Financial Services to Support International Trade in Mozambique

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Executive Summary

Foreign banks, especially Portuguese, and South African banks, dominate Mozambique's financial system. Credit is limited, primarily because of limits on debt collection, the range of collateral, and credit information, but also because of underdeveloped financial institutions. Though bankable enterprises are underserved, the banking system is making progress in serving them and does not lack loanable funds.

Two mechanisms could facilitate more bank lending: structured financing agreements that distribute risk and minimize cost of lending and a packaging facility that helps secure needed trade finance. Some other more modest steps could make the handling of credit information more efficient and thus increase the volume of credit and trade. In addition, a number of financial market entrants could benefit from USAID assistance and insurance services could be improved through a number of initiatives.

Given the poor record of development and agricultural banks in the region and Mozambique, pursuit of such is discouraged. Lenders, however, are rapidly expanding their services to commercial farmers. Smallholders are benefiting from linkage schemes and microfinancing and could more effectively be assisted through more of the same.

1. Introduction

This report identifies and proposes financial sector interventions in Mozambique and the SADC Region that donors or private sector groups could undertake to improve the access of small and medium enterprises (SMEs) to trade-related financial services and thus increase the volume of trade and gains from it. It is recognized that proposed interventions must not jeopardize financial sector stability, the prudential integrity of financial institutions, and the support of sound, sustainable development projects.

The report is based on a trip that involved extensive consultation between the Nathan-TSG team and numerous stakeholders in Mozambique and South Africa. After preparatory meetings and reading in Gaborone, Dr. Thomas Timberg, Mr. Alistair Tite, and Mr. Steven Beck spent 3 days in Johannesburg and 14 days in Mozambique meeting with bankers, insurers, and other financial experts involved in trade finance. They were joined in Mozambique by Mr. Omar Mitha, a Mozambican financial expert. They concluded their trip with 2 more days in Johannesburg.

In Johannesburg, the team met with trade finance representatives from South Africa's major banks (ABSA, Nedbank, First National Bank Standard Bank), Standard Chartered Bank, a leading trade finance firm (PSG), the two leading export payment risk insurers (CGIC and CUAL), a number of financial economists and researchers, the Hollard insurance group with interests in Mozambique, the IFC, and one regional credit information agency. In Mozambique, the team met with all the major banks (BIM, Austral, Standard, BCI) and some minor ones (UCB, IFISA, Novo Banco); a leading leasing company (ULC now becoming ALC); API and PODE; two insurance related enterprises (Alexander Forbes broker, and Hollard); a wide group of traders and business associations in Maputo, Beira, and Chimoio; and some leading financial economists and experts. At the Mission's direction, the team briefed the Mozambican media on February 15. On February 16, 2005, the team debriefed the USAID Mission in Maputo and a number of its Mozambican partners.

At USAID's direction the team met with a group of Mozambique journalists. In briefing these economic journalists, the Nathan-TSG team emphasized the importance of improving the ability of the judicial system to enforce debt contracts, of widening the range of acceptable collateral (e.g., to include land), and of coordinating sources of credit information. The team also described what could be done to reduce perceived risk, lower administrative costs, and boost lending expertise through such measures as a structured framework agreement and development of packagers or facilitators of trade-related credit. The team attended closely to demands for a development and/or agricultural bank and distributed a memoranda distributed on the proposals for such a bank.[1] The meeting resulted in a 5-10 minute interview on the evening news of the leading Maputo television station (STV), three columns in *Noticias,* the leading daily, and other coverage. A copy of the *Noticias* article is attached as Appendix A.

Section 2 presents the team's findings and Section 3 presents proposed solutions to problems in the financial services sector in Mozambique, along with specific recommendations for USAID action. Appendix B presents the team's Terms of Reference, Appendix C a list of contacts, and Appendix D materials consulted.

Detailed trip notes, including summary interview reports are available from the TDP Project in the Hub. A trip report has been submitted to the South African Trade Hub and a Regional Study on Trade Finance in the SADC Region will be submitted later.

[1] This subject figured prominently in the civil society Mozambique 2025 document and the platform of the newly elected President. Even the CTA (Chamber of Commerce) Committee on Finance, which generally endorses the primacy of legal and regulatory reform, is guardedly in favor of such a bank. The promotion of development finance institutions is a key SADC theme, now embodied in the new Botswana-based network of such banks. Nonetheless, proponents continue to be somewhat unclear about what they are proposing—given the dismal history of public sector development and agricultural banks, especially in sub-Saharan Africa.

2. What We Know About Mozambique's Banks

South Africa

To understand Mozambique's financial system one must turn to South Africa. The banking system of South Africa has more than 60 times as many assets as Mozambique's. Its financial institutions dominate the region, and are expanding rapidly.[2] The pattern differs by institution. ABSA and Standard Bank of South Africa Limited (not to be confused with Standard Chartered) are buying and opening subsidiaries; First National Bank works mainly through correspondent institutions, though the latter may be responsible for more trade credit and is now involved in buying banks in the region through African International Financial Holdings. These represent different commercial strategic reactions to the same market opportunity. While many institutions that are not South African have been selling off or reducing their business in the region, many of these same non South African banks are negotiating with South Africa's banks to buy into their equity. [3]

The South African banks are among the most profitable in the world. Reputedly conservative, perhaps with good reason considering the region's high political and commercial risks, they are also alleged to be subject to less competition, which might explain some of their high margins.[4] Today, these banks largely finance trade with South African parties, and SADC is a

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[2] Genesis Analytics, "A Survey of the SADC region: South African Financial Institutions, Regional Policies and Issues of Access. Final Report," June 2004.

[3] The Barclays purchase of ABSA is being treated as a done deal; Standard Chartered is reportedly close to buying the Rand Merchant Bank/First National Bank group.

[4] Studies to this effect have been done, some supported by USAID. The Microfinance Regulatory Commission and Dr. Penelope Hawkins of Feasibility Limited are key authors. This context has been more relations with consumers than business banking—and echoes similar criticisms of UK and Australian banks, as in the Bank of England's Cruikshank Report. Relatively small financial systems in developing countries are generally alleged to be less than fully competitive. This issue is explored more fully in James A. Hanson, Patrick Honohan, and Giovanni Majnoni,, *Globalization and National Financial*

small but defined part of their business. Even smaller and less known South African traders have some problems in obtaining financing. Problems are even greater for similar traders in the SADC countries, but they are typically trading with South African parties who bear prime responsibility for their creditworthiness and securing credit for the transactions in which they are involved. Several private payment guarantee/insurance companies insure many transactions. In discussing their sources of credit information on SADC parties it was clear that such information is limited largely to what is available from South African sources. See Exhibits 2-1 and 2-2.

Obstacles to trade with the SADC region and Mozambique include

- South Africa's currency control and similar currency and trade restraints in the SADC countries,
- Lack of credit information on SADC parties, and
- Relatively high risks in SADC trade.[5]

South Africa's currency control and political risks throughout the region exacerbate significant problems with loan repayment. Mozambique's situation is by no means the worst, but even South Africa is thought of as a high political risk country. South African banks are not oriented toward funding non-bank financial institutions (NBFIs), which handle leasing and trade finance, at least outside South Africa. They pass this pattern on to their subsidiaries in the region, thereby lessening possibilities for using NBFIs. Currency control and related compliance costs, problems with regional currencies, and credit risk of SADC customers are all issues. As a leading South African expert said, "How can you lend in countries were the legal system doesn't permit you to enforce your claims?"

Mozambique

Mozambique has a limited, foreign-controlled, and relatively uncompetitive financial system.[6] Despite relatively rapid economic growth as a whole, credit to private industry has not increased significantly. Growth of productive enterprises is concentrated in very large enterprises that do not depend heavily on the financial system.[7] Data on the banking system and leading banks are presented in Table 2-1.

Systems, Washington, DC: World Bank, 2003 and in a forthcoming companion final report of the team on SADC regional financial systems in support of trade.

[5] None the less, CGIC, which handles the bulk of payment insurance from South Africa, says that their claims experience in SADC is roughly equivalent to experience in Europe or the United States.

[6] There are grievances on the former point. See Prakash Ratilal, "Percepcoes Sobre a Economia," *Economista* 1, April 2002, pp. 45-104, especially the "Ëpilogo," pp. 89-98.

