

Issues and constraints on financing and supportigng SMEs

The case of Gapi and Mozambique

Main 5 Issues and constraints

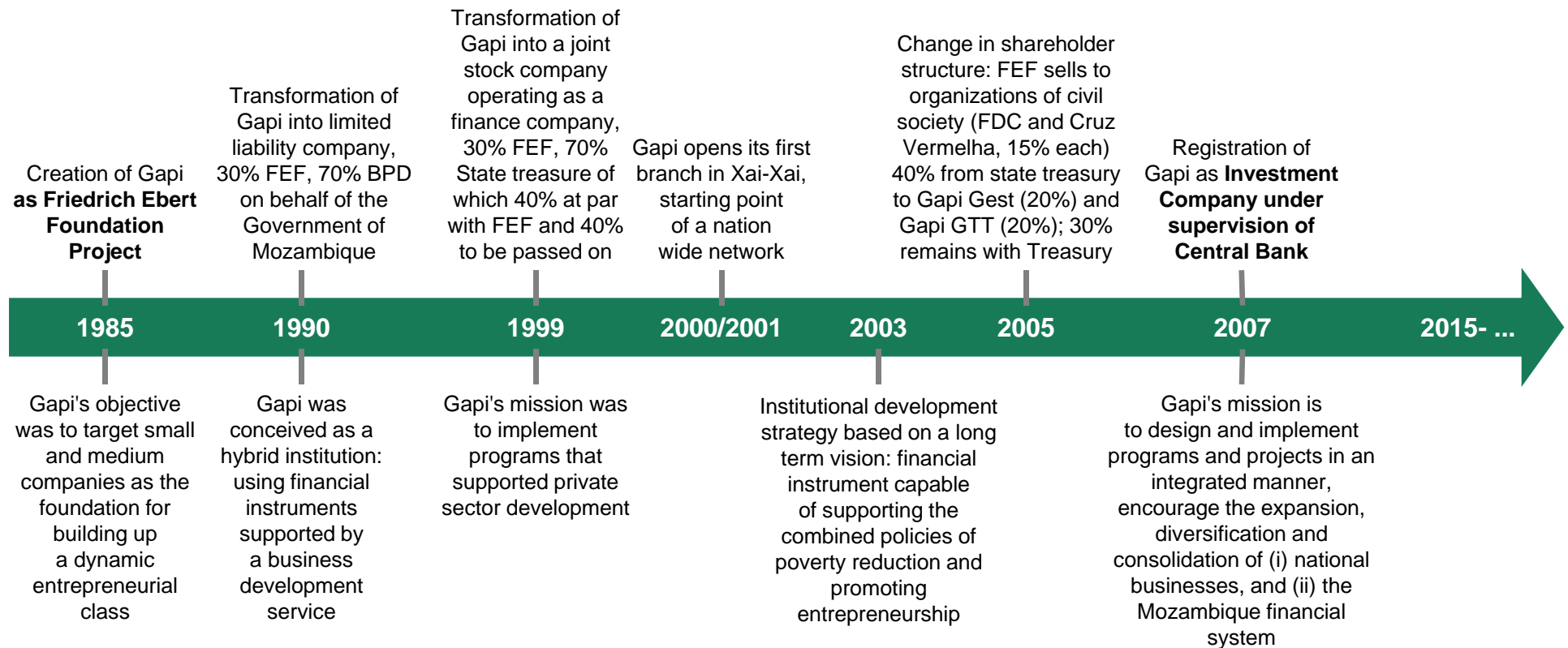
• Demand side

Illiteracy
Informal Economy
Lack of formal business culture;
Business environment;
Legal and bureaucratic barriers;
Adverse Tax system

• Supply Side

- Exclusive/elite financial system
- Financial Legal framework penalize DFIs
- Meagre Public Budget
- Politically driven support
- Aversion to SMEs and Agri

With a 30-year history, Gapi is well established as a DFI



Gapi is currently a DFI resulting from a public-private partnership with national representation

Gapi's ambition is to be the reference organization in the promotion of Mozambican entrepreneurship



