputo

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Introductions

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Discussion



# SME Credit Risk & Guarantee Facility

Mozambique

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Israel Muchena  
Prince Zandamela  
Gabriel Davel

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# Opportunity

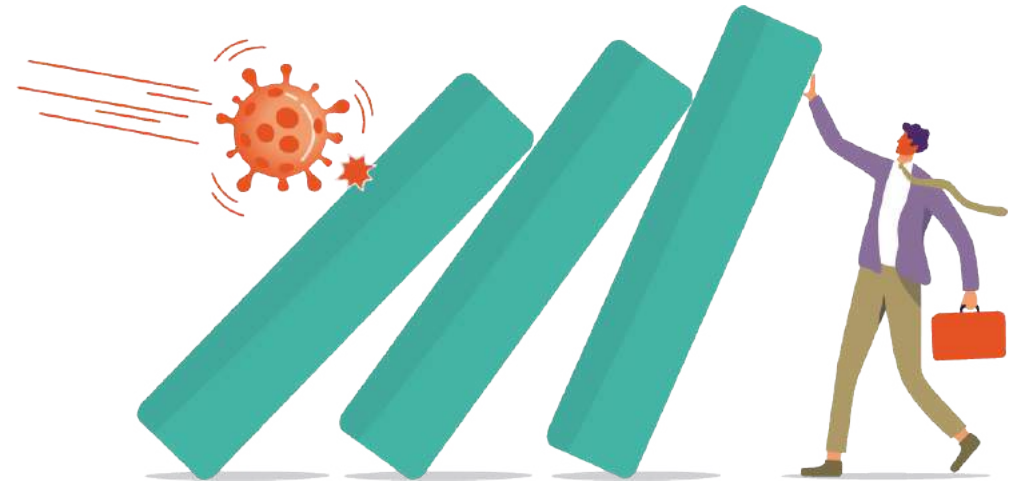


**Multi-bank Credit Guarantee Facility,  
supported by digital origination  
& advanced credit risk analytics**



# ▶ Important contribution to recovery from Covid-19 impact

- Covid-19 recovery poses particular challenges
- The proposed Digital Credit Guarantee Facility can fill an important gap
- Sector & gender targeting
- Joint venture including commercial insurer and extensive credit risk management expertise





# Credit Guarantee Facility, based on digital origination & advanced Fintech application in risk assessment







Bem-vindo!

O Credi-Seguro ajuda as empresas a obterem empréstimos bancários



Próximo >>

17% Complete

### Como podemos te ajudar?

Fazemos isso recomendando empresas a bancos parceiros. Bons negócios também podem se qualificar para uma garantia. Isso facilita a obtenção de um empréstimo.



Próximo >>

<< Anterior



67% Complete

### O Empréstimo

Qual valor de empréstimo você deseja? \*

- MT 0 - MT 60 000
- MT 60 000 - MT 300 000
- MT 300 000 - MT 600 000
- MT 600 000 - MT 1 200 000
- MT 1 200 000 - MT 1 800 000
- Valor diferente

Com que finalidade você quer o empréstimo? \*

0/100 palavras

Próximo >>

<< Anterior



Informational text block, likely describing the business or the data collection process.



Owner details  
Business information



Sales – Purchases – Expenses  
Stock - Equipment – Suppliers  
Properties – Vehicles - Valuations  
Finance & banking



Verified through on-site visit  
Digital ~ visual experience



COMPREHENSIVE DATABASE  
Advanced Analytics  
Reporting



1	100	1000	100000
2	100	100	100000
3	100	1000	100000
4	1000000	1000	100000



Y01: Monto a cobrar	10000000
Y02: Antecipação recebida	2000
Y03: Monto de crédito	9998000
Módulo de fidejussão de fidejussão de fidejussão	



# Value for different stakeholders



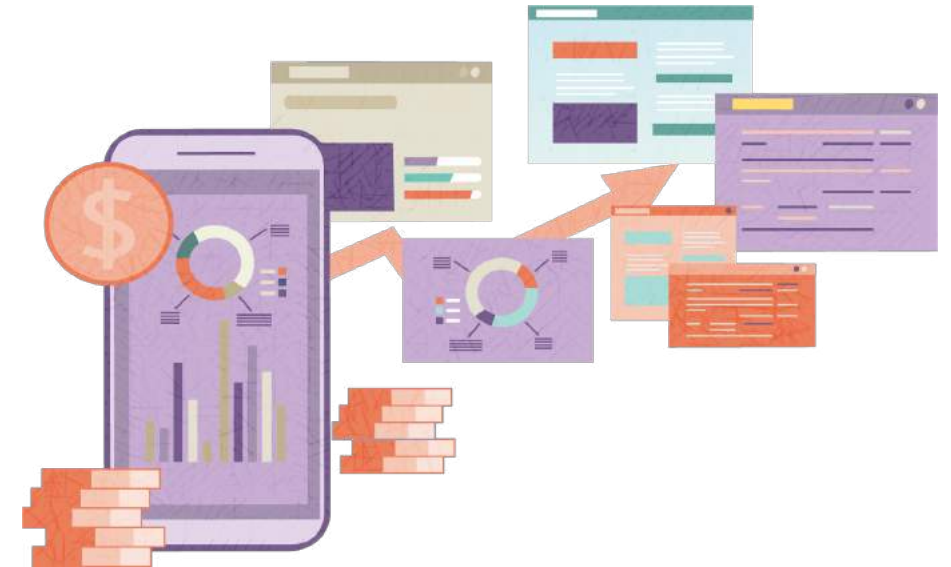
## For small businesses

- A “Fintech experience”, digitally friendly with rewards for good behaviour
  - Easy and friendly access to working capital finance; advancing to equipment, MV finance, expansion finance in future stages
- ... reduce collateral constraint*
- ... finance access & options*



## For banks

- A pipeline of pre-qualified clients, + 50% loan guarantee
  - Credit score & independent risk assessment
- = increase predictability & liquidity in SME lending





# Where are we now



## Technology

- ❖ Developed & deployed, using commercial platform
- ❖ Flexible & scalable

## Banks

- ❖ MCB agreements finalised, being implemented
- ❖ Advanced discussions with commercial banks

## SME Application

- ❖ Tested & implemented,
- ❖ Pre-qualify clients
- ❖ *... impatient to get loans*

## Future

- ❖ Pilot not complete, but all signs positive
- ❖ Potential for different SME applications
- ❖ Development funding for commercial implementation



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# Thank You

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Hollard.

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**GIZ / ProEcon Program**

**Financial Systems Development Component**

Gabriela Rosales-Rogge, 23.09.2021

# GIZ's approach to Financial Systems Development


**Approach:** To support partner countries to build an inclusive and stable financial system in order to provide people in developing countries with sustainable access to financial services.

## FSDI Portfolio

(Volume - EUR 162 million)

▶  Spans the whole range of financial services

▶  Working with financial serv. providers, policy makers, regulators

▶  Sustainable provision of financial services

Latin America  
12%

MENA  
16%

Africa  
32%

Asia  
20%

Supra-regional  
20%



# FSDI's Global Imprint

## Sustainable Development Goals (SDGs)



### Global

Access to Insurance Initiative (A2ii)