[7] According to the Economist Intelligence Unit Country Report, July 7, 2004, the agriculture sector did well in 2003. Both cash crop and food crop production rose dramatically (p. 21-22) despite drought in

Exhibit 2-1
South African Banks and Competitors

South Africa's banks are among the world's most profitable. Whether this is due to a lack of competition or not, the banks know that their competitive advantages are not permanent and have plans to expand in the SADC region. Lending to SMEs in the SADC region, however, is not a priority, though they recognize that the SME market presents a great opportunity. The difficulty lies in getting paid back—the weak legal and commercial environment in SADC has led to what banks call the "culture of non-repayment." Meanwhile, these same banks in South Africa have been rapidly expanding their retail and agricultural lending. South Africa has one of the better environments for debt collection in the world because of its effective legal system, pro-creditor laws, and control by big banks of payment systems. Eventually, these SADC banks may expand there agriculatural and SME lending throughout the region, but legal and institutional reform will be critical.

The big banks, however, have competitors. First National is the provider of the private equity which African International Financial Holdings (AIFH) (a firm based in Cambridge, Massachusetts with a small IFC holding) is using to try to buy large network, former parastatal banks and turn them into functioning retail banks. AIFH was a leading competitor for Zambia Commercial Bank (against the South African ABSA), but is also pursuing banks in other African countries, including Angola.

Based in Botswana, the Enterprise Banking Group has acquired banks in Rwanda and Kenya and is about to buy one in Zambia. Their model is the Ugandan IFCU, which their principals have turned into a small, profitable retail bank. The Horizon Facilitators Ltd., incorporated in Mauritius, but based in Botswana, South Africa, and Zimbabwe, is already facilitating a fair amount of trade finance, but is negotiating with other sources of finance to rapidly increase its own capital resources. One of it's principals, Alistair Tite was a team member.

Obviously, the South African banks and their competitors see a profitable and unserved market in SADC. Other entrants may arrive. The Mauritius Commercial Bank, a Mauritian bank, has been aggressively expanding in Mozambique, and some local private groups are discussing launching a locally dominated bank. As with the Chimoio farmers, expansion will occur by itself but USAID could accelerate expansion by pressing SADC governments to improve the enabling environment by improving debt enforcement, broadening and enabling new forms of collateral, and creating a better system for obtaining credit information. USAID could also assist by occasionally sharing risk and assisting with schemes to limit administrative costs of lending and expand the technical capacity of financial institutions to do new sorts of lending, especially agricultural credit.

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the southern provinces. The only exception was cotton, according to our informants, because of poor cotton prices. Tobacco increased dramatically in response to the collapse of the Zimbabwean tobacco industry. (Some recovery is reported in *African Business*, February 2005, p. 8.) On the other hand, other sources report early warnings of famine. Somewhat inconsistently, the same country report says, "Agriculture and fisheries are underperforming, leading to low purchasing power in rural areas" (p. 10). Perhaps this means that growth, though rapid, is not enough.

Exhibit 2-2
Opportunity for Financial Services in SADC

Many financial sector entrepreneurs agree that the market serving SMEs in SADC is promising. This services market will likely go along with the extension of retail banking services to consumers. The biggest void is in Angola, where a rich economy is almost unbanked. Entrepreneurs treat Angola like a gold mine—though the reluctance of its rulers to work with the IMF suggests that it may go through the same banking boom and bust cycle as several other countries in the region. Zambia, where domestic private banks lie in ruins, has the advantage of a high-potential economy and sophistication far beyond Angola's or even Mozambique's. Unsurprisingly, demand from local USAID representatives for financial sector work in these two countries is considerable. Mozambique is similar to Zambia but somewhat farther along after the collapse of its two major banks in the mid-to late 1990s. The USAID/Malawi is reported to be focused on other aspects of

the economy, but the banking opportunities there are clear. Banking in Tanzania has already progressed rapidly, thanks in part to the government taking some legal and regulatory steps.

Commitment to a full common market in financial services within SADC by 2014 will accelerate these trends. As difficult as this may be when several countries still have currency control, a common market will unfold. The development of trade in the region will require a parallel development of finance. USAID Missions in Zambia and Mozambique are anxious to do work in this area.

GAPI, a publicly and donor-financed finance company, provides roughly $14 million in small project loans to SMEs (maximum $300,000; average $10,000), and $3 million in apex microfinance funding to smaller microfinance institutions (MFI). Nonbank financing is limited, but the leasing industry is recovering, and several investment and merchant banks handle some financing. Some new institutions are in process of formation. Meanwhile, PODE, a World Bank-financed credit line of $12 million, has disbursed only $2.5 million, much of it to GAPI, because banks are liquid and do not need funds, and because of other restrictions on its activities and unremunerative rates for the banks. PODE's minimum tenure is also 2.5 years, which is a long time for a bank to assume risk in Mozambique—and the bank assumes all the risk. IFC activities to promote enterprises linked to larger enterprises, especially Mozal, have supported some lending and are expanding.

Microfinance is limited but expanding, including going up-market to small enterprises. Microenterprise lenders are partially fund-constrained. Insurance is imperfectly developed and this constrains trade finance. The cost of insurance is high, competition weak, and expertise in the existing firms is limited. As in the rest of SADC, Mozambique's financial markets are regional and international, with money coming in from outside—as aid or otherwise. Two of the four big banks are controlled by major South African banks, the other two by Portuguese banks.[8] Domestic saving is low—and if it were high it is not clear that it would be invested in the country. Banks and private holders of wealth are liquid. Country risk is perceived as high.[9] With the successful democratic election of a new president, however, some risk may be perceived to have decreased—at least for the duration of his term.

Table 2-1
Mozambique Bank Data and Comparisons

Name	Assets	Deposits	Credit	Return on Assets (%)	Return on Equity (%)	Net Int. Margin (%)	NPL (%)
	Trillion Meticais						
2002 AND 2003 DATA							
BIM	14			.6/1.4	13.3	8.6/9.6	27
BCI	8.1	6.6	3.6	4/2.37	39/25.42	7/6.07/15/-19.43	6.5
Standard	7	6	1.2	2.3	25.9		5
Austral	4			.93/3.69	3.74	19.01/16.21	54
African Bank	1			4.14/8.32	17.84	6.08/3.5	
Banco Novo	US$ 4.5 mil	US$ 2.2 mil	US$ 2.9 mil		-12		2.2
Total (Trillion Meticais)	35	28?	14	1.59	22.1		21
2002 DATA							
Standard SA	304 RM						2.8
ABSA SA	247 RM						5.2
State Bank Mauritius	34 RM			2.93/4.46	20.93	4.47/4.19	6.79
Mauritius Community Bank	87 RM			1.47/1.83	15.71	4.12/2.08	6.29

SOURCES: *Banking Survey Africa 2003, KPMG (December 2002 data); http://us.kpmg.com/Microsite/FSLibraryDotCom/Docs/2003BankingSurveyAfrica.pdf ; Annual Reports of BIM, BCI, Standard, Banco; Novo Statistical Bulletin, June 2004, Bank Mozambique (December 2003 figures); FSAP Report March 2004.*

LEGAL AND REGULATORY CONSTRAINTS

Reforming the legal, regulatory, and institutional environment, it is generally agreed, would significantly increase the flow of financing.

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8 The Portuguese presence has a different salience in each case. In the large BIM, it has the government as a partner—a situation which, despite IMF pressure, is likely to persist. It is rumored that this Portuguese bank is interested in selling out as it has with some of its other European investments. Its spokesmen deny the possibility. The other Portuguese bank is a semipublic institution and more financially stable.

9 For example, COFACE, the French-owned export payment risk exporter rates the country as a C for short-term risk and very high risk for medium-term credit—compared to A3 and quite low risk for Mauritius, D and very high risk for Zimbabwe and Zambia. In August 2004, Fitch rated the country B for short- and long-term risk and B+ for local currency long-term risk (?). Standard and Poor rated it B.

- ***IMF FSAP 2004***. The IMF argues that major obstacles to the provision of finance are legal and regulatory in nature: slow debt recovery through the courts, ineffective and inefficient bankruptcy procedures, outmoded Civil Procedure and Commercial Codes, an inadequate legal framework for secured transactions, particularly with land.[10] It notes improvement in the coverage of the "public credit registry, " but recognizes that "the poor lending environment reflects a weak repayment culture."

- ***Overall Environment.*** While legal and regulatory constraints impede finance, so does the underdevelopment of financial institutions and their low tolerance for risk.

  — The types of usable collateral are limited. Land cannot be privately owned and the transfer of leases requires bureaucratic clearance. Houses and structures are frequently used as collateral, but there are limitations given the land tenure situation. Regulations and attitudes constrain the use of accounts receivable finance.

