



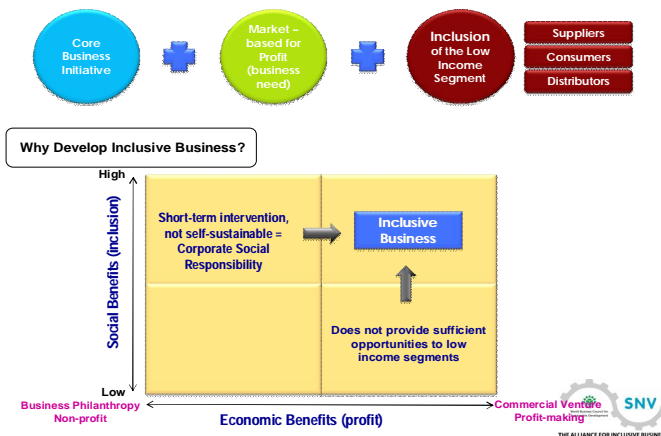
Connecting people's **capacities** for sustainable and equitable **access** to improved **Production, Income & Employment**

Agriculture in Mozambique

Mozambique is a country with good potential for development of the agricultural sector. The government commitment to strategically develop this sector is clearly articulated in its strategic plan. With only 14% of Mozambique's arable land currently under cultivation (5m ha), developing the Mozambican agricultural potential will help to improve the country's economy and reduce its balance of payments through increasing exports and reducing imports. The objective of the Mozambique agricultural strategy is to accelerate the establishment of commercial and sustainable agro businesses based on its natural comparative advantages, with the private sector being the main catalyst. This is in line with SNV's strategy to increasingly engage with the private sector to develop sustainable and inclusive agro business models.

Inclusive Agro Business

Positioning of Inclusive Business



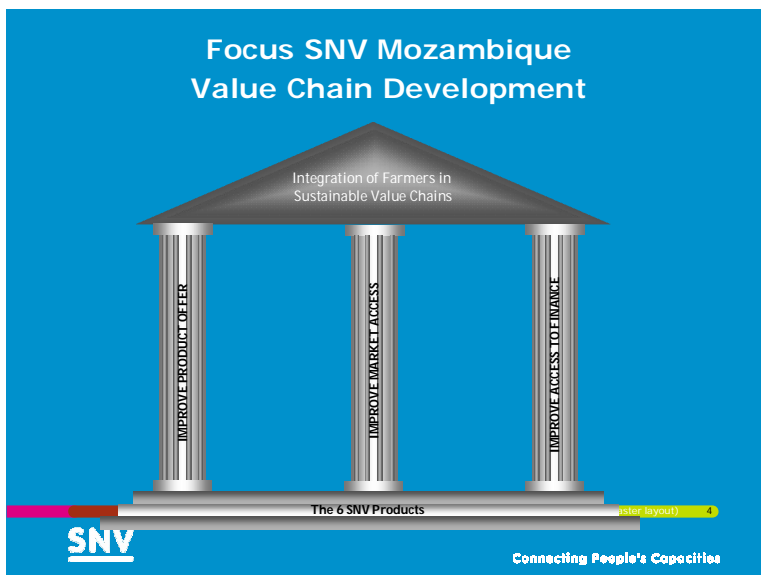
Inclusive (agro) Businesses are sustainable business models that involve low-income communities along a company's value chain – as employees, entrepreneurs, suppliers, distributors, retailers, customers, or sources of innovation in financially viable ways. Inclusive Businesses offer long-term assurances of sustainability with an emphasis on profitability thanks to the inclusion of low income communities as suppliers, distributors and/or consumers of goods and services.

Doing business with low income populations and opening up new markets requires recognizing the potential contained within a large, unexplored market, the Base of the Pyramid, which is usually ignored. As a business concept, Inclusive Business offers companies opportunities to contribute to poverty alleviation while increasing prosperity and creating opportunities across the board.