InsuResilience Global Secretariat

AgFin for Rural Dev

Long-term climate financing

Agricultural Trade, Business, Finance

### Supraregional

SI Jobs | Ethiopia, Côte d'Ivoire, Ghana, Morocco, Senegal, Tunisia

STA Green Bond Market Development | Brazil, China, India, Mexico

Inclusive Finance | MENA

Regulatory Framework Promotion of Pro-Poor Insurance Markets Asia

RIICE | Cambodia, India, Indonesia, Thailand, Vietnam

STA Swiss RE Asia

NAMA Facility Colombia, Costa Rica, Mexico, South Africa, Thailand

STA Allianz SE | Africa, Asia

STA Conservation Finance | Indonesia, Mexico

STA IPC

STA AXA Inkopdit

Climate Finance Readiness Programme

Climate Finance Transparency

Employment Creation African Diaspora

Preparation ETS | Mexico

Green Financial Market Regulation and Green Bonds | Brazil

Sustainable Livestock Production | Paraguay

Rural Development | Tunisia

MSME Finance | Morocco

Support Gambian Revenue Authority | Gambia

IPC | Ghana

Sustainable Economic Development | Ghana

Rural Development | Togo

Agricultural Finance | Benin

Agricultural Finance | Nigeria

Pro-Poor Growth Employment | Nigeria

Agricultural Finance | Cameroon

Financial Inclusion | Congo

Bank Training Centre | Congo

Innovative Approaches to FSD | Germany

Global Initiative for Access to Insurance | Germany

Regulation Financial Services | Montenegro

Digital Payments | Jordan

Sustainable Economic Development | Kyrgyzstan

Private Investments for the Agenda 2030 | Pakistan

Women Entrepreneurs/Startups | India

Development and Management NAMA | India

SME Sector Development | Sri Lanka

Increasing Investments in Occupational Safety and Environmental

Upgrades in the Textile Industry | Bangladesh

Capacity Building for ETS | China

Banking and Policy Support | Myanmar

Microfinance in Rural Areas | Laos

STA Charter Ping An | Philippines

Financial Services for SMEs | Egypt

STA Farmers as Entrepreneurs | Uganda

Agricultural Finance; Start-Up Finance | Kenya

Agricultural Value Chains | Madagascar

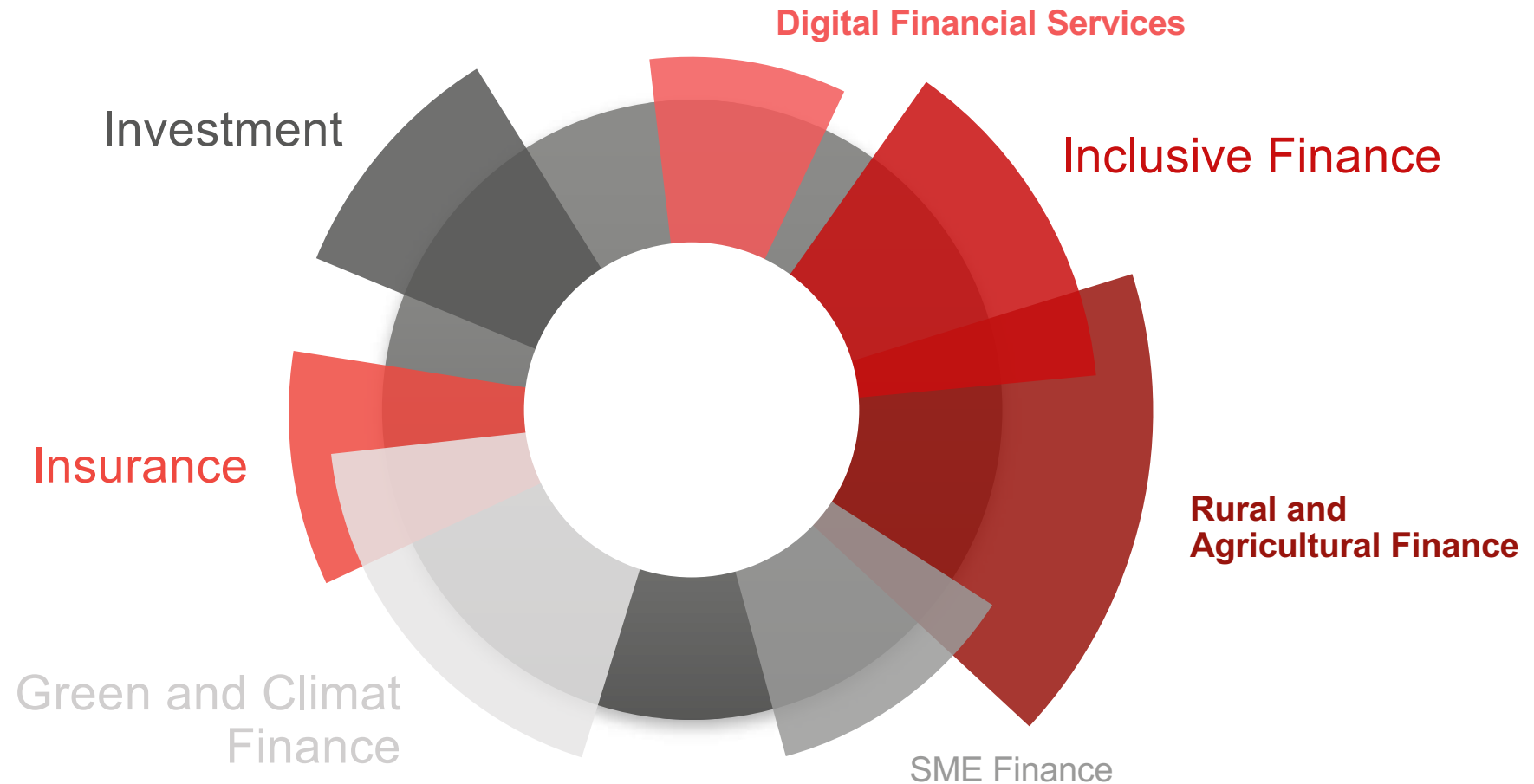
Financial System Development | Mozambique

Social Protection Programme | Malawi

STA NWK AgriService | Zambia

Start-Up Finance; Financial Education | Namibia

# GIZ's Distribution of Current Projects according to Main Topic (Total of 41 Projects)



# GIZ- ProEcon Program in Mozambique: Strategy House

Increased employment and income – reduced poverty

Micro, Small and Medium Enterprises use improved framework conditions for inclusive growth



**Improvement of Business Environment**



**Private Sector Development**



**Financial System Development**

Implementation of selected reforms on national and subnational level

Monitoring of reform implementation

Consolidation of BAU services and cooperation with local institutions

ComCashew

Up-scaling and replication of successful inclusive business models

Provision of external and embedded services to MSME

Development of new inclusive business models

Employment and Skills for Eastern Africa (E4D/SOGA)

Use of financial services by MSME

Offer of adapted financial services to the unbanked

Addressing outreach and consumer protection issues with Central Bank

Green Innovation Centers (GIAE)

**Funding**

EUR 29.49 million (BMZ plus EUR 11.4 million EU co-financing)

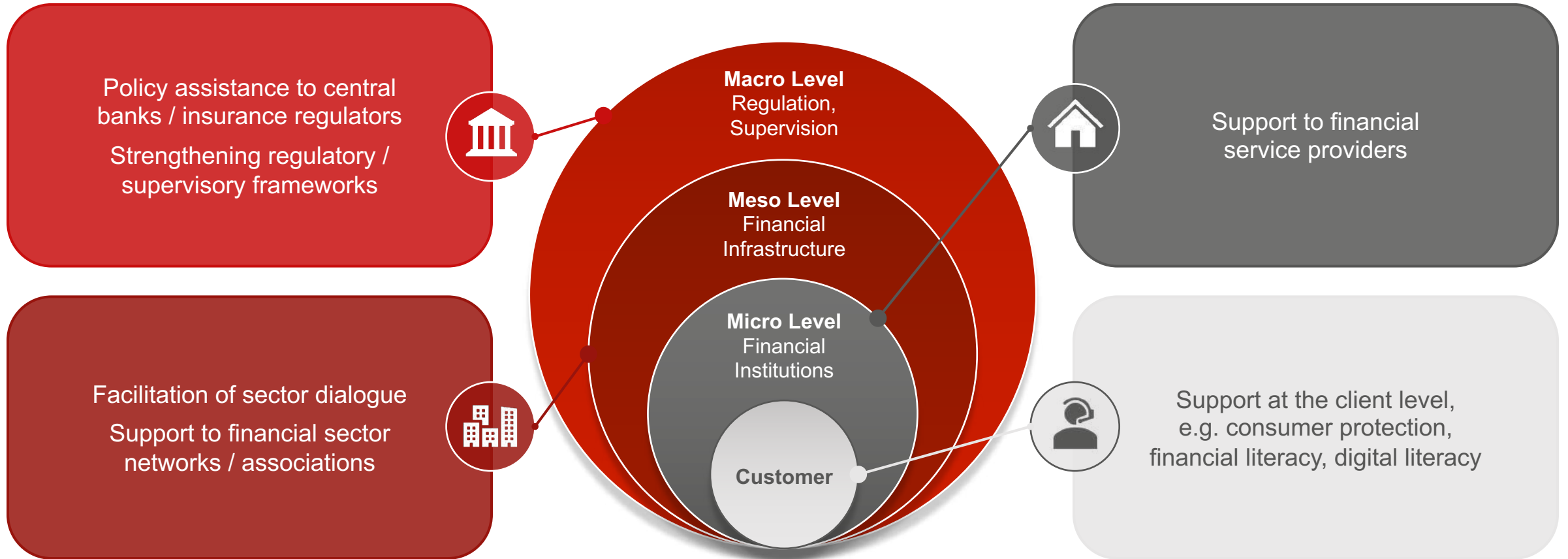
**Lead executing agency**

Ministry of Industry and Commerce (MIC)

**Duration**

01/2017 – 12/2021 extended to June 2024

# Multi-level Advisory Approach



# Micro Level – Linkage Model – work with NGOs in the provinces

ASCAs (accumulated savings and credit associations):

- Informal saving method
- **25/ 30 people meet at least once a month to save and inter-lend** money
- Operate in cycles, around 6 to 12 months long

ProEcon works with 6 NGOs in 5 provinces to link these groups to the formal financial system (banks and/ or Mobile Money providers)

- We also engage into capacity building measures for the NGOs for this work.
- **38,657 MSMEs** have been linked to the formal financial system with **25,021 (64.7%) led by women**
- Expansion to Nampula and Zambézia has started in early 2021 with focus along the value-chain (PROMOVE)



# Micro Level – Linkage Model – work with NGOs in the provinces

## Challenges:

1. Documentation of rural population
  2. Low level of financial literacy – low levels of awareness of financial products and services
  3. Size and complexity of the savings groups – Micro entrepreneurs and differences in needs – payments? or savings?
  4. Finding the right model for the implementing NGOs is not simple and there is no one size fits all.
  5. Developing the right model for rural financial services takes time and much of trial and error.
- We are testing or impact with an IVR survey to assess usage of savings accounts opened from 2017-2020 with the support of the NGOs.
  - We are also planning a focus groups research on the use of financial services for MSMEs which opened bank accounts.