  — The courts are slow and inefficient, particularly in enforcing contracts, payment obligations, and handling bankruptcy. The culture of non-repayment is partially reflected in the low rankings granted Mozambique by international raters.

  — Credit information is not well organized or well used. The central bank has an efficient information center for checking loan applicants and assessing risk, and a reasonably accessible loan register contains 98 percent of eligible loans. But neither the center nor the register is linked with other sources of credit information (e.g., court records, utility companies) or is generally accessible to non-bank credit givers, or to those providing credit information services. A few agencies provide credit reports on local firms, but they are almost subterranean. Even getting data about the operations of these credit information firms is difficult. Our informants were reluctant to provide names or phone numbers and felt that the firm representatives would refuse to meet us.

  — Partly because of the money the government had to borrow for recapitalization of looted banks, rates of interest on government debt are high, and banks thus often prefer to invest in government paper. The government is acting to lower these rates and to address the "crowding out" effect of government borrowing.

  — Finally, rapid appreciation of the Mozambican metical and the South Africa rand against the U.S. dollar has distorted trade and financial markets. This is occurring after a period of some stability and will have powerful influences on the economy.

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[10] The Finance Committee of the CTA, chaired by Rui Gonzalez, compiled a similar list of obstacles.

LIMITATIONS OF FINANCIAL INSTITUTIONS

- ***Bankable Enterprises Underserved***. On the basis of a survey conducted in 2002,[11] the IMF concludes that that access to financing is "the most severe obstacle to …business performance." Access to domestic and to foreign financing ranked second and third as obstacles.[12] Our interviews revealed that some SMEs, especially in agriculture, had financing problems, that is their otherwise creditworthy needs were not being met. Other problems like costs of production and shipment, lack of foreign buyers, and legal and regulatory costs are bigger obstacles (see Exhibit 2-3).

- Nonetheless, ***bank credit and outside credit overall play a small role in the economy.*** Ninety percent of enterprise working capital and two-thirds of new investment come from own funds according to the same IMF survey. Banks fund only 10 percent of new investment, though that is not necessarily a low figure. The rule of thumb is that one-third of working capital should come from banks, one-third from trade credit, and one-third from equity. This clearly differs by industry and in countries such as Mozambique, where entrepreneurs often lack private funds. The expected portion of equity is usually even higher for small new projects, but again Mozambique probably differs. Our interviews revealed a number of bankable projects that had difficulty getting financed, and relatively few sources of various kinds of credit and insurance. These included a large sugar mill near Maputo, some citrus growers, and Zimbabwean refugee farmers near Chimoio. The Maputo banking market appears to be overbanked for certain types of financial services while other services are difficult to access. Field-to-floor and crop insurance, a favorite of South African banks, is available if expensive, but many enterprises outside of Maputo are not able to locate the vendor.

- ***Financial Institutions Weak and Hesitant***. Lending is constrained by (1) perceived high levels of risk, based on unfortunate recent experience; (2) actual high levels of cost (due diligence and administration), especially for small and unfamiliar borrowers; and (3) lack of expertise to handle many types of lending, including trade finance.

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[11] IMF Country Report 4/52, "Republic of Mozambique: Financial System Stability Assessment Including Report on the Observance of Standards and Codes on the Following Topics: Banking Supervision, Payments Systems and Anti-Moneylaundering and Combating the Financing of Terrorism," Washington, DC: IMF, March 2004.

[12] Interest rates are high in comparison to the United States or London, but arguments that these represent the fact that money is more expensive are plausible. In any case, interest costs are being brought down.

Exhibit 2-3
Chimoio Farmers and Beyond

In Chimoio, about 100 new commercial farmers, mostly from Zimbabwe, produce flowers, vegetables and fruits, all airshipped to Europe. Most also produce tobacco because of ready credit from major tobacco buyers. Tobacco cultivation, however, is not profitable so farmers are desperately seeking credit to do other things, and to buy themselves out of the heavy debt burden of tobacco-growing contracts. An agricultural finance expert with Standard Bank is developing finance plans for them. He indicated that any partial guarantee from USAID or donors would strengthen his position with the Standard Bank's credit policymakers in Johannesburg. He seemed unclear about the terms and conditions likely for guarantees mentioned by a USAID contractor. Hollard Insurance is already offering the field-to-floor insurance that Standard Bank wants. UCB, a Mauritian owned bank, and GAPI (a fifty/fifty joint venture of the government and the Friedrich Ebert Foundation) have provided some credit. Other efforts to improve infrastructure for these farmers are ongoing. For example, these Chimoio farmers have been negotiating for regular flights to Johannesburg so they need not depend on shipping through Harare, which presents risks because of political developments in that country.

Other than agricultural finance for these farmers, there is a question of how much more broadly the banks' agricultural finance capacity might be extended. A group of commercial citrus farmers, one of whom is already negotiating with UCB, did not know about the Standard Bank initiative until Nathan-TSG informed them of it.

A number of the Zimbabweans already fund significant groups of outgrowers and would fund more if they could secure refinancing. Mozambique's banks already fund a fair number of such schemes through larger corporate borrowers; and these schemes are generally profitable for banks, companies, and outgrowers (IFAD 2003). Outgrower programs can obviously be extended. USAID funds have frequently been involved either directly or through Technoserve, CLUSA, or ACDI/VOCA.

The nascent microfinance banks, especially Novo Banco, could become a source for small older credit. Novo Banco's promoter, IPC of Germany, does a great deal of agricultural financing in its Eastern European banks. With their new branch in Chimoio, agricultural finance would be a natural extension of this activity. But Novo Banco would have to study the market carefully.

- ***Prospects***. Mr. Tite, a member of the Nathan-TSG team who has been coming to Mozambique since 1985 to do banking, reports remarkable progress. Banks exist, considerable sound financing is extended, and various private financial entrepreneurs are preparing to launch new products and institutions. Mozambique survived a decade in which two very large state institutions collapsed and others found themselves compelled to proceed cautiously. The new management of the reconstructed banks (BIM and Austral), as well as of Standard (formerly Totta), and the established BCI are all ready to expand. Standard Bank in particular is at a critical juncture in agriculture financing. Some revived banks and non bank finance companies, and perhaps new entrants such as UCB, Novo

Banco, and ULC are also in expansion mode. It may be that their expansion could be accelerated by others, such as USAID, sharing some initial risk, providing marginal technical assistance and policy support, and encouraging new entrants in the financial markets. Further, commercial bank funds are not always designed for new investment needs, so some funds might be needed on that account. The limitations are posed both by the question of matching the terms on deposits with lending, and the difficulty of assessing and securing investment in new projects.

- ***Banks Do Not Need Funds***. In general, banks are liquid and do not need funds. Funding at other institutions, such as GAPI, is constrained because banks are reluctant to lend to them at rates that would give them adequate margins. Interestingly, GAPI is preparing to solicit public deposits. There is a qualification. As exacerbated by the decline of the dollar, large metical deposits (roughly 60 percent of total) and demand for credit in dollars (roughly 60 percent of total) are mismatched, even though the metical is easily exchangeable. In this context despite currency controls the mismatch raises risk.

3. Proposed Solutions

Mozambique's problems with the regulatory and policy environment seem to call for primary focus on policy and legal reform remedial measures: enable the use of land and other potential assets as collateral, improve the functioning of the courts, link sources of credit information. These are all the subjects of recommendations by the finance committee of the Confederacao das Associacoes Economicas de Mozambique to which the team responded directly.

Various proposals to start new development banks, publicly financed guarantee and lending programs, and new financial institutions are being vigorously advanced. The team reviewed all of these as well as a number of initiatives team members themselves developed. Among these, the primary five proposals are

1. Promote a facility for preparing project proposals (and support a proposal preparation institute);
2. Use framework agreements;
3. Gather and disseminate credit information more efficiently;
4. Encourage new entrants in banking, insurance, and nonbank financing; and
5. Improve insurance services for trade.

The following subsections describe these proposals and are followed by proposals for development finance institutions and some likely alternatives.

1. Promote a Facility for Preparing Project Proposals

In every interview, entrepreneurs told the team that the banks were not interested in financing projects, that no financing was available for their type of project, and that the process for assessing financing applications was long, tedious, and very bureaucratic. Meanwhile, financiers said that proposed projects were too risky, lacking well thought out business plans and budgets or cash flows; that amounts requested were either too small or too large for their organization; that personal contribution from the entrepreneur was non-existent or minimal (most financiers want at least a 30 percent contribution); that security was often lacking, insufficient, or not acceptable; and that entrepreneurs had poor management skills or no record.