Vision

To be the reference development financial institution in Mozambique, focused on the promotion of national entrepreneurship

Mission

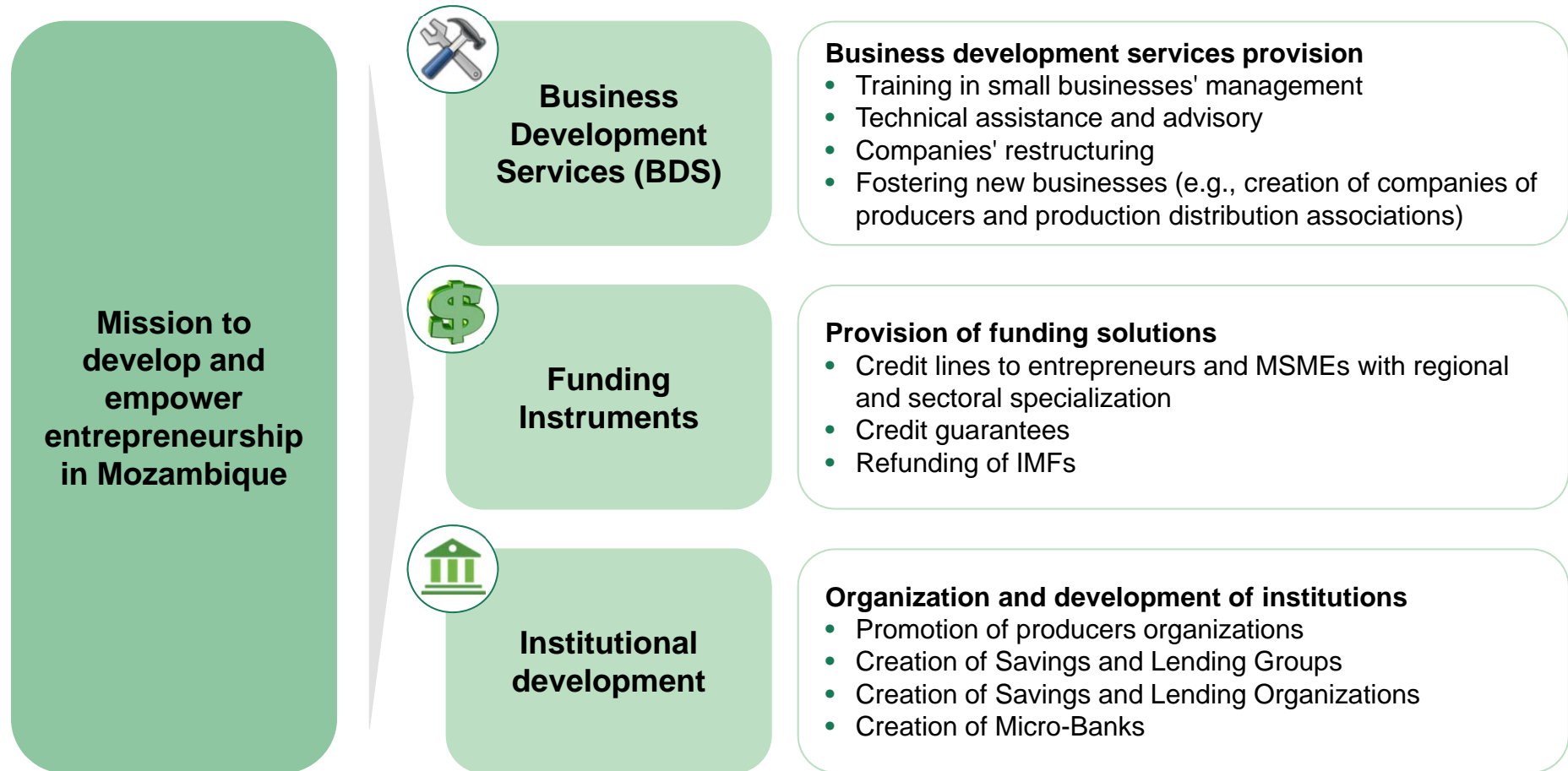
Design and implement programs and projects which, in an integrated way, promote the expansion, diversification and consolidation of the Mozambican (i) national entrepreneurial fabric, and (ii) financial system