# Micro Level - Development Private Partnerships- Agency Banking

- **Technical assistance** to the banks to develop and manage these **agency banking networks** and ensure their **sustainability** at headquarter level
- In the provinces, GIZ works with local managers to profile and **recruit agents**, increase their client base and **identify challenges and opportunities** that management needs for decision making (including research – agent banking survey on impact of Covid-19).
- Over **1500 agents** nationwide, and **160,000 MSMEs** accessing financial services via agency banking
- We are looking forward to **new partnerships** with other banks and financial institutions especially **in the areas of Digital Financial Services, Rural and Agricultural Finance**



# Development Private Partnerships with financial Institutions

**Compliance:** Project must conform with development-policy principles.

**Complementarity:** Project must be effective and efficient.

**Competitive neutrality:** Project must not distort competition.

**Private sector's own contribution:** Must be at least 50%.

**Sustainability:** There must be a clear commercial interest.





# Macro and Meso Level Approach



- Experience sharing and dissemination of business models through the **Associação Moçambicana de Bancos** to encourage the expansion of financial services in rural areas.

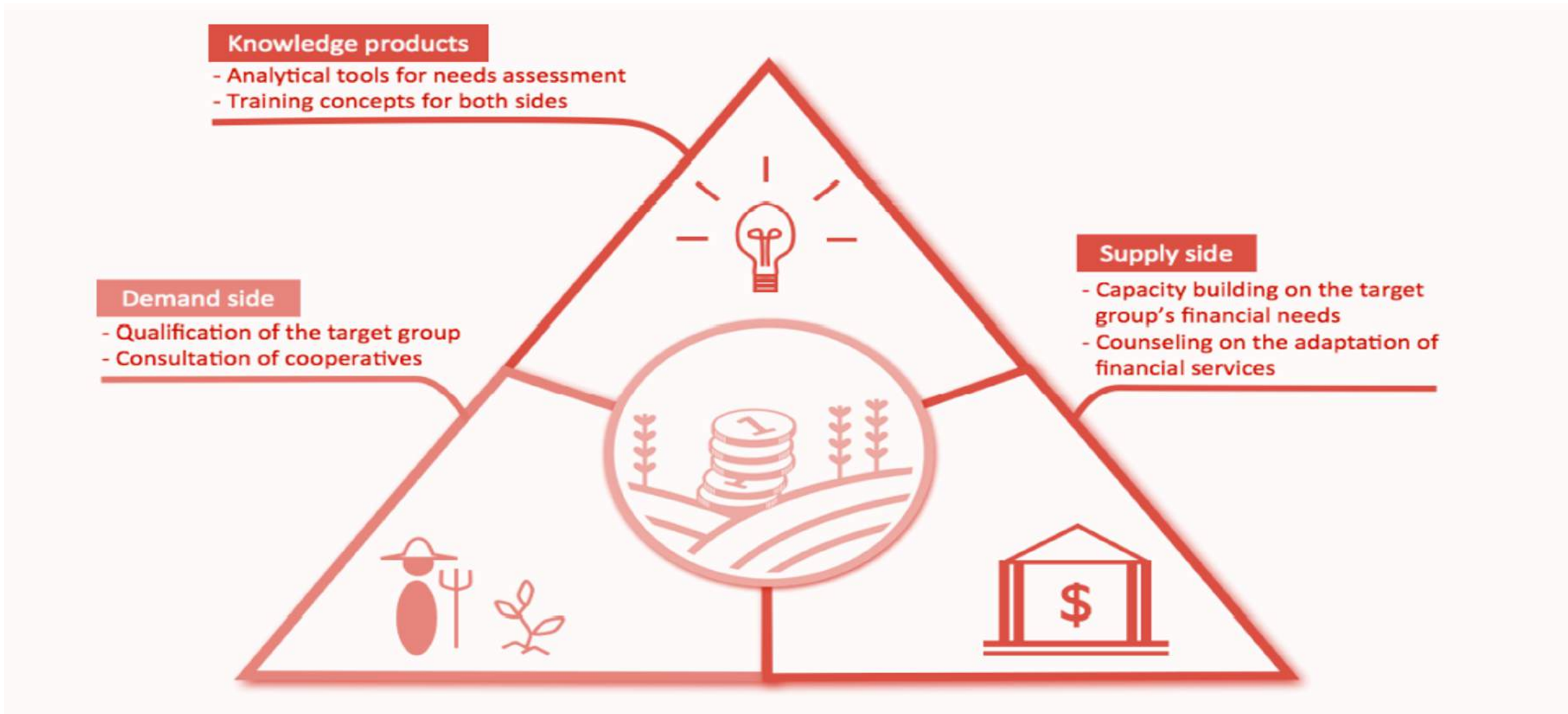


- Technical support to the **Central Bank** to create a **favourable regulatory environment** and promote the financial inclusion of rural MSMEs.

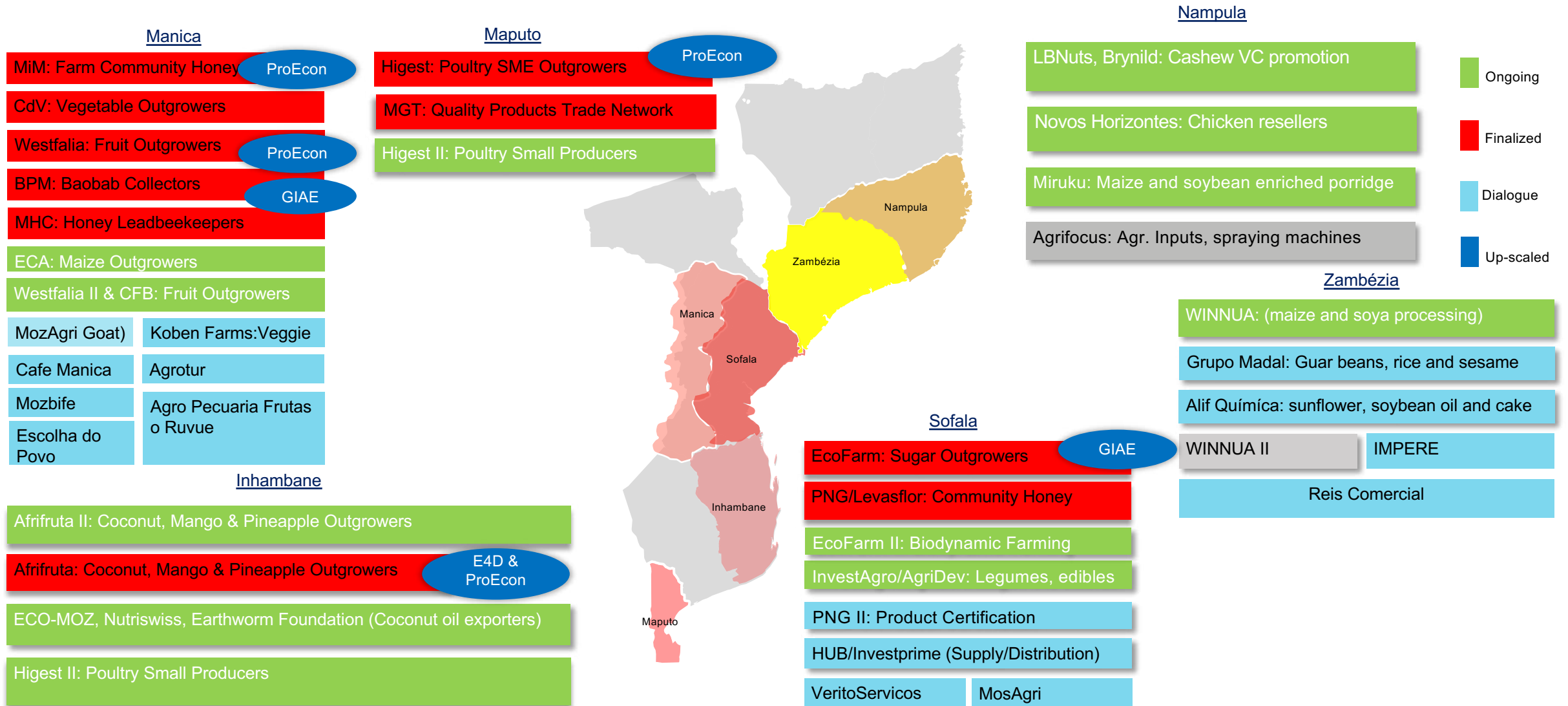


- Foster **private-public sector dialogue** to increase incentives for banks to offer services in rural areas. Notably through the participation and coordination of working groups within the **National Financial Inclusion Strategy (2016-2022)**