After a number of interviews and probing the following emerged:

- Potentially good, viable projects are seeking financing;
- Bank managers, especially at branch level, do not have the skills necessary to assess projects;
- Projects being presented are more often than not being presented in a manner that makes them look unattractive to financiers;
- Financiers often do not have the time, inclination, or skills to turn these projects into bankable projects;
- Financiers do not know where to go to find syndicate/funding partners for larger projects;
- Financiers are unaware of the various mechanisms that can be used to enhance financing proposals such as insurance, guarantees from various NGOs, and government organizations;
- Financiers are unaware of techniques such as collateral stock management, back-to-back letters of credit, red clause letters of credit, etc.

It is proposed that donors or the private sector sponsor a Project Proposal Preparation Facility (1) to receive projects from entrepreneurs and/or potential financiers that require work to be done on them; (2) to assess the project's viability and likelihood of obtaining financing; and (3) to decide if the project has potential.[13]

If the facility decides against the project, it will inform the sponsor and/or financier within a 48-hour period with reasons. The sponsor can then decide either to address concerns or abandon the project. If the facility decides that the project has potential, it will inform the sponsor and/or the financier within a 48-hour period. The facility will then work with the entrepreneur/sponsor to turn the business plan into a bankable proposal. The business plan will include all the elements of a proper bankable document (i.e., budgets, cash flows, marketing plan, human resource requirements, management expertise). The proposal to the financier will include security being offered. In this regard the facility would have already obtained "in principle" approval from potential insurers for, *inter alia*, credit and political risks, guarantors, potential co-financiers, and support from NGOs.

It is proposed that donors or the private sector sponsor the initial assessment; this fee will be about US$200. Should the assessment go to the next stage, the basic fee will go up to US$5 000, depending on the work and funding required, and be payable to the preparer on completion of the financing proposal. This fee will be underwritten by donors or the private

[13] This proposal was prepared by Alistair Tite of the Nathan-TSG team.

sector. On successful granting of the loan, the sponsor will refund all fees to donors or the private sector from the first draw down under the facility. As an added incentive, the packager will be offered a success fee of 1 percent on the amount raised, such fee to be paid by the entrepreneur on the first draw down from the facility.

Donors or the private sector might also support one or more packaging institution. Such support would consist of a guarantee that enables the institution to raise facilities from financial institutions to finance small projects or help finance large projects. The institution would be a non-bank financial institution, managed according to conventional good governance systems as practiced in the conventional banking system. It will not, however, be a banking institution. The shareholders and directors of the institution could include its promoters, plus others including USAID who wish to be involved.

2. Use Framework Agreements

Three impediments to trade and trade-related financing for SMEs—risk, cost, and capacity—could be addressed through framework agreements in Southern Africa. Such agreements would involve financial institutions working in public-private partnerships to increase the availability of financing for enterprises, especially, but not exclusively, SMEs engaged in trade and related activities.

IMPEDIMENTS TO BE ADDRESSED

Risk. Financial institutions are often reluctant to support transactions, especially for SMEs, because risk is perceived, rightly or wrongly, as unacceptably high. Creating financial clusters through framework agreements spreads risk among financial institutions, the public sector, and NGO partners, thereby making support for SME trade-related financing more feasible.

Cost. Performing due diligence, structuring, and administration for financing of SMEs is often too costly and time-consuming to justify support for small transactions. Developing framework agreements would involve packaging transactions so that costs are kept to a minimum and shared by the cluster (framework participants). Sharing costs and packaging financial transactions would make financial support for transactions more attractive to financial institutions.

Capacity (Expertise/Know-how). While headquarters of financial institutions may or may not have the expertise to assess risk and to structure trade and related transactions, bankers at the branch level often lack the skills required to undertake such transactions. The same is true for SMEs, which lack the know-how to present financial institutions with bankable transactions. A framework agreement would standardize transactions, providing all necessary legal and due diligence forms. In other words, both bankers and SMEs would be provided with an "A-Z" manual (including all documentation) to complete a transaction.

PARTICIPANTS

Possible participants include banks, non-bank financial institutions, insurance companies, NGOs, multilateral development banks, and donors. Depending on the specific agreement, other private sector entities may participate. Any combination of these entities could create a risk-sharing cluster. For example, suppliers of agriculture equipment and suppliers of fertilizers and seeds could form an agreement. Equipment suppliers could take a portion of risk, along with other participants, by providing buyers with credit terms; and input suppliers could use the agreement to mitigate risk and provide buyer credits to customers.

In Mozambique, the following have expressed interest in framework agreements:

- International Finance Corporation (IFC) (Johannesburg office with responsibility for Mozambique and other SADC countries)
- TechnoServe
- Rural Financial Services Promotion Center (CPSFR), a USAID project entity.
- Standard Bank
- BCI Fomento
- Bank Austral (provided clear guarantees can be established with USAID)
- GAPI (active financial institution owned by donors and other entities)
- Hollard Insurance, Mozambique
- Commercial and Industrial Association of Sofala
- Chamber of Commerce, Beira
- Norwegian Aid.

And South African banks and insurers providing credit/cover to Mozambique and other SADC countries have also expressed interest:

- FNB (First National Bank)
- ABSA
- Standard Chartered
- PSG (non-bank financial institution, focused on trade finance)
- CUAL (large insurer owned by COFACE)
- Hollard Insurance, South Africa

RISK SHARING

Participants must then negotiate a risk-sharing arrangement. How risk is shared and in what percentages will depend on the number and nature of participants (commercial bank, insurer, NGO, donor, IFI), but the fundamental principle of risk-sharing would remain the same. For example, those in an agreement could assume risk according to the following percentages:

- Bank—50%
- Insurer—25%
- Donor—10%
- NGO—5%
- International Financial Institution—10%

An agreement may involve any combination of participants, such that, for example, there may be no insurance company, but two donors. Percentages would be subject to negotiation up-front and would be arranged as part of the agreement. The percentage of risk assumed per participant would be set for a period of no less than 6 months. Negotiations would ***not*** occur on each transaction proposed under the agreement, since the agreement would be a standard package, ensuring a cost-effective process and quick decisions.

Compensation would be proportional to assumed risk. A bank handling administration on behalf of the cluster would receive extra compensation to cover administration costs.

In much the same way that syndicated financing is arranged among several financial institutions, the framework agreement would simplify administration, reduce cost, and speed the assessing and closing of transactions. The agreement would standardize processes for financing application, due diligence, credit decisions, pricing, administering a transaction, et cetera, thereby ensuring that credit decisions are taken and that individual transactions are administered efficiently and inexpensively.

Application Forms. Framework participants would agree on the design of succinct and simple application forms. Business associations and chambers of commerce would be asked to participate in the design to ensure that forms are acceptable to the business community. (Industry associations and chambers of commerce have expressed strong interest in framework agreements and would welcome being consulted.)

Due Diligence. Framework participants would agree on a due diligence process. Step-by-step procedures would be established by various categories. Parameters would be detailed for each category to keep the process simple and efficient for individual bank officers. A scoring system for each category would be agreed. The total weighted score for all categories would determine if a particular transaction is or is not acceptable. Scoring would also determine pricing. Packaging transactions in a standard format would result in substantial cost/administrative savings for financial institutions.

Pricing. The framework agreement would establish pricing parameters depending on fixed costs (administration) and according to risk scoring, which would be attributed to specific types of transactions, risk parameters, and tenors (i.e., the time-length of credit). To make the agreement predictable and efficient, participants would establish all of the abovementioned factors up-front so that pricing is not decided arbitrarily for each transaction. Businesses would benefit from knowing, up-front, what financing costs will be. The more predictable the pricing, the more able a business is at managing its affairs. As with other elements of the agreement, participants would review pricing at regular intervals (e.g., every 6 months). As with all other elements of the agreement, chambers of commerce and business associations would be consulted in designing the agreement. Consultations involving business as full partners will help ensure buy-in and help market the agreement.

Legal Documentation. As in syndicated deals, participants would agree up-front on all legal documentation to be applied to transactions under the agreement. Doing so will ensure that transactions are efficient and cost-effective. Otherwise, legal costs and the time spent negotiating documentation will jeopardize the viability of transactions for financial institutions and borrowers alike. This is especially so for trade transactions, which often require quick decisions.

Turn-Around Times. To ensure efficient and timely decisions, turn-around times would be agreed and added to the agreement so that business and participants know how long a process will take at each stage (e.g., X number of days for due diligence; X number of days to respond to potential borrowers from date of completed application) .