Strategic goals

Mobilize resources to promote the national entrepreneurship in a decentralized way throughout the country, and to improve the conditions for its success, intervening in an integrated manner in the areas of:

- Enablement in the development and management of businesses integrated in value chains
- Institutional development focused on the creation of local financial intermediaries
- Establishment of financial mechanisms and instruments to mitigate and share risks

Mission to promote and develop entrepreneurship is achieved along 3 components

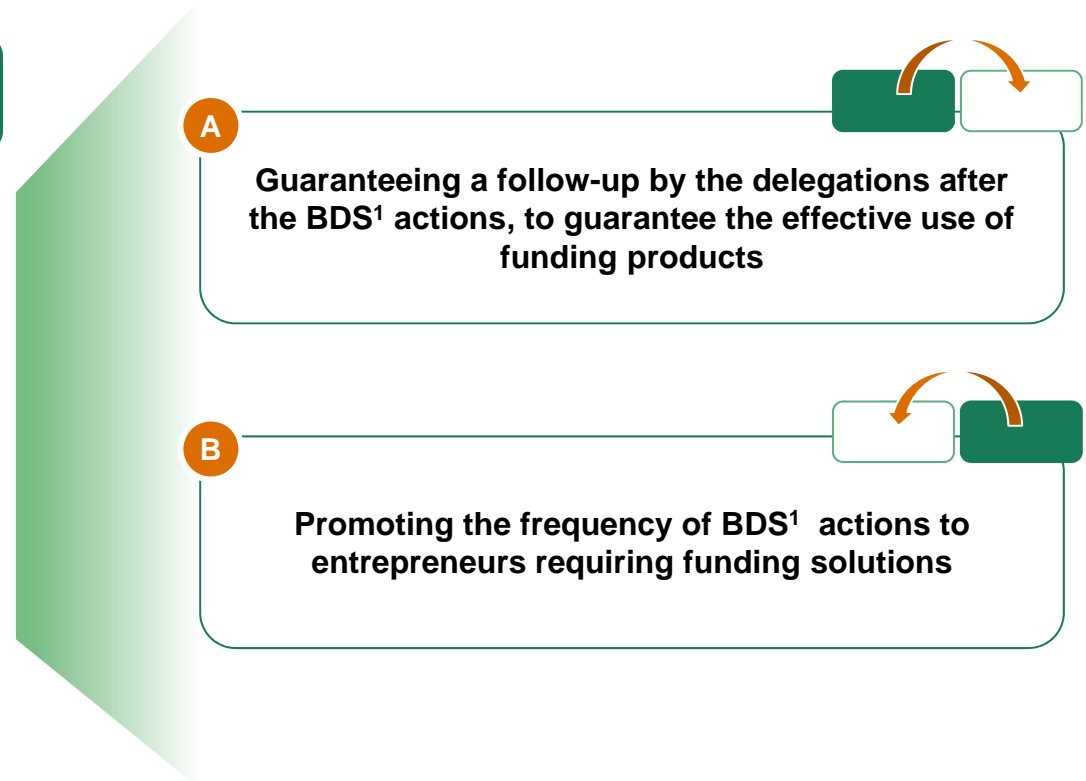
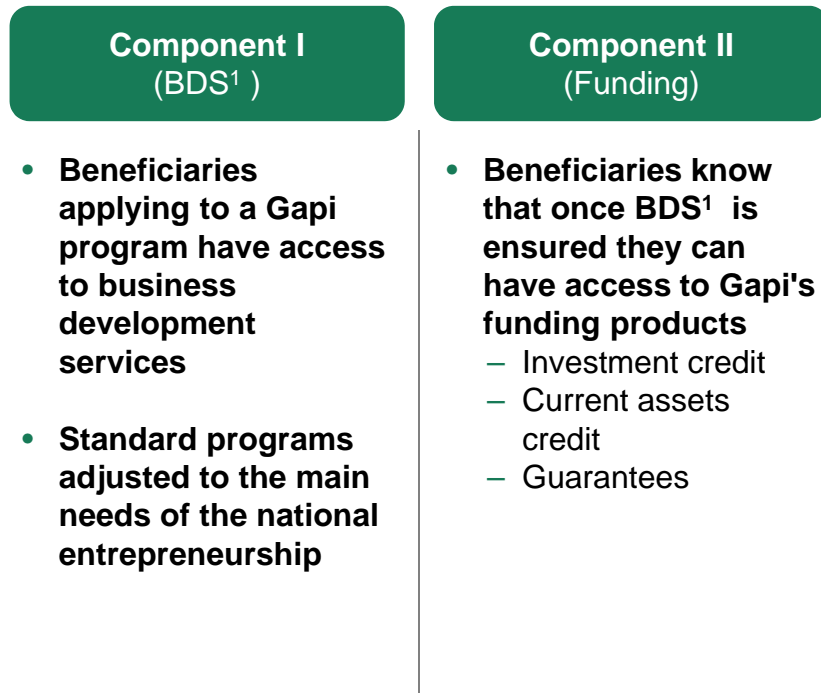