# We aim at bridging the Supply & Demand side gap



# Private Sector Development Component – InBM



# Thank you for your attention.

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Foreign, Commonwealth  
& Development Office

# Mozambique Agricultural Jobs and Investment Programme MAJI

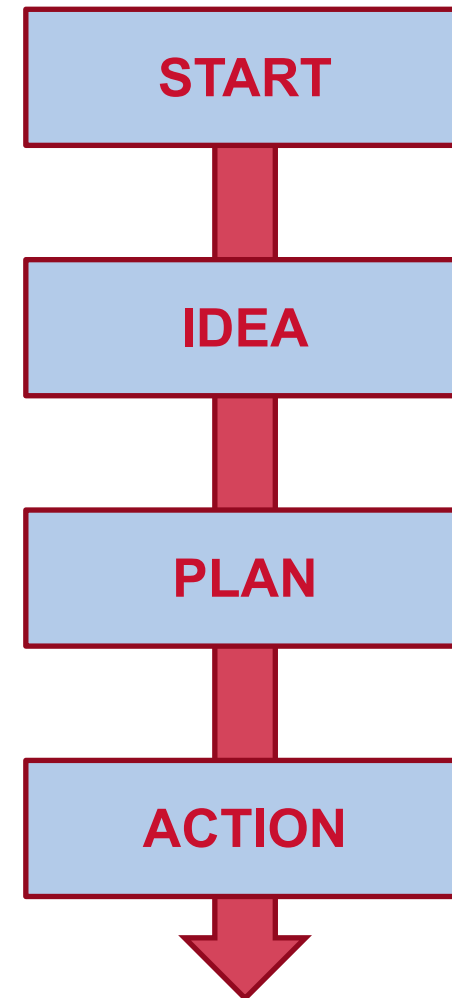
August 2021





# Problem Statement

- Demand for food is rising further, with rapid global population growth. Unless something changes, emissions from agriculture will likely increase by a further 15-20% by 2050. (McKinsey).
- In Mozambique, more than 23.5 million people lives in rural areas where poverty focus is high and rely on agriculture has the main livelihood.
- Smallholder farmers account for most of this sector's production, with some 3.2 million smallholder farmers accounting for 95% of the country's agricultural production. Only roughly 400 commercial farmers produce the remaining 5%.
- The agro-climatic zones is appropriate for any cropping patterns; with sub-humid zones (mostly in the center and the north) to the humid highlands (mostly the central provinces).
- The most fertile areas are in the northern and central provinces where there is high population density, which have high agro-ecological potential and generally produces agricultural surpluses
- Evidence (2016 WIDER paper) shows that certain types of commercial agricultural ventures in Mozambique (out grower schemes) generated moderate local welfare gains and helped smallholder farmers to participate in the development of high value chains. (AgDevCo)





# Why commercial agriculture is important?



- There is evidence that shows that bringing emerging commercial smallholders into high potential value chains will increase rural incomes and productivity and create rural jobs.
- There is an opportunity to take a more systemic, smallholder focused approach to commercial agriculture in line with CRA/CSA principles which simultaneously works to improve smallholder access to markets and works with agribusinesses, to increase their smallholder impact.
- It is in the UK's national interest to increase economic opportunities for smallholders in the developing world:
  - (i) Increased stability in Mozambique due to improved rural employment opportunities;
  - (ii) Increased environmentally sustainable food and non-food agricultural supplies;
  - (iii) Increasingly prosperous trading partners, bring more productive investments;
  - (iv) Strengthened household climate resilience reducing incentives to migrate.





# Programme focus

## What we want to achieve?

- Growth/development of agri-business as a mechanism to deliver more equitable growth through improved incomes in Mozambique and, support innovative financing mechanisms – such as payments for ecosystem services – that is needed to incentivize conservation and restoration of biodiversity.

## How we want to deliver?

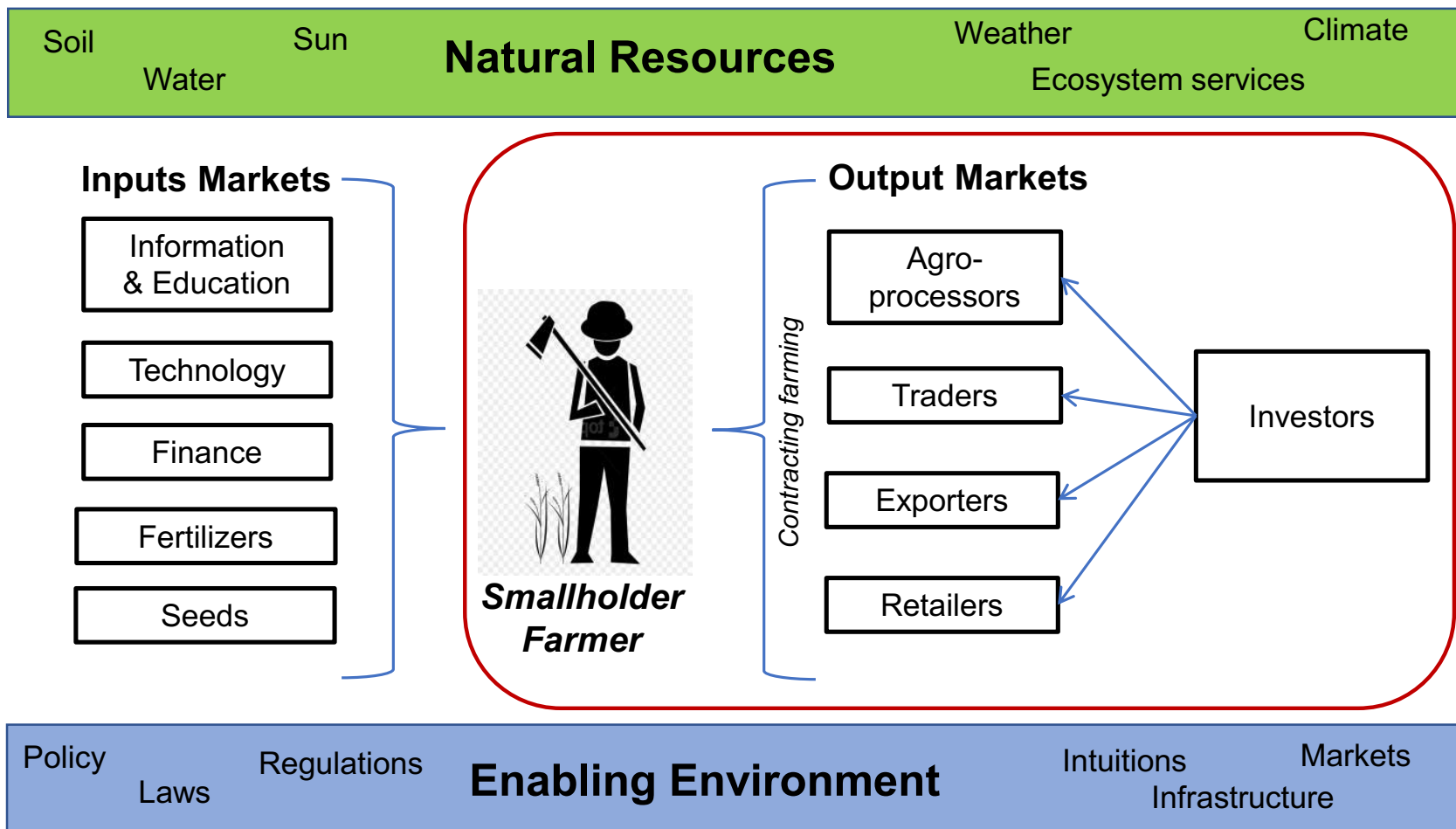
- The programme will focus on enabling commercial agriculture, where there is potential for smallholders' farmers production to be linked to a sustainable and viable value-chain market (local, regional or global), and promote products and farms productions to support climate mitigation, adaptation, and to reduce further pressures in environment (nature).

## Where we want to focus?

- The primary focus is Northern Mozambique: population density, appropriate agro-climate conditions, market opportunity and linkages, leveraging other initiatives, etc. However, there will be flexibility to support other regions, if justifiable.
- The interventions supported should clearly demonstrate market linkages (domestic and external with growth trends) where includes smallholder farmers, especially women in the value chain, to revamp the supply chain.
- Selection of value chain: (i) strong potential to scale-up, (ii) create market linkages for smallholders' farmers, (iii) climate change considerations, and (iv) attract other source of investments and capital.