Administration and Monitoring of Financed Transactions. Once a decision has been made to support a transaction, and following the disbursement of funds, the transaction will need to be monitored. Participants will need to agree on monitoring procedures, which may vary depending on the transaction. Monitoring procedures will be detailed in the agreement and help mitigate risk and standardize the process. The participating bank will administer loans.

Deal Flow/Pipeline. Businesses/potential borrowers would approach a participating bank for financial support under the agreement. The bank would work from the application stage, through to decision, disbursement, monitoring, and repayment. It would also handle arrears and work-outs as required. (All procedures involving arrears and requiring work-outs would be detailed in the agreement.) Involving all participants in credit decisions and administration would be time-consuming and expensive. As such, the bank will take all decisions case by case in accordance with procedures, scoring mechanisms, and risk parameters agreed on by participants.

Each quarter (or as agreed), participants would audit the loan portfolio, along with rejected applications. The bank would provide participants with reports, summarizing deal-flow. As required, participants could amend the agreement to ensure it is working properly and fulfilling its mandate. Participants might want to appoint an auditing firm to review transactions undertaken and rejected under the framework agreement.

CAPACITY BUILDING

A primary impediment in financing trade and related transactions is the lack of capacity within banks. A bank is not able to accept risk if it does not know how to assess, mitigate, or manage risk. Banks also lack the skills to structure transactions. On the basis of interviews conducted with banks and businesses, the lack of expertise is evident by general measures, such as the high percentage of non-performing loans, and is even worse in specific sectors, especially agribusiness. Given the potential of agriculture to create jobs and expand exports in Mozambique (and in a number of SADC countries), one cannot think of a more detrimental area in which to lack expertise.

Whether or not a particular framework agreement specifically addresses the lack of financing in agribusiness, all agreements will package due diligence processes and ready-made structures to address the lack of capacity in banks, particularly at the branch level where businesses propose most transactions. The framework agreement would provide bank officers with a detailed manual, containing all processes, structuring, and documentation required to assess and complete transactions, possibly in specific industry sectors, such as agribusiness.

In addition, companies lack the know-how to approach a financial institution with a bankable transaction. Potential borrowers often lack the information that banks need and appreciation of what banks need to make a sound credit decision. The framework agreement, or at least parts of it, would be distributed to business associations and chambers of commerce to help businesses prepare for application and due diligence.

Eligible Transactions

The more limitations imposed on the agreement, the more challenging it will be to implement and administer. Nevertheless, participants may wish to focus on certain sectors, and some may require a sector focus. For example, should TechnoServe join an agreement it would likely insist that eligible transactions be restricted to agriculture, tourism, pulp and paper, furniture, and aquaculture.

Participants would likely agree that the SME sector should be targeted, but participants would need to define what constitutes an SME. Interviews with the business community in Mozambique revealed that larger transactions also suffer from a lack of financial support. Some agriculture projects with high export potential require loans on the order of $2 million or more. In some cases, starting an agriculture project demands volume to generate the economies of scale that render shipping for export viable. Framework participants may want to consider not excluding larger transactions from support under framework agreements.

Regional/International Focus for Implementation

As with some other countries in SADC, Mozambique's financial sector is largely controlled from abroad. Banks are controlled by owners in Portugal, South Africa, and Mauritius. It is recommended that Mozambique conduct consultations in these countries when starting to negotiate a framework agreement to attain buy-in from all parties.

RECOMMENDED FIRST FRAMEWORK AGREEMENT — AGRIBUSINESS

The first framework agreement could be model for others. It could, for example, consist of the following cluster: Standard Bank (Mozambique), TechnoServe, Hollard Insurance, CPSFR, and IFC. CPSFR would require USAID's concurrence. Other participants might include private sector suppliers of agricultural equipment and seed/fertilizer inputs, as well as another donor.

TechnoServe has expressed interest in creating an agreement that could be duplicated in numerous markets. Hollard Insurance, which is considering expanding in SADC, sees a framework agreement as a good strategic mechanism through which to establish operations throughout SADC. Standard Bank (Mozambique) has been looking for a mechanism to share risk, reduce cost, and develop capacity to expand market share in Mozambique. CPSFR is seeking prudent and efficient structures through which to invest its USAID funds and sees a framework agreement as an appropriate mechanism.

While TechnoServe could assume financial risk on transactions, it could also play a role in due diligence and monitoring of agribusiness transactions financed under a framework agreement. Given TechnoServe's focus on agribusiness, and given the significant export potential of this sector in Mozambique and other SADC countries, it is recommended that the first agreement focus on agribusiness.

As discussed with TechnoServe, banks, insurers, and businesses in Mozambique and South Africa, commercial farms could be the target market for a first framework agreement on agribusiness. Commercial farms have well-developed relations with reputable trading firms that on-sell to large retail food chains in developed markets; often get much of their supply from small-scale micro farmers (outgrowers); and are underserved by financial institutions. If these farms could obtain financing through a framework agreement, they could on-lend (sub-borrow) to outgrowers to expand supply for export. Farms that use outgrowers for supply would monitor and assume the performance and repayment risk on outgrowers. Thus, framework participants would assume risk only on the commercial farmers, while supporting micro-farmers. With financing, the number of outgrowers would expand and the quality of outgrowers' production would improve through the purchase of seeds and fertilizer, something rarely done now because of a lack of financing.

In focusing on agriculture and targeting commercial farms that use outgrowers, the first framework agreement could have a significant impact on development while presenting manageable risks.

RECOMMENDATIONS

USAID should consider funding technical assistance experts to help design and negotiate a framework agreement. Through the DCA guarantee mechanism, USAID could be a member of the financial cluster that would comprise the first and possibly subsequent agreements. USAID should consider a maximum 20 percent risk participation, depending on the number of participants. The less risk assumed, the higher the multiplier affect in the market, relative to the allotted budget for the framework agreement project. Thus, if $10 million is earmarked for the framework agreement, at a 20 percent risk-participation level, the multiplier would be 5 times, amounting to $50 million in financing for Mozambique.

3. Gather and Disseminate Credit Information Efficiently

In theory, better credit information should increase the flow and decrease the cost of credit. Lenders should be able to avoid "lemons," borrowers who have not paid in the past and are unlikely to do so in the future. But, as with all theories, the question is what the marginal return to improved credit information services in Mozambique would be.[14]

Mozambique already has two extremely useful resources. A center of risks at the Central Bank records bank borrower experience and provides it to the banks on request. A debt register, according to the IMF, receives 98 percent of the covered debts and records the details of the collateral involved. This register is a little less readily available, but one banker found it easy to access. But South African lenders and credit risk insurers reported that they have many deals with Mozambican parties whose credit status is uncertain, and that this is particularly a problem because Mozambique has a "culture of non-repayment." Credit information also suffers other shortcomings. For example, it does not include data from key creditors like utilities, nor does it include positive data such as average checking balances. South Africans reported difficulties accessing company data. Information is not linked and must be gathered from various sources. And, most important, access is limited (e.g., only Mozambican banks have access to the risk center of the Central Bank). Ideally, any potential creditor should have access, provided they are willing to pay for it. Mozambican businesses in international trade often do not realize how much they are being penalized for the lack of credit information about them.

RECOMMENDATIONS

Organize Stakeholder Seminar. USAID might support a seminar in Maputo in which Mozambican exporters, traders, bankers, and policymakers meet with export risk insurers and credit information agencies to learn about their requirements and perhaps discuss what, if anything, Mozambican businesses can do to improve their business profiles. This seminar could also make decision makers aware of the real costs of lacunae in the legal and regulatory framework for credit.

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[14] Miller, Margaret J. (ed.) *Credit Reporting Systems and the International Economy.* Cambridge, MA: MIT Press, 2003.

Encourage Credit Information Development. On both the policy and institutional level, the development of a more comprehensive, integrated, and accessible credit information system for Mozambique should be encouraged.[15]

Pursue Donor Coordination. This is also an area in which the World Bank and IFC are normally active, so constructive donor coordination is called for. Though World Bank output is sometimes too predictable, those involved as well as USAID's financial sector experts, are generally flexible.

4. Encourage New Entrants

USAID should keep apprised of new entrants in banking, insurance, and nonblank financing. In collaboration with the U.S. Embassy it should assist new entrants in overcoming regulatory constraints to entry. Even when entities are foreign corporations (e.g., Mauritian), significant U.S. equity and commercial interests are usually involved as well as benefits to the Mozambique financial system. Some grant assistance to Novo Banco might help it enter the agricultural lending sector. If continued, current assistance in cooperation with Technoserve, ACDI-VOCA, and CLUSA will help entrants into agricultural lending. The entrance of Standard Bank seems advanced, but U.S. guarantees would accelerate entry into agricultural lending.

