

Improved framework conditions for a competitive private sector in Mozambique

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

Some 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 *Improving economic framework conditions*, the project helps the Ministry of Industry and Trade and selected provincial and local authorities to implement reforms designed to improve the business climate. The focus is on simplifying and harmonising procedures for granting business and construction licences.

The intervention area *Private sector development* supports enterprises in developing and implementing inclusive business models. Here, smallholder farmers are integrated into value chains through larger companies that provide, for example, advice on seeds and sales markets. In these development partnerships with the private sector, at least 50% of resources are provided by the larger companies concerned.

The intervention area *Financial systems development* aims to offer MSMEs in rural areas better access to formal financial services. The project supports the

central bank in developing and implementing necessary regulations and supervisory practices, for instance for new distribution models. Particular emphasis is placed on agent banking, whereby financial products in rural areas are offered at outlets such as kiosks. Through development partnerships with commercial banks, the project is supporting the development and nationwide dissemination of financial products for rural MSMEs.



Project title	Improving Framework Conditions in the Private and Financial Sector (ProEcon)
Commissioned by	German Federal Ministry for Economic Cooperation and Development (BMZ)
Implementing organisation:	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Project region	Mozambique, with a focus on the provinces of Inhambane, Sofala and Manica
Lead executing agency	Ministry of Industry and Trade
Overall term	January 2017 to December 2019
Funding	EUR 10,500,000



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: Purchase and documentation of local produce by CdV. © GIZ

Photo right: Savings group training on mobile bank transfers © <GIZ>



Results in figures...

The project supports the simplification of business licensing at the national and provincial levels. This has led to a decrease in the number of days required to process applications from over ten days to just one. In the period from 2013 to the end of 2017, 39,300 business licences were granted under the simplified procedure.

Since 2013, the competitiveness of 22 partner companies has improved thanks to development partnerships. Through the inclusive business models supported by the project, around 2,800 MSMEs have been integrated into supply chains, and some are exporting their produce.

Through cooperation with seed and fertiliser producers and 60 agro-dealers, more than 1,300 smallholder farmers now have access to fertilisers, better quality seeds and practical expertise.

Of the MSMEs assisted by the project, over 40% are managed by women. Almost 20,000 household members have benefited from the measures to enhance competitiveness.

At the end of 2017, 29,600 people in rural areas who had previously been excluded from the formal financial system (over 65% of whom are women) had access to financial services. This was achieved by linking up savings and loan groups with banks, and creating networks of banking agents. By the end of 2019, a further 50,000 new customers are expected to have access to financial services in rural areas through additional banking agents.

... and in stories

Global demand for high-quality fresh vegetables is high all year round. With its temperate climate, fertile soil and good water supply, the province of Manica is the ideal location for growing vegetables. Up to now, smallholder farmers have been unable to reap the benefits of this potential for vegetable production.

Companhia do Vanduzi (CdV) produces high-quality fresh vegetables for export. To expand production and involve smallholders, CdV works on a contract farming basis. Under this arrangement, smallholders receive production inputs, advice and training on the cultivation of relevant products, and a guaranteed sales market for their produce.

Through an integrated development partnership with the private sector, CdV and ProEcon have integrated a further 115 smallholders into these supply chains. Farmers receive training and advice to strengthen their agricultural and business skills. Improvements in communication and transparency (using modern means of communication, for example) help to build trust between the two sides and to improve the negotiating position of farmers. Through integration into supply chains, the annual income of the smallholders has risen by an average of EUR 150.

Across all 22 partnerships, a total of EUR 6.7 million has been mobilised by the private sector. Successful partnerships are being replicated by businesses themselves or by using funding from other donors.

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