... ensuring an articulation with funding

Programs are regarded as integrated products of BDS¹ and funding ...

... and Gapi has a proactive role selling the integrated product

Program administered in 2 components



1: Business Development Services

Gapi's base offer is structured around the entrepreneur's key competences triangle ...



Business vision

- Capacity to generate, prioritize, and implement business ideas and identify opportunities
- Basic knowledge on entrepreneurial accounting and finance
- Investment analysis fundamentals
- Operational management knowledge



Leadership

- Motivation and leadership spirit
- Management of human resources
- Strategic planning
- Conflicts management
- Performance assessment and management
- Decision making

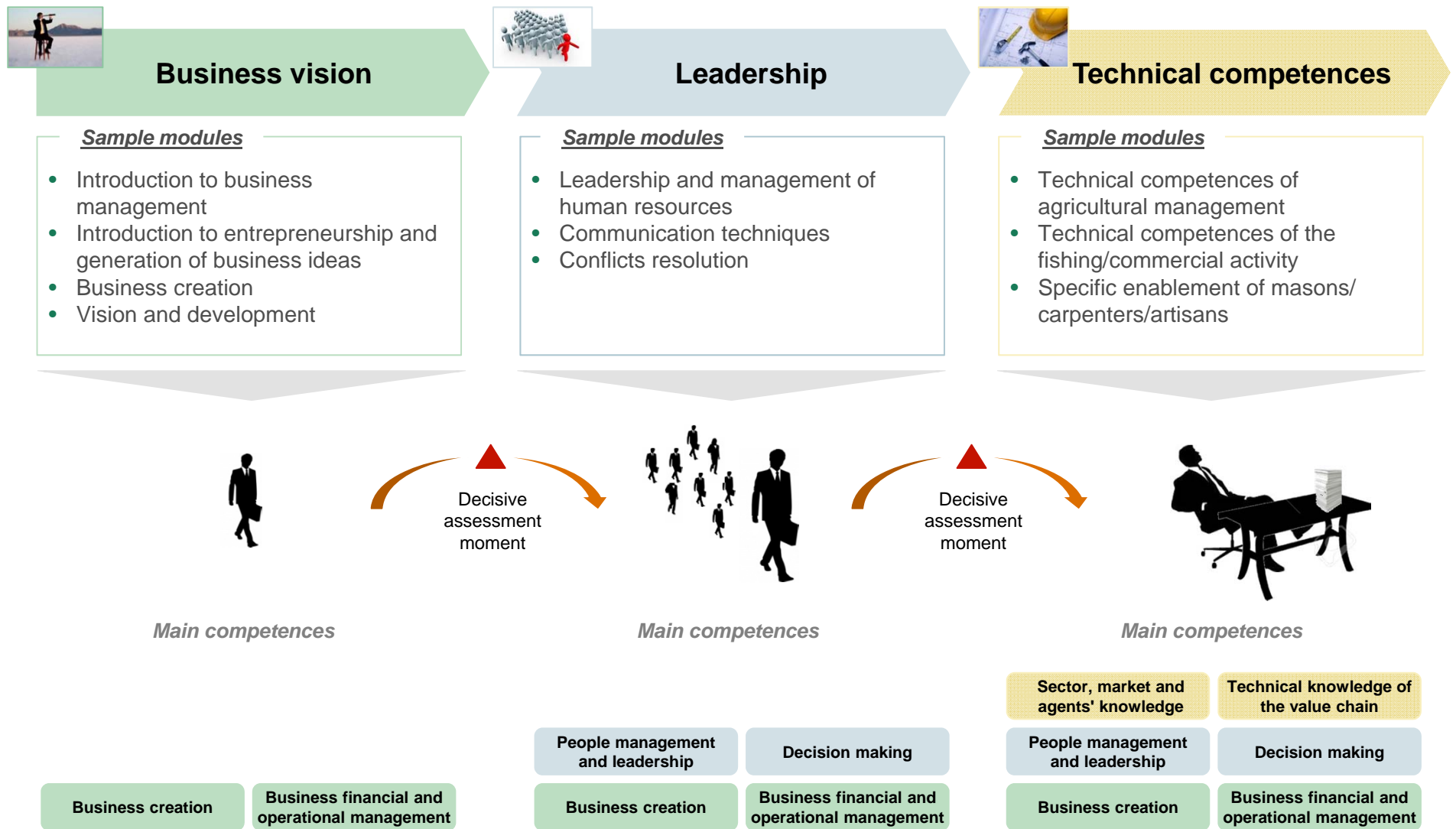


Technical competences

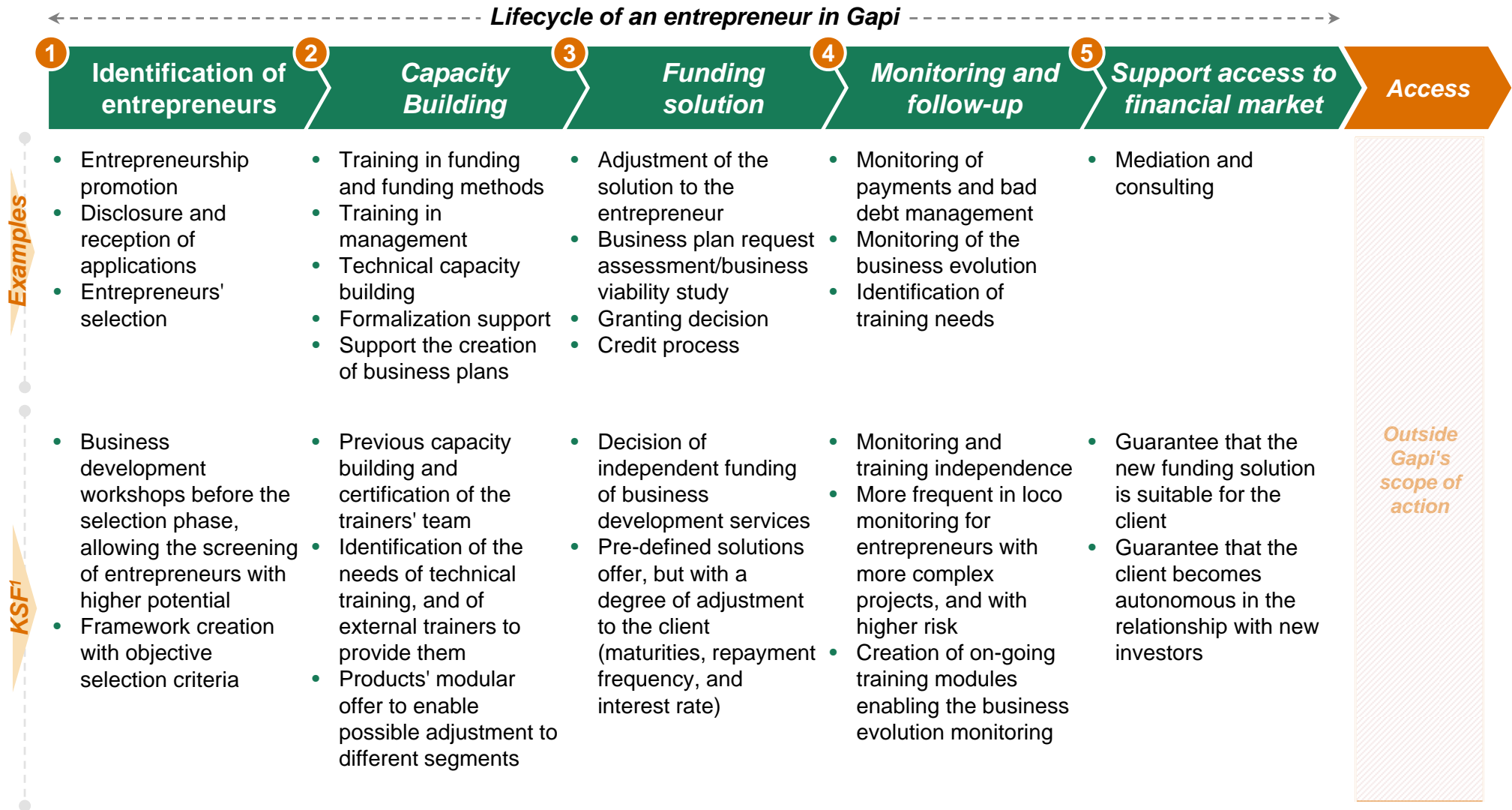
- Sector specific knowledge
- Knowledge of the market and its stakeholders
- Theoretical and technical knowledge of the business value chain