5. Improve Insurance Services for Trade

Banks in developed economies use insurance products to structure transactions, thereby mitigating risk and making difficult transactions more viable to finance. This is especially so for agriculture, a sector that holds great potential for Mozambique and SADC. While banks in Mozambique have started to use insurance products to structure transactions, insurance products are not well integrated in bank financing, to the detriment of many transactions. Because it could help increase access to financing among SMEs involved in trade and trade-related activities, insurance should not be overlooked.

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[15] The IFC and the World Bank, with USAID encouragement, have been promoting systems that contain information from nonblank credit services, such as phone and utility companies and retailers, and from nonfinancial services, such as courts, companies, population registers. This information covers the positive (average account balances) and the negative (late payments). Providing fuller, more reliable, and therefore measurable data, these systems are more financially sustainable because they have a larger potential clientele. Fuller treatment is contained in *Credit Reporting Systems and the International Economy* (Cambridge MA: MIT Press, 2003). During a presentation to EGAT in the fall of 2004, the IFC reported on a study demonstrating the positive effect of such credit information development on economic as well as financial development.

For example, the lack of agricultural insurance, is considered an impediment to financing. During interviews, banks, insurers, and agricultural businesses identified crop insurance and field-to-floor insurance as two important products for agriculture. Notwithstanding exclusions by specific insurers and/or for specific types of crop, crop insurance covers risk (primarily weather-related) from seed planting to harvest. Field-to-floor insurance covers risk from harvest to the buyer's warehouse. Either form of insurance mitigates banks' risk and can add a significant element of comfort to financiers when considering credit for agricultural projects. But prudently structured transactions are impeded by a number of insurance-related issues in Mozambique: high cost, 5 percent tax on premiums, premiums having to be paid on expected not actual yield, lack of capacity (expertise) in insurance sector, and banks' lack the capacity to structure transactions with insurance.[16]

LIMITED COMPETITION AND HIGH COST

The insurance sector in Mozambique is relatively new, has limited economies of scale, and lacks competition. The sector comprises three insurance brokers (Alexander Forbes, Aon, and Glen Rand), and five insurers (EMOSE, SIM, CGSM, MCS, and Hollard). Of the insurers, Hollard is foreign owned (South African, though the owners are Dutch citizens resident in New York) and is considered among the most reliable. Hollard offers crop and field-to-floor insurance, is seeking ways to expand the market for these and other products, and is considering expanding operations in SADC. Hollard confirmed that its margin in Mozambique is 20 percent higher than in South Africa, but time to investigate the reasons for this was lacking. Many banks and agribusinesses find insurance prohibitively expensive and this may be hindering agricultural sector financing.

Recommendation

Given the potential impact of insurance on financing in the agriculture sector in Mozambique, USAID should consider investigating the fee structure of insurance products to determine what, if any, non-distorting measures could be taken to lower the cost of insurance.

LACK OF CAPACITY/WEAK SECTOR

According to insurance experts interviewed by the Nathan-TSG team, only four insurance professionals in all of Mozambique have proper insurance accreditation. No formal courses or accreditation is available in Mozambique. The industry's lack of capacity causes some insurance professionals to be concerned about the viability of insurance companies in Mozambique, many of which are apparently not well managed. Some professionals confided

[16] The team was not able to assess complaints about cost or payment on expected yield versus actual yield.

that they limit their exposure (through re-insurance) to local insurance companies, because they would not be surprised if some were to collapse.

Recommendations

USAID should consider some technical assistance programs for the insurance sector in Mozambique. It should also consider studying regulatory and monitoring practices of the regulatory authority to strengthen the sector and ensure that insurance companies are sound.

BANKS' LACK OF CAPACITY TO STRUCTURE DEALS WITH INSURANCE

As discussed in the framework agreement proposal, bankers in Mozambique often lack capacity to structure transactions with insurance. While structuring transactions with insurance is not complex, and some banks in Mozambique use insurance to do so, insurance as a tool to mitigate risk is not widely used or sought after.

Recommendation

The framework agreement would include banks and insurers, thereby mitigating risk on certain transactions and creating a working partnership through which both financial sectors could collaborate to significantly increase the flow of trade and agribusiness finance in Mozambique.

Development Banks, Agricultural Banks, SME and Agricultural Funds, and Second-tier Banks and Alternatives

Proposals for development, agricultural, and second-tier banks are documented in "Agenda 2025: The Nation's Visions and Strategies," produced by a group that includes all elements of Mozambique society.[17] The agenda benefited from considerable international assistance, from UNDP, the Carter Center, the Friedrich Ebert Center, as well as input from the Presidency, Parliament, and academics. Its recommendations are paralleled in the election manifesto of the new President. The agenda seems to be calling for funds to be provided on a concessional basis and to have a long-term and middle-term orientation, as well as a rural orientation.[18] The development bank would be a "second tier institution." Elsewhere the agenda proposes a guarantee fund and an SME fund, implying that these will not be the focus of the proposed bank.

[17] The Committee of Counsellors, Agenda 2025: The Nation's Visions and Strategies, Maputo, 2003.
[18] The agenda does not speak about agricultural production though this seems included by implication.

Many a government impatient with reluctance in the banking sector to lend to "worthy" enterprises has decided to create a bank to undertake such lending. In Mozambique, such a bank's funds will primarily come from donors. Such banks—agricultural, development or otherwise—have generally failed miserably, especially in Africa.[19] The exceptions in Africa are typically in microfinance (with which the proposal for a development bank is not concerned) and sometimes in the financing of public infrastructure and large projects in cooperation with large and multinational corporations. Dealing with agriculture and SME has proved difficult. A draft study on agricultural development banks in Africa, sponsored by AFRACA, their trade association, concludes that agricultural finance works only when treated as a variant of microfinance.[20] The same conclusion seems at the core of the new USAID study, "State Owned Retail Banks" which is now underway.[21]

The difficulty in Mozambique is illustrated by the fact that a second-tier lender would have few primary lenders to deal with. Though three significant microfinance groups exist, none does much rural finance. The rules for setting up cooperatives are highly restrictive and the cooperatives in any case have a bad name. And, as already indicated, banks seem reluctant to lend for agriculture or long-term activities. At the moment, the most significant primary project lender for SME is GAPI; but if it is intended to expand its funds the obvious question is why not do so directly. Of course, much more lending would occur if the second-tier lender took the overwhelming share of the risk—but this then calls into question the role of primary lenders.

As pointed out earlier, a number of lenders are poised to lend to the commercial agriculture sector, and it is likely that these lenders will expand their credit. Certainly, guarantees from others would nudge them along—though excessively high guarantee levels seem hard to justify. New entrants are also to be encouraged because this sector is clearly perceived as a high potential market.

In addition, microfinance could serve peasant agriculture, but local experience is limited. By international standards, microfinance has developed slowly in Mozambique. Nonetheless it is developing and Mozambique could pioneer microcredit for agricultural production. Again, this may occur independently, but donor support will accelerate it

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[19] Thomas Timberg, "The Second Coming of Agricultural Credit"and "Development Banks and Mozambique" 2004. The first of these is posted on the Nathan Associates Website, http://www.nathaninc.com.

[20] Ed. Gerhard Coetzee, Agricultural Development Banks in Africa: The Way Forward, Nairobi, Kenya: African Rural and Agricultural Credit Association, 2002.

[21] Robin Young and Robert Vogel, "State-Owned Retail Banks (SORBs) in Rural and Microfinance Markets: A Framework for Considering the Constraints and Potential,"Accelerated Microenterprise Advancement Project, January 2005.

Mozambique would be a pioneer, though not alone.[22] Various microfinance organizations have been financing agricultural production for years, though their typical short-term loans are not ideal for this purpose. In Indonesia, surveys indicate that 10-20 percent of microfinance was going for agriculture. In Sri Lanka and India, small farmers have been financed through the banks, at some considerable cost in subsidy. But the quantum of such credit has been declining as governments find it hard to bear the burden and the over-indebted peasants are disqualified from agricultural loans. The new Indian government is committed to expanding its credit subsidy, though it is not yet clear that agricultural credit expands production under normal conditions. It does expand production immediately after disasters and when it enables innovation (higher fertilizer use, installation of small irrigation equipment and agricultural mechanization). Sometimes such credit has more effectively been extended through agricultural input sellers.