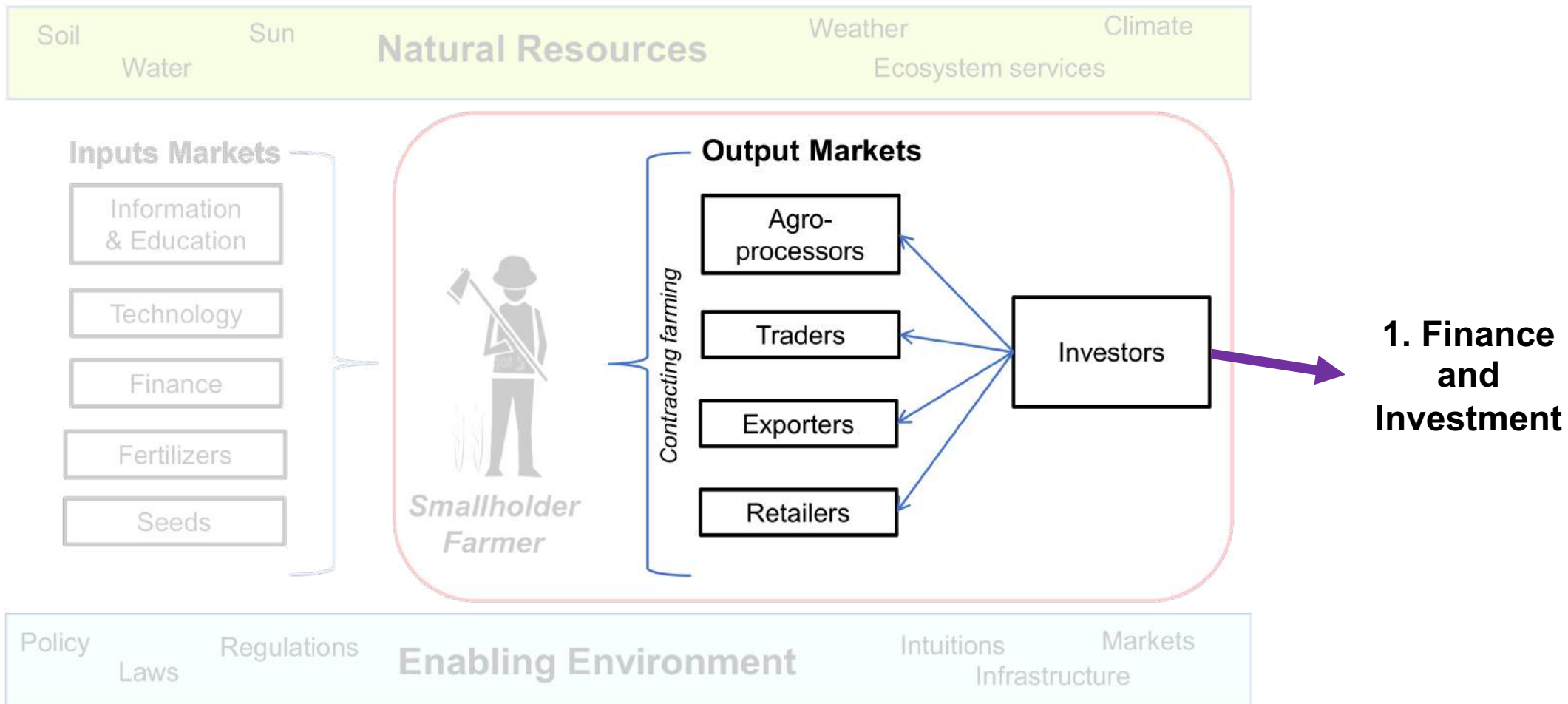


# Programme Approach



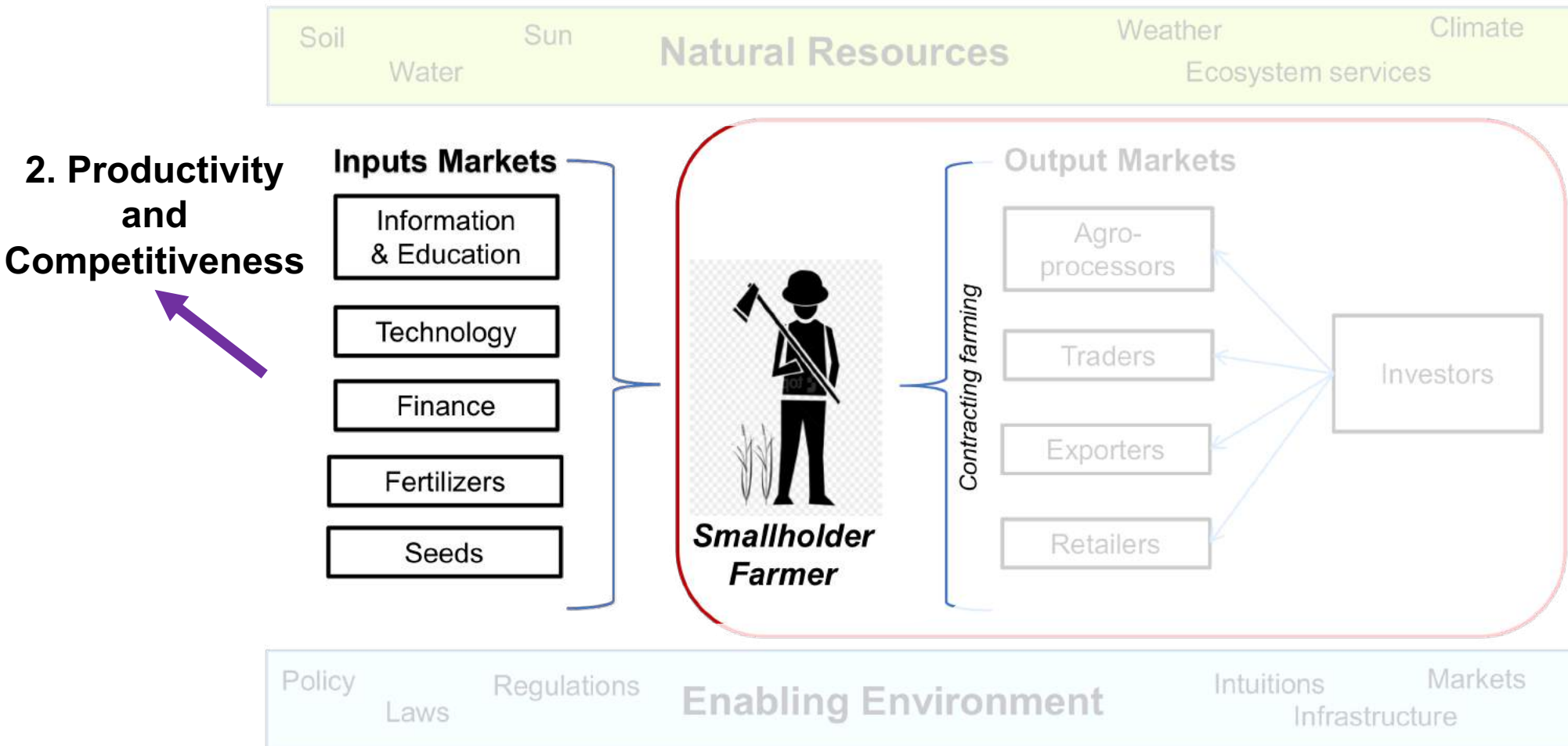


# Programme Approach





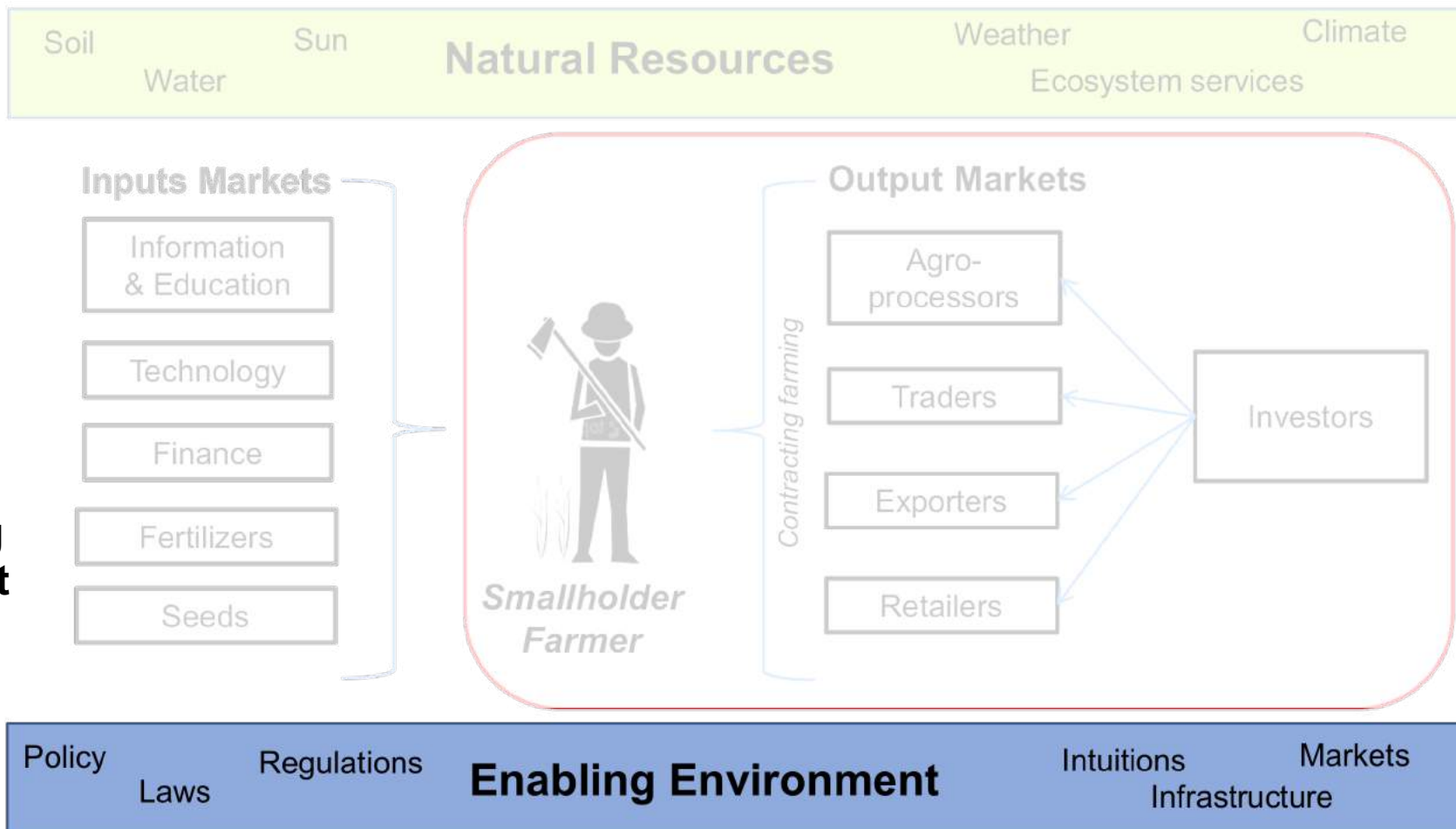
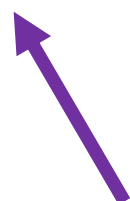
# Programme Approach



