



Co-financed by the European Union



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Improving the framework conditions in the private and financial sector

Businesses in Mozambique are becoming more competitive thanks to an improved operating environment, access to financial services and development partnerships with the private sector.

The challenge

Around 98.7% of all businesses in Mozambique are micro, small, and medium-sized enterprises (MSMEs). Many of them are informal and unable to provide the population with sufficient goods and services. The main reasons for this are poor economic framework conditions, a lack of access to financial services, and little integration of micro enterprises and smallholder farmers into value chains.

Our approach

By creating a more enabling environment, the project promotes income-generating opportunities and the integration of smallholder farmers and MSMEs into local economic cycles.

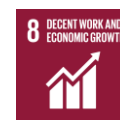
In the intervention area *Improvement of the Business Environment*, the project together with the Mozambican Ministry of Industry and Trade and other governmental and private-sector implementation partners, supports reforms that improve the business climate and the range of public services available to MSMEs.

The intervention area *Private Sector Development* promotes inclusive business models through development partnerships with numerous national and international companies, with the aim of integrating MSMEs into their supply chains and improving access to services. The concept of inclusive business models and its advantages is shared among companies with the objective of anchoring the approach.

The intervention area *Financial Systems Development* improves formal financial services for MSMEs in rural areas by supporting the Central Bank of Mozambique, the

Mozambican Banking Association and selected financial service providers. It focuses on the development of innovative financial products and distribution models, such as agency banking, for MSMEs in rural areas.

In 2019, the project extended its work beyond the former focus provinces of Inhambane, Sofala and Manica to the provinces of Nampula and Zambezia through a co-financing of the European Union from the PROMOVE Agribiz Programme.



Project title	Improving Framework Conditions in the Private and Financial Sector (ProEcon)
Commissioned by	German Federal Ministry for Economic Cooperation and Development (BMZ)
Co-financed by	European Union (EU)
Implementing organisation:	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Project region	Mozambique, with a focus on the provinces of Inhambane, Sofala, Manica, Nampula and Zambezia
Lead executing agency	Ministry of Industry and Trade (MIC)
Overall term	January 2017 to June 2024
Funding	EUR 47,091,592 (hereof EUR 20,000,000 EU co-financing)



Photo left: Applying for business licences at a 'one-stop shop'. © GIZ

Photo right: Opening an account with a banking agent using fingerprint identification © GIZ



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*Photo left: Production of sasso chicken, Mozambique.
 © GIZ*

*Photo right: Cashew Nursery at the Women
 Agricultural Cooperative in Nametil, Nampula
 Province. © GIZ*

Results in figures...

The six Interinstitutional Reform Units (UIR) responsible for implementing the Action Plan for the Improvement of the Business Environment (PAMAN) implemented 43% of a total of 44 planned actions by the end of 2021. Some key highlights:

- Establishment of the Competition Regulatory Authority (ARC).
- All UIRs adopted digital platforms to continue work during the COVID-19 pandemic
- PAMAN's monitoring system is operational and functioning.

The one stop shops (BAUs) have developed a new dedicated website (www.bau.gov.mz) which assures digital and more customer-friendly service delivery. Technical assistance on the simplification and harmonization of construction permits with 6 partner municipalities has resulted in over 5,813 construction licenses issued under a simplified scheme which cut the average processing time from 56 to 11 days.

Since 2017, nine partner companies operating mainly in agriculture and agroprocessing, have improved their competitiveness thanks to development partnerships formed with GIZ. Inclusive business models within these companies have integrated 6,354 MSMEs into the supply chain, with some exporting their produce. Amongst the MSMEs assisted by the project, 37% are managed by women. The integration of these smallholders has considerably increased their income and employment in the partner companies.

An additional 104,172 MSMEs previously excluded from the formal financial system (45% of whom are women), have obtained access to financial services in the target provinces since 2017. Around 472 additional banking agents are now operational in the focus provinces through the cooperation with two commercial banks. These banks have extended their services to other provinces and are providing their services through a network of over 1,605 banking agents.

Nationwide, a total of 276,579 MSMEs have gained access to the formal financial system with the support of the project.

... and in stories

Current poultry production in the country is not meeting demand, with an annual national production under 60 thousand tons and an estimated demand of over 80 thousand tons. Therefore, considerable quantities of chicken are imported. As prices of imported chicken are on average lower than nationally produced chicken, the poultry sector needs to increase productivity and quality.

Against this backdrop GIZ partnered with Higest Mozambique Lda, a company that sells frozen poultry products, between 2017 and 2021. Beyond growing their chickens themselves, Higest's business model is to provide chicks to outgrowers who then raise them and sell them back to the company or in local markets. The objective of the development partnership with Higest aimed initially at improving the outgrower scheme by both upgrading the technical and management capacities of the outgrowers and improving communication between the outgrowers and Higest. In a second phase, the focus was on strengthening Higest's distribution chain through improved linkages between 17 retail shops and local small chicken producers. The partnership enabled 32 managers of 17 retail shops and 347 chicken farmers integrated into Higest's supply chain to improve their financial and business management skills. Finally, to strengthen the overall supply chain, an ICT solution for supply chain management was introduced.

The combined efforts resulted in an increase of the outgrower's chicken production during the partnership period. For example, an outgrower like Mr. Abrantes mechanized his facilities and thereby increased his production capacity from 200 chickens to over 50,000 chickens, whilst employing 16 new staff members in the process.

Building on the good experiences in the poultry sector a new partnership was formed in 2020 with the chicken producing company Novos Horizontes in Nampula integrating 180 smallholder farmers and 540 resellers into the supply chain.

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