Key Challenges for Agro Value Chain Development in Mozambique

To allow small scale farmers to become credible suppliers and partners in any value chain or inclusive business model, we believe the following issues need to be strategically addressed across the agro sector in Mozambique:

Improving access to the markets. Farmers are usually unaware what opportunities the markets represent and how to connect to them. Through our interventions, farmers will be able to connect with the market through direct contracts with cooperatives, wholesalers, retailers and exporters:



- Bring the markets to the farmers, facilitating the set up of warehouses, processing facilities and cooperatives close to the producers.
- Stimulate the emergence of producers' cooperatives and Mozambican middle class farmers,
- Make local, export, fair trade and other markets accessible to our clients

Improving product quality and offer. We assist smaller farmers to improve their quality, increase their volumes, improve their consistency and diversify (adding value) their product offer allowing them to grow into credible business partners who can connect with the markets:

- Make inputs and finance as accessible as possible

- Facilitate transfer of agro expertise and experience on growing, harvesting and distribution.
- Facilitate dynamic cooperatives that can guarantee minimum volumes and different grades

Improving access to Finance. The financial sector in Mozambique is still underdeveloped especially its outreach to farmers. By including the small scale farmers in Inclusive Business models it will be easier to obtain finance as the project as such should be more sustainable. Based on this approach, we facilitate finance for Inclusive Business models including commercial finance, grants and private equity, the latter through our alliance with a Private Equity Fund.

"People are capable of getting themselves out of poverty. All they need is a good business opportunity"

Mohamed Yunus, Founder of Grameen Bank, Winner 2006 Nobel Peace price, Member of SNV advisory board

SNV Mozambique Economic Development Services: How Can We Help?

SNV is a Dutch development organisation with offices in 32 countries worldwide, active in both the public (education, water and sanitation, renewable energy) and the economic development sectors. In the economic development sector in Mozambique, we focus on agricultural value chain development, specifically the horticulture and oil seeds value chains.



From our offices in Maputo, Inhambane, Beira, Chimoio and Nampula, we provide tailor made services to assist both the private sector and the local communities to develop Inclusive Business Models on a sustainable basis.

Services include but are not limited to:

- Identifying and **Developing Inclusive Business Opportunities.** Preferably together with a committed private sector player, we provide assistance with the development of business plans which directly and/or indirectly have an impact on the local communities. Using our small scale farming expertise and experience, we aim to develop realistic business plans possibly in partnership with consultancy firms. **Market Linkages** can be facilitated through our network with the private sector worldwide as

well as through our partnerships with other local and international NGO's who promote imports of product from developing countries, like Fair Trade, CBI etc.

Ikuru, one of Mozambican largest farmers' cooperative, acts as a marketing outlet for 25.000 farmers growing oilseeds. With our input we aim to see raw cashew production increase from 267 to 750 tons during 2010, and groundnut from 438 to 600 tons, with Fair Trade export sales of cashew kernels tripling.

- **Organizing the local communities** into credible business partners whether as individual small scale or emerging farmers, or through legalized structures such as associations and/or cooperatives. The objective is to allow both parties, private sector and local communities alike, to be able to develop transparent, dynamic and legal business models which ultimately can cater for the required quality, quantity and consistency of the product or service to be offered to the market.



In 2007, the G21 started as an informal group of 21 small scale banana farmers, North of Maputo, selling 40 tons per year. SNV assisted G21 with structuring their association, facilitating market linkages and creating a brand, 'A Nossa Banana', allowing them to successfully negotiate contracts with supermarkets and wholesalers. The group has meanwhile grown into a formal association, representing 93 farmers whereas its sales volumes has grown to 1200 tons per year over 2009 whilst doubling its net margins. As per January 2010, the group has contracted its own professional management with SNV advising only on a 'need to' basis.

- **Facilitate Value Chain Finance** required for the business model to take off. Many inclusive business models require financial assistance to be able to overcome the first hurdles. In Mozambique many such financial facilities exist; however these are not always easy to access or to qualify for. SNV has an extensive network with most of the financial service providers keen to assist Inclusive Agro Business Models whether it concerns grants for studies, private equity for green field projects or joint ventures, debt finance in dollars or in meticiais.