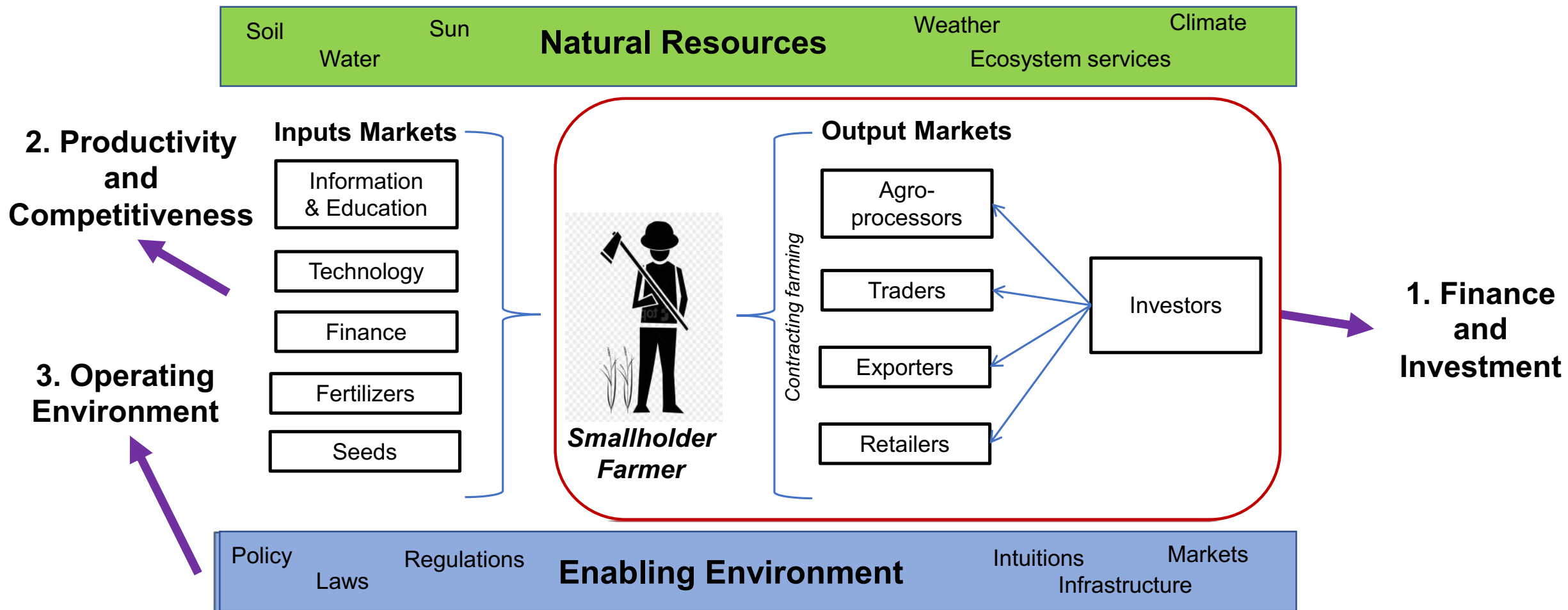


# Programme Approach

## 3. Operating Environment

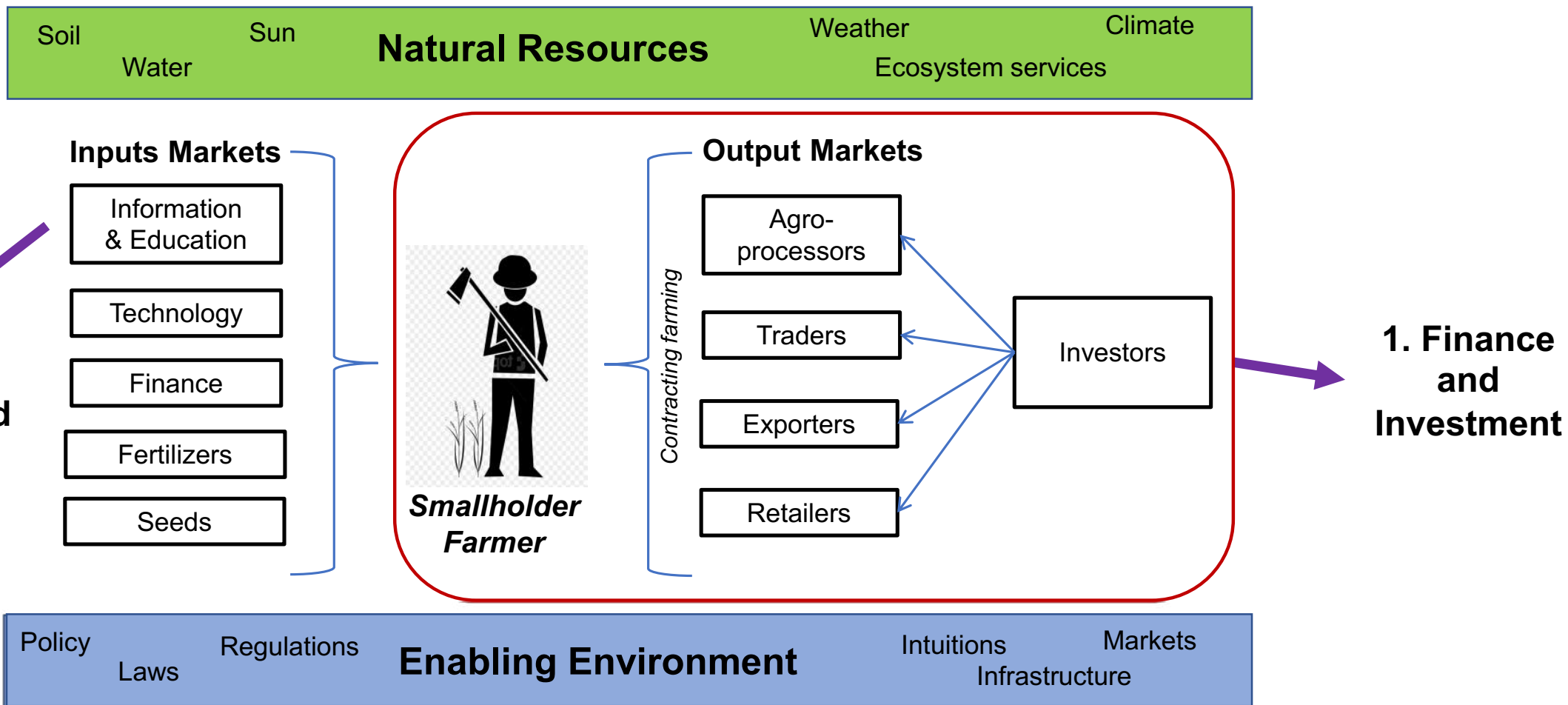


# Programme Approach





# Programme Components



# The typical agricultural value chain

*Build on SUSTENTA; and WB Sustainable Rural Economy Program*

*Opportunities for MAJI*



- Smallholder farmers
- Farmer associations
- Input providers

- Smallholder farmers
- Farmer associations
- Logistics companies

- Primary processors
- Machinery suppliers

- Secondary processors
- Machinery suppliers

- Packaging companies
- Logistics companies

- Grocery stores and supermarkets
- Food and beverage companies

Source: A.T. Kearney analysis

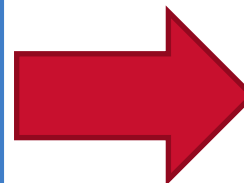