Business development services designed to develop these competences over time

... and was built based on a logical time sequence ...



To achieve this mission, Gapi adopts an integrated approach to entrepreneur's development ...



Gapi's programs are based on proven methodologies by OIT and IFC

Component I: Business Development Services



Gapi has trainers certified in OIT and IFC methodologies



Funding offer composed by simple products

Component II: Funding



Investment credit

- Term: Medium term (until 5 years)
- Risk: Higher (scoring lower than B)
- Interest rate: FPC + 9%



Current assets credit

- Term: short term (until 1 year)
- Risk: lower (scoring equal or lower than A)
- Interest rate: FPC + 6%



Guarantees to third parties

- Target groups: Entrepreneurs and SMEs
- Risk sharing: until 100%
- Interest rate: 85% FPC



Guarantees to commercial banks

- Target groups: Financial institutions
- Risk sharing: 20-65%
- Commissions on the amount subscribed: initial subscription [0.5%] | Benefit [1% annual]



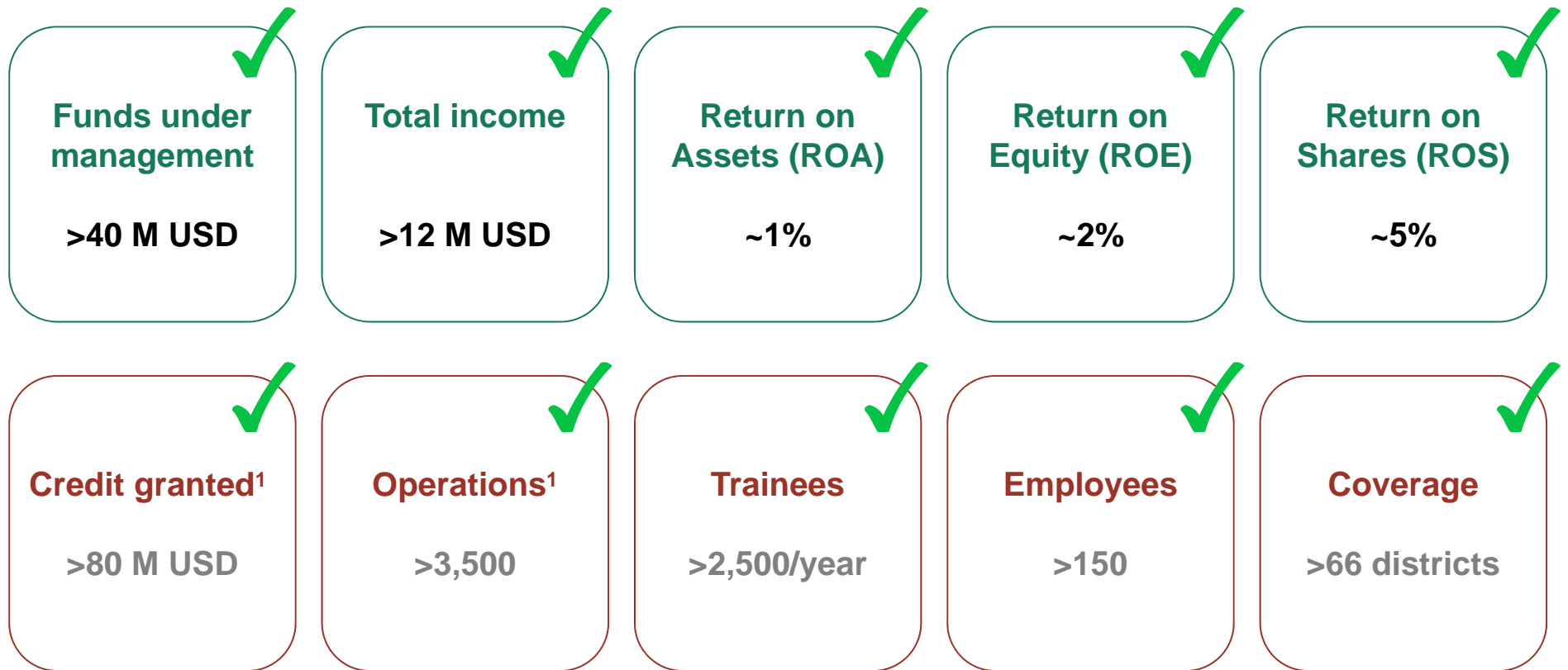
Equity Financing

- Conditions under negotiation

Having in recent years been a reference partner of the main financiers operating in Mozambique

Financiers	Activities/interventions
Government of Mozambique	<ul style="list-style-type: none">• Development of artisanal fishing• Development of semi-industrial fishing in Sofala bank• Funding of national SMEs in the Nacala Corridor
BAD	<ul style="list-style-type: none">• Enablement of the entrepreneur woman in Beira Corridor
DANIDA	<ul style="list-style-type: none">• Fostering of Small and Medium-sized Companies in the Agri-business Sector• Creation and management of the Guarantees Funds of Loans to SMEs
Embassy of The Netherlands	<ul style="list-style-type: none">• Fostering of SMEs and Food Security in Zambezi Valley
IFAD	<ul style="list-style-type: none">• Development of producers and rural traders' organizations, and community based financial organizations• Support the development of horticultural value chains
KfW	<ul style="list-style-type: none">• Support SMEs' bancarization
Embassy of Norway/ NORAD	<ul style="list-style-type: none">• Institutional support to the increase of financial services providers for the development
Embassy of Finland	<ul style="list-style-type: none">• Development of Rural Finance in Zambezia
BADEA	<ul style="list-style-type: none">• Promotion of MSMEs in north corridors

Gapi has a solid financial and operational performance ...