Together with SEAF, Small Enterprise Action Fund, an emerging market fund management company which invests in small and medium sized enterprises, SNV is facilitating the set up of social private equity fund which aims to invest in Inclusive Agro Businesses in East and Southern Africa. The Fund is expected to be operational mid 2010. Anticipating the launch, SNV Mozambique has started developing a pipe line of prospects, as per the below

- Successful and sustainable Inclusive Business models not only require for the private sector and the local communities to work together but a buy in from other relevant parties need to be ensured as well. Hence, SNV facilitates from the beginning so called **Multi Stakeholder Platforms** (MSP) which aim to bring together all relevant stake holders to both avoid surprises on the one hand and to ensure sustainability on the other. Parties which could be invited to join a MSP could include national and/or local government agencies (finance, agricultural, export, investment agencies) and diverse range of companies providing support services (private, government or ngo's).



Beekeeping contributes to the conservation of natural resources like forests; improves yields of cash and food crops and generates income. Building on a private actor initiative to commercialise honey and beeswax in large quantities; a movement is created towards transforming this non timber forest product into a great source of income. This inclusive initiative involves a multi stakeholder platform, composed of small-holder producer associations, private actors and support organisations; engaging 15 actors around the apiculture value chain in Central Mozambique. Although the MSP is facilitated by SNV, it is driven by the private sector and the small scale farmers who jointly set a target to commercialise 500 tons of honey in five years time.

The above services are available through our team of economic development advisors who are working from our offices in Maputo, Inhambane, Beira, Chimoio and Nampula.

Some Inclusive Agro Business Examples

Below are some examples of projects SNV is currently involved with. The projects are in different stages of development. Please feel free to contact us for further information.

<p>Various Crops: Southern Mozambique</p> <ul style="list-style-type: none"> ➤ Client: Private Sector ➤ Setting up 6 Coops, owned by both private sector and farmers, to commercialize various produce (maize, beans, groundnuts, rice, sorghum, sesame) ➤ Markets: National ➤ Potential impact 30.000 small scale farmers 	<p>Bananas: Southern & Central Mozambique</p> <ul style="list-style-type: none"> ➤ Client: Private Sector ➤ Expanding banana production and setting up packing house involving private sector, emerging farmers and small scale farmers ➤ Markets: Local, Zimbabwe, SA and Fair Trade ➤ Potential impact: 2.000 small scale farmers
<p>Mangos: Central Mozambique</p> <ul style="list-style-type: none"> ➤ Client: Private Sector ➤ Expanding mango production and setting up a packing house involving private sector, emerging farmers and small scale farmers ➤ Markets: Local, SA, Europe and Far East 	<p>Dried fruit: Central Mozambique</p> <ul style="list-style-type: none"> ➤ Client: to be determined ➤ Providing a market for locally grown fresh fruits through dried fruit processing plant. Pilot project (2 tons fresh produce/day) operational; ➤ Markets: SA and Europe ➤ Potential Impact: 5.000 farmers
<p>Honey: Central Mozambique</p> <ul style="list-style-type: none"> ➤ Client: Private Sector ➤ Production, collection and cleaning system ➤ 500 tons of honey p.a. ➤ Market Japan & Europe ➤ Potential Impact 10.000 farmers 	<p>Vegetables: Southern Mozambique</p> <ul style="list-style-type: none"> ➤ Client: Private Sector ➤ Import substitution (90% is currently imported from SA) ➤ Processing 800 tons/year locally grown fruits & vegetables (cleaning, processing and packing) ➤ Markets: local ➤ Potential impact: 10.000 small scale farmers
<p>Cashew: Northern Mozambique</p> <ul style="list-style-type: none"> ➤ Client: Small Scale Farmers ➤ Brokering Export and Fair Trade markets for small scale processing units and Farmers Marketing Board ➤ Impact on 40.000 small farmers 	<p>Linkage Banking: Northern Mozambique</p> <ul style="list-style-type: none"> ➤ Client: Small Scale Farmers ➤ Capacity development of 3 Savings and Credit Cooperatives (SACCOS) ➤ Mobilizing rural savings for productive investments ➤ Linking SACCOS to formal banking system



MISSION

"SNV is dedicated to a society where all people enjoy the freedom to pursue their own sustainable development. We contribute to this by strengthening the capacity of local organisations."

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