# 1. Finance and Investments – *of a particular interest...*

## Critical Constraints

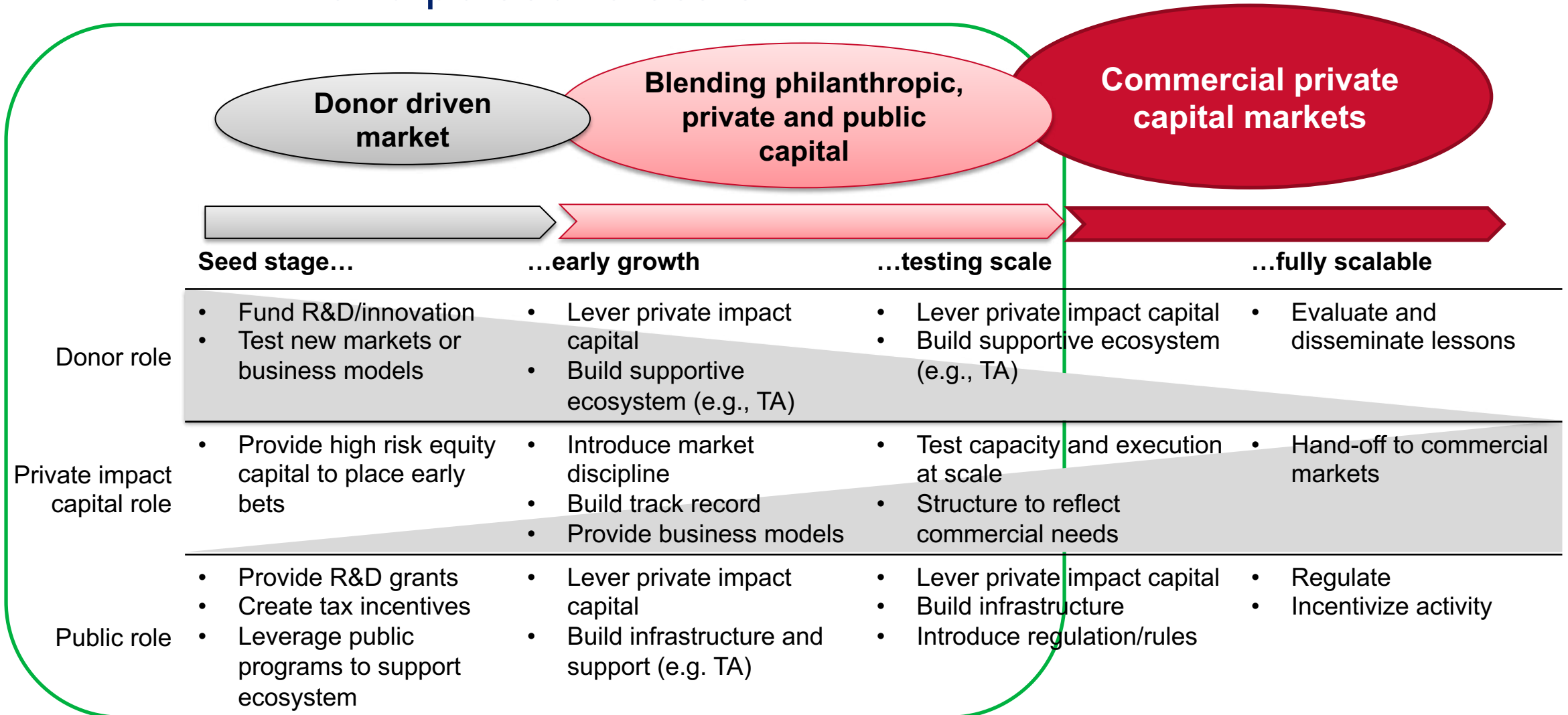
- High-cost capital and low appetite from financial institution to lend to agriculture
- The availability of working capital and investment is based on debt financing, and there is no other sources of appropriate financing for greenfield projects.
- Market gap where agribusinesses are seeking for small size investments than what is currently offered through the few existing facilities including CDC, IFC, and more recently AgDevCo.



## Illustrative interventions

- Patient and Development Capital
- Blended finance
- Challenge funds or strategic grants including TA

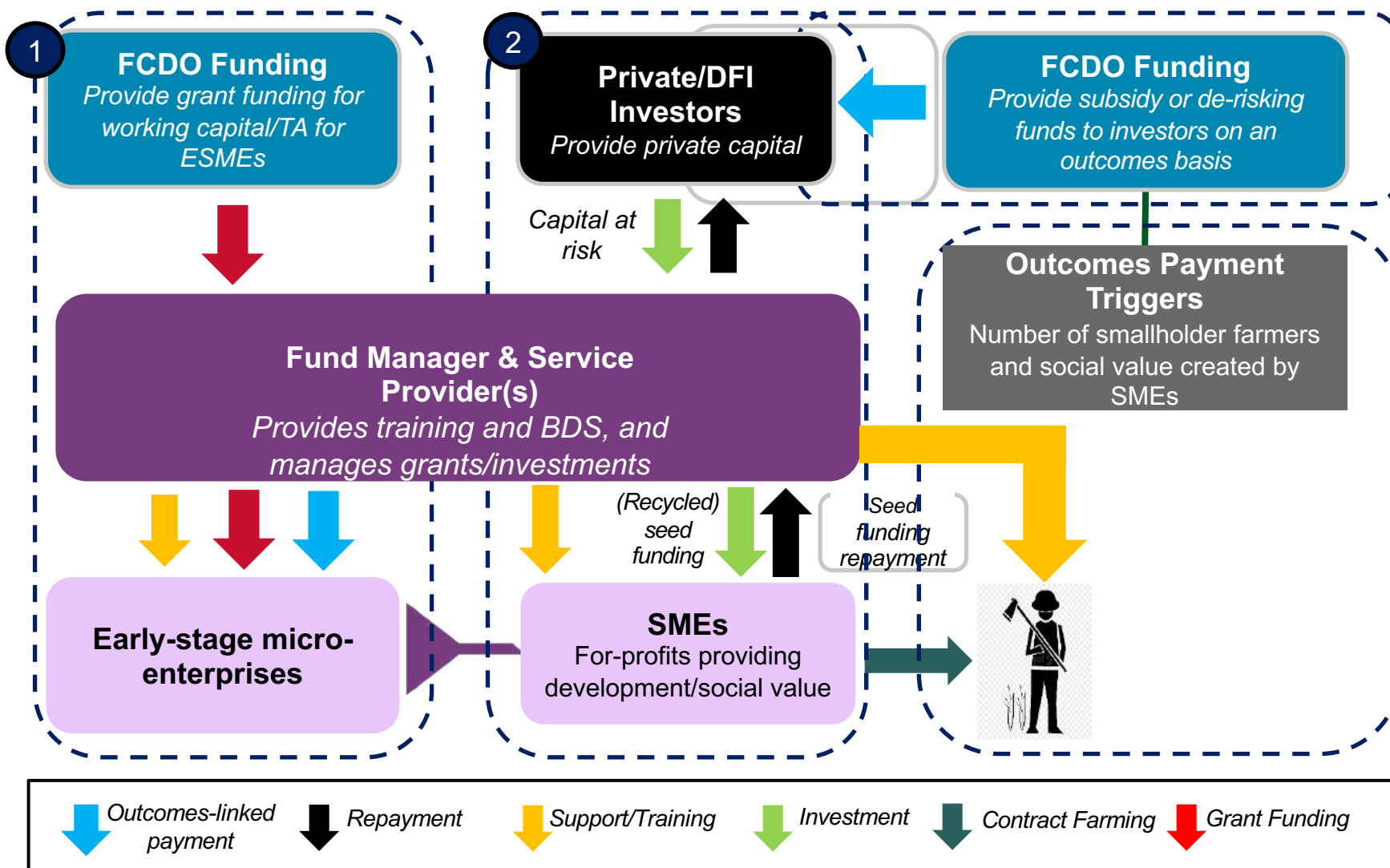
# The agriculture sector needs to be investment ready and poised to scale





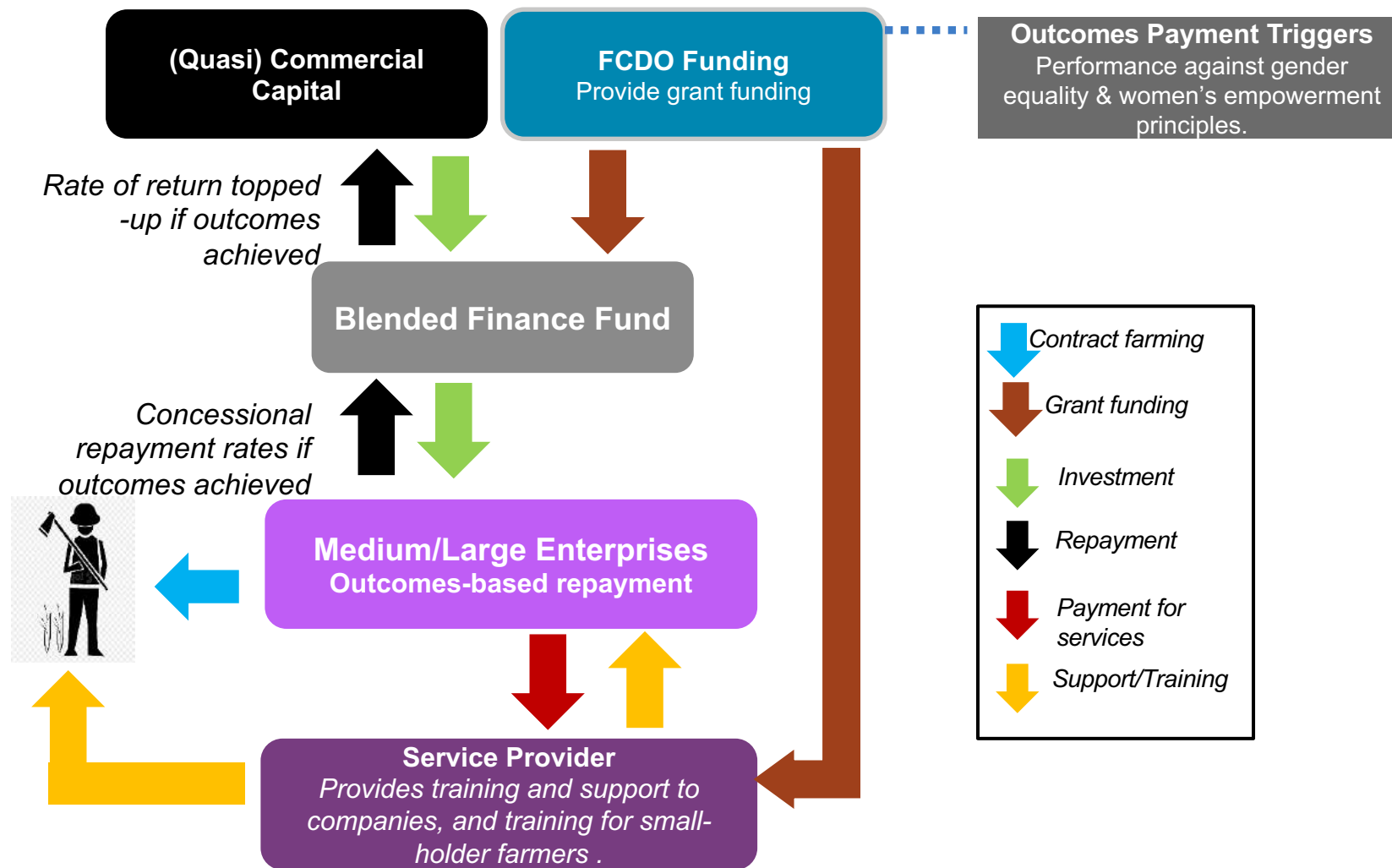
# Early-Stage Enterprise (ESE) Catalytic Fund

Impact: ESEs are able to scale, creating market opportunities for smallholder farmers



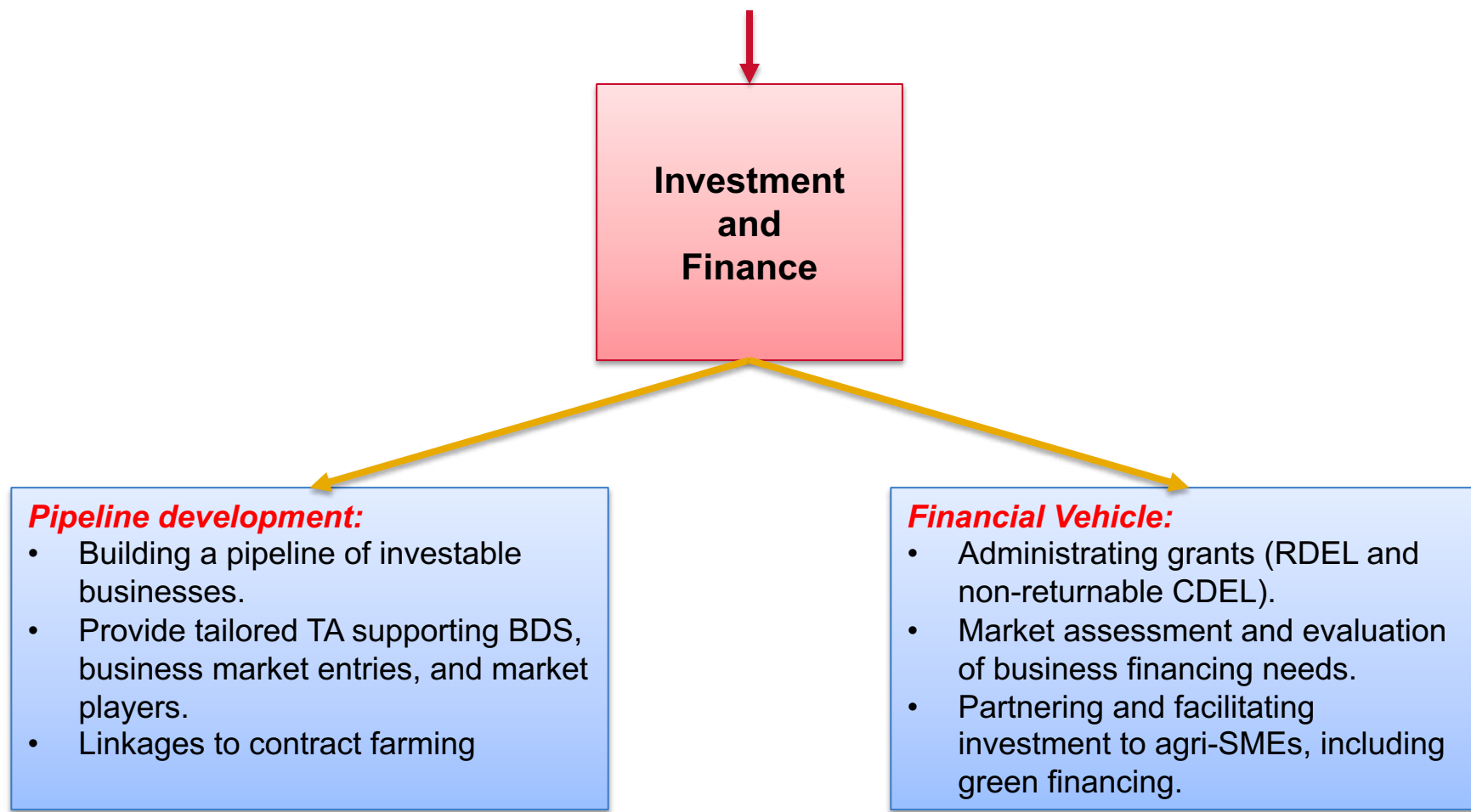
# Blended Finance: rewarding larger companies that improve smallholder farmers supply prospects

*Impact: Increased market opportunities for smallholder farmers, culture change and more affordable financing for SMEs/larger enterprises*





# Options that are being considered?



# Agenda

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FCDO Mozambique Agricultural Jobs and Investment Programme: MAJI

**Discussion**

# Discussion

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- Hollard & team:
  - What are your strengths compared to the other guarantee schemes on the market?
  - Do you consider that the fintech solution for loan origination will address the majority of the demand side constraints?
- GiZ:
  - What are your top three lessons for others who want to make an impact at the micro level and expand access to finance?
  - Where are you focusing your efforts for the next 3-4 years? What partnerships are you looking for?
- FCDO:
  - What do you see as potential risks in the establishment of the Catalytic Fund and how will you address them?
- How can the MSP support your SME financial design and partnership-building efforts in the coming months?

THANK YOU!  
OBRIGADO!