1. Refers to total values over the 25 years since Gapi's creation

... recording a sustained growth over the years

Balance sheet



% Funds on Asset

38% 38% 36% 39% 39%

Total income

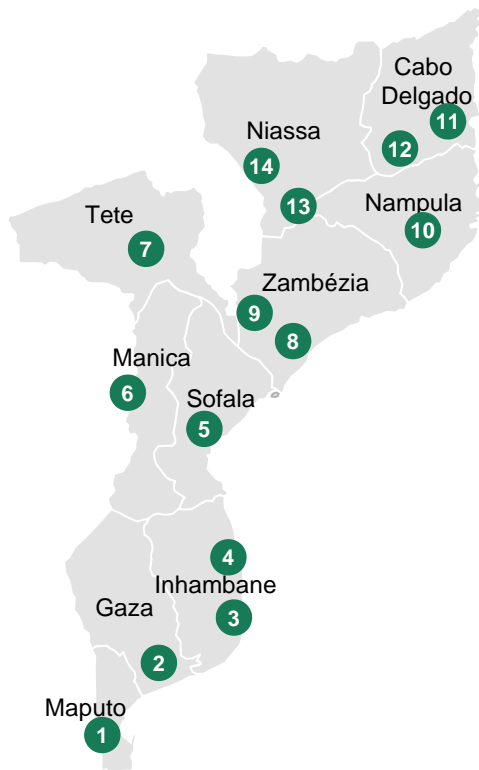


Income before taxes



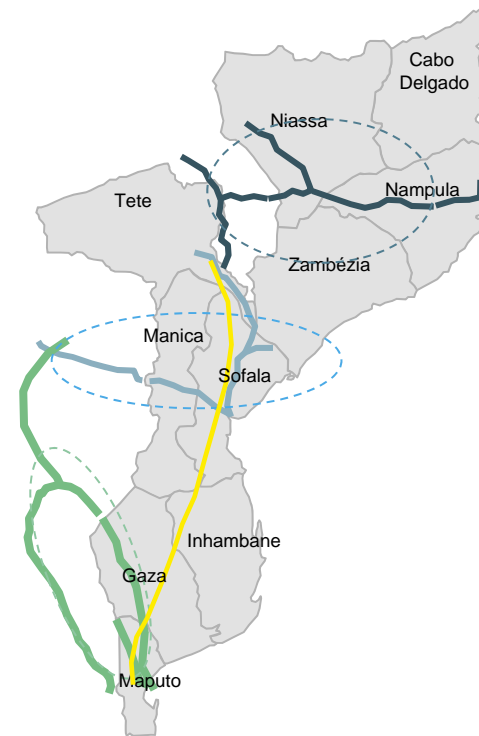
... having a network of delegations enabling a close intervention in the main corridors

Gapi has 14 delegations covering the whole territory ...



Representativeness

... and enabling a close intervention in the main growth corridors in Mozambique



Proximity

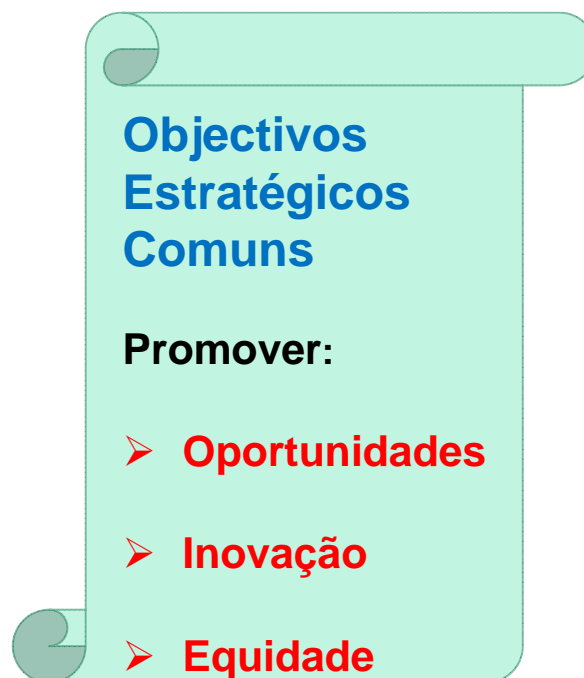
Next Steps and Cycle

A Gapi adopta uma nova estrutura corporativa para poder consolidar e expandir a sua intervenção como Instituição Financeira de Desenvolvimento operando através de duas organizações especializadas com objectivos estratégicos comuns



Principal objectivo

- Capacitar o tecido empresarial moçambicano, potenciar o desenvolvimento de negócios sustentáveis e garantir o financiamento de empresários com fraco acesso ao Sistema Financeiro



Principal objectivo

- Gerir a linha de negócios das participações para:
- Financiar PME's através de instrumentos de Equity Finance;
 - Acolher veículos especializados (banca, imobiliário, garantias, etc.)

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- *Obrigado*
 - *Khanimambo*
 - *Thank you*
 - *Assante*