RECOMMENDATION

As indicated, guarantees and packaging facilities could facilitate already emerging market phenomena. Thus, any new USAID-supported interventions should be small and experimental and subject to immediate and effective market tests.

[22] Some experience with microfinance for agriculture is reviewed in two papers cited elsewhere in this paper (Coetzee, op. cit., and Timberg, "Second Coming").

Appendix A. Article from *Noticias*

Possível ou não banco de deser

– consultores da USAID enumeram males de que (pedintes e sugerem " Acordo Base "

PAULO DA CON

SSIBILIDADE de criação de anco de desenvolvimento em ımbique, que eventualmente um contributo na busca dos lemas com que se debate o ma financeiro, em geral, e acesso ao crédito em cular, tem sido veiculado com ma intensidade nos tempos ·orrem. Todavia, consultores ;ência Norte-americana para ıenvolvimento Internacional ıID) regional, com sede em erone, Botswana, festam-se cépticos quanto à ;ão de uma instituição de ro no país, pelo menos por anto, devido à existência de ;dimentos que vão desde a ıra de não pagamento de réstimos ou atrasos, uma ção que começa a partir do ırio Governo; ausência de ntias por parte dos pedintes ımpréstimo; ausência de ·mação sobre os devedores; ı de conhecimento cializado nas instituições ıceiras sobre a área em que aplicado o dinheiro emprestado, entre outros aspectos.

Alistair Tite Steven Beck Thomas Tin

omo contrapartida recomendam o estabelecimento de um "Acordo ", que envolve os bancos comerciais, doadores e parceiros de cooperação nacionais como a Corporação Financeira Internacional (IFC) e a Agência e-americana para o Desenvolvimento Internacional (USAID), entre ıs instituições nacionais e internacionais que, através de uma parceria, ;rão participar tanto no risco como no custo dos empréstimos e na cialização do pessoal que irá intervir na concessão de empréstimos em ; específicas.

ım dos enfoques do Acordo Base é a questão da agricultura comercial. m sendo, o instrumento prevê o financiamento dos grandes agricultores erciais porque, segundo sustentam os consultores, muitos deles ;edem empréstimos a pequenos agricultores que cultivam nas terras à concessionadas e, posteriormente, vendem-lhes o produto na hora da eita.

m declarações recentemente à comunicação social em Maputo, os idos consultores, designadamente Alistair Tite, Thomas Timberg e en Beck, referiram-se à avaliação que fizeram sobre os impedimentos o sistema financeiro moçambicano tem apresentado, para além de ıciar algumas recomendações para aliviar tais contrariedades.

Steven Beck explicou que das investigações que sua equipa efectuou, compreende-se porque é que as instituições financeiras estão relutantes em fazer empréstimos e conceder créditos a operadores deste mercado.

"Alguns destes motivos têm a ver com os próprios bancos, mas há outros que têm a ver com o ambiente em que estas instituições estão a funcionar. Em primeiro lugar, o que pudemos apreender dos contactos que fizemos com vários segmentos deste mercado é a presença de uma cultura de não pagamento de empréstimos em Moçambique e essa cultura começa no próprio Governo", disse.

Sustentou que existem informações que garantem que o Estado/Governo tem pago muito tardiamente aos fornecedores de serviços e por vezes a liquidação da dívida não chega a ocorrer, o que tem estado a promover uma cultura de não pagamento.

"Um outro problema está relacionado com o Imposto sobre o Valor Acrescentado (IVA), onde os reembolsos têm sido feito de forma muito tardia. A própria gestão ou administração do IVA não tem sido muito bem feita e isso tem estado a provocar atraso no pagamento pelos vários serviços ou fornecimentos que são feitos", criticou.

Fez alusão ao sistema bancário a nível mundial, onde, geralmente, para fazer empréstimos tem que se ter uma comparticipação da pessoa que beneficia do suprimento

"Em Moçambique vemos que a terra é um dos recursos que poderia ser utilizado pelas instituições que precisam de contrair empréstimos como colateral ou contrapartida. Nalguns mercados a terra tem sido utilizada como uma contrapartida, pois o direito de uso ou de aluguer dessa terra – aquilo que chamam de leasing dessa terra - pode ser transferido e ser utilizado também como colateral".

Acrescentou que "gostaríamos de instar ao Governo de Moçambique para avançar muito rapidamente nesta outra forma, e permita que o uso e o aproveitamento de terra possa ser transferível porque isso iria, em grande medida, tornar que o processo de empréstimo pudesse ser feitos com esta garantia de que existe a possibilidade de transferência de título de terra".

"Um outro impedimento está relacionado com o sistema legal moçambicano. Se uma instituição financeira tiver feito um empréstimo e no meio desse processo houver problemas, essa instituição não tem como recorrer a tribunais que possam lidar com casos do género até que se resolva o problema do empréstimo não pago".

Disse ainda haver problemas relacionados com a falta de informação

Muitos bancos do género faliram

O CONSULTOR da USAID - Gaberone, Thomas Timberg, disse recentemente em Maputo, que a experiência de constituição de bancos de desenvolvimento pelo mundo tem demonstrado que os mesmos são bastante onerosos e com grandes níveis de crédito mal parado, situação que levou a que muitas instituições do género fossem à falência.

Falando recentemente em Maputo sobre crédito para o sector agrícola, os bancos de desenvolvimento em Moçambique, Thomas Timberg disse haver várias definições de banco de desenvolvimento e "dependendo da forma como essas definições são entendidas várias considerações vão sendo feitas".

Existiram no século XIX muitos bancos de desenvolvimento, começando pela França. Esses bancos haviam sido concebidos para servir certos objectivos de algumas pessoas que achavam que estavam a ser mal servidos, em sectores como a agricultura, investimentos a longo prazo, bem como em pequenas empresas.

Explicou ainda que muitos dos bancos americanos e europeus de desenvolvimento são pertença do sector privado e normalmente vendem obrigações de tesouro a longo prazo e fazem empréstimos aos bancos e emprestam dinheiro às pessoas que dele necessitam.

"Na Europa e nos Estados Unidos da América temos um misto de experiências, algumas dessas instituições fracassaram e outras conseguiram sobreviver.

Nos países em desenvolvimento este tipo de instituições foi muito promovido pelo Banco Mundial, sobretudo nos anos 60/70 e como temos aqui uma citação do próprio Banco Mundial, essas instituições têm sido estupidamente muito onerosas ou caras e tem grandes níveis de crédito mal parado e muitas dessas instituições encerraram as portas", disse.

Entretanto, reconheceu que desde a última década tem havido um interesse acrescido de revitalização dessas instituições, sobretudo através daquelas que são pertença do sector privado.

"Mas os bancos de desenvolvimento que conseguiram sobreviver, muitas vezes desviaram-se do seu enfoque inicial e ao invés de se tornarem bancos de desenvolvimento acabaram se transformando em bancos comerciais normais".

O Banco Nacional de Desenvolvimento Económico e Social do Brasil (BNDES), é tido como um dos bancos de desenvolvimento mais bem sucedido, todavia, Timberg considera que o mesmo "tem sido fortemente criticado no Brasil por ter estado a criar vários problemas a qualquer tipo de empréstimo privado e também por alegadamente estar a beneficiar muito de subsídios do Estado brasileiro.

Referiu que situação similar tem se observado na Ásia. E[illegible]retanto, no que respeita ao continente africano, considerou que "a ex[illegible]eriência em África, de um modo em geral, tem sido um pouco pior se for comparada com a da Ásia".

"O BND do Mali e o Banco da Tanzania foram reestruturados como bancos de micro-empréstimos. Os bancos de desenvolvimento provinciais na África do Sul também têm estado a enfrentar muitas dificuldades, portanto, temos um banco em Durban, Natal, que foi reorganizado e é possível que venha a ter alguns êxitos mas os restantes 3 bancos de desenvolvimento a nível provincial estão a navegar em águas muito complicadas", disse.

Acrescentou que "o Banco de Desenvolvimento da África do Sul, tem sido como o BNDES do Brasil que, não estando a funcionar muito bem, tem sido um banco que tem feito empréstimos com base em juros sustentáveis.

Portanto, a questão de um Banco de Desenvolvimento do Estado pode não ser uma coisa atraente, mas para pessoas que têm muita experiência sobre a situação de Moçambique, "poderemos ver isso, pode ser uma situação que venha a resolver o problema", disse.

...volvimento em Moçambique?

...enfermam instituições oficiais, sistema financeiro, ... visando tornar tal ideia realidade

...CEIÇAO

...berg

sobre o crédito, ou seja, "o cadastro das pessoas que vão contrair o empréstimo, isto é, se honram os seus compromissos quando lhes é feito um empréstimo".

"Portanto, não existe aquilo a que se chama um escritório ou um sítio onde exista uma base de dados sobre essas informações todas e isto constitui também um impedimento".

Um outro aspecto apontado por Steven Beck está relacionado com o T...ouro, argumentando que através do actual modelo de emissão de obrigações de Tesc...ro, fundos que estariam à disposição dos investimentos privados, ficam à disposição do Estado, originando-se "um efeito de empurrar os fundos para um outro sector".

No que respeita às instituições financeiras, aquele consultor explicou que por causa do ambiente anteriormente identificado as instituições financeiras ficam muito cépticas em assumir o risco.

"Existe o problema relacionado com os custos administrativos das diligências que conduzem a um empréstimo. Ouvimos uma história de alguém que estava interessado em fazer um empréstimo de 2.500 dólares norte-americanos e o banco queria, como hipoteca, a sua própria casa. Todavia, cobraram-lhe 4.500 dólares para levar a equipa que se deslocaria de avião de Maputo para Beira para ir avaliar a casa por hipotecar. Portanto, há empréstimos que são de volumes, por vezes, muito menores mas cujos custos administrativos são bastante elevados", disse.

O baixo nível de conhecimento ou de especialização existente em várias instituições financeiras moçambicanas, sobretudo, sobre a agricultura foi outro aspecto evidenciado por Steven Beck.

"As próprias instituições ou bancos não compreendem o ciclo agrícola e por não terem especialistas não estão em condições de fazer uma análise correcta do risco.

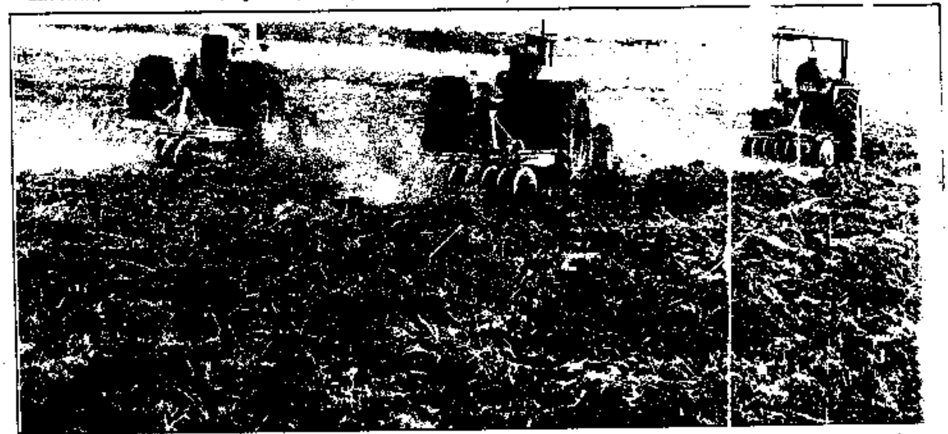
Com a falta de uma análise correcta desse risco é muito difícil eles estruturarem o crédito no sector agrícola e isto tem es...do a criar um ciclo vicioso que faz com que um problema provoque o outro e assim nunca se vai resolvendo e acaba-se sempre por não se faz... empréstimos", disse.

Referiu-se, finalmente, ao sector dos seguros que, segundo disse, é relativamente novo em Moçambique.

Este sector, bem desenvolvido, segundo aqueles especialistas, seria um factor muito importante que iria estimular o aumento dos empréstimos, sobretudo, no sector agrícola, porque noutros mercados onde os seguros têm estado a mitigar o risco que os bancos podem ter por causa dos empréstimos que fazem, a situação tem sido bem melhor e os bancos têm se sentido estimulados em dar mais empréstim...s, mas aqui em Moçambique não é o caso, portanto, o seguro ainda está na sua fase incipiente.

O seguro em Moçambique é de custo mu...o elevado o ...ue pode estar a retardar o seu papel de mitigar o risco.

"Há uma necessidade premente de se meli...rar este mercado para que as instituições financeiras possam se sentir en...ondições de conceder mais empréstimos e, sobretudo, há a...ectos n... o e legais que devem ser melhorados, mas também há a...pectos m... ...) específicos d...s próprias instituições financeiras que precisam de ser ...elhorados".



A agricultura comercial é enfatizada no "Acordo Base"

"Acordo Base" em preparação:

Partilhar o risco por diferentes entidades

O CONSULTOR Alistair Tite da USAID – Gaberone, referiu estarem a registar-se evoluções significativas no sistema financeiro moçambicano, considerando contudo que subsistem ainda problemas por resolver.

Alistair Tite, a trabalhar como consultor na região da África Austral há cerca de 30 anos, disse que quando veio para Moçambique pela primeira vez, em 1985, os bancos estavam centralmente controlados pelo Estado ou pelo Governo.

"Se estão recordados, o único banco que não era estatal era o ex-Banco Standard Totta de Moçambique (Ex- BSTM) e, desde então, notamos que as coisas evoluíram bastante num curto espaço de tempo, mas ainda existem problemas" – sublinhou Tite para quem as coisas melhoraram bastante aqui e se começa a ver o aparecimento de bancos como o Banco Internacional de Moçambique, Banco Austral, o Standard Bank e outros bancos que têm estado a promover muita concorrência e por causa disso têm estado a aparecer novos produtos e serviços financeiros, mas ainda "continuamos a ouvir comentários segundo os quais os bancos são para quem deposita e não para quem pede empréstimo".

Lamentou ainda o facto de todo o processo de tomada de decisão nas diferentes instituições financeiras estar concentrado em Maputo, chegando mesmo a afirmar que "não há nenhuma decisão que é tomada em outras cidades como, por exemplo, Beira ou Chimoio".

Referiu-se ainda a um "Acordo Base", que a sua equipa está a preparar e que será submetido à apreciação de vários potenciais intervenientes do sistema financeiro e que faz referência aos três principais impedimentos à concessão de empréstimos ou créditos pelas instituições financeiras, designadamente o risco, o custo do empréstimo e da própria especialização do pessoal envolvido na área de concessão de empréstimos.

A equipa discutiu com vários actores nacionais no sentido de partilhar o risco por diferentes entidades, pois havendo uma participação de várias instituições nesse risco que existe de conceder empréstimo, "achamos que o fardo torna-se menos pesado, e por conseguinte, é mais suportável porque são várias instituições".

Referiu ainda que o acordo base inclui várias instituições como bancos comerciais, doadores, USAID, IFC e "ao discutirmos com eles verificamos que estão receptivos a este tipo de iniciativa e isto irá ajudar a mitigar o risco porque o mesmo será repartido por várias instituições".

No que respeita ao custo do empréstimo, Alistair Tite, disse que ao abrigo do acordo as entidades envolvidas irão fazer um financiamento em pacotes.

Estas instituições vão fazer um financiamento por pacote e no mesmo vai - se poder elaborar um manual com muito detalhe sobre todos os procedimentos que devem ser tomados em consideração quando se vai fechar um negócio. Trata-se de algo que anteriormente não existia e isso estará detalhado e será entregue aos bancos e às suas filiais.

Quanto à especialização, Tite disse que a vantagem de ter neste acordo quadro organizações como a Technoserve "pode ajudar bastante na partilha de conhecimentos; por exemplo, sobre o conhecimento das técnicas no sector agrícola e é uma especialização que por vezes não existe em muitos bancos".

Eles ta... ...m vão ajudar bastante na avaliação do risco em termos de práticas a...ícolas. Um enfoque neste acordo base é a questão da agricultura comerci...l. Se prevê o financiamento dos agricultores comerciais que trabalham com pequenos agricultores concedendo-lhes empréstimos e comprando a sua produção.

Fazendo uma comparação do processo de concessão de empréstimos nos países da região da Comunidade para o Desenvolvimento da África Austral (SADC), Alistair Tite, disse que a maioria dos bancos na África do Sul têm uma grande divisão que lida com a agricultura. Também existe um banco que trata de assuntos de terra e grande parte dos agricultores são grandes agricultores comerciais.

"Os bancos na África do Sul já deram passos muito importantes e estão muito sofisticados no financiamento ao sector agrícola para o desenvolvimento da agricultura. Só para ilustrar, o Standard Bank contratou um especialista em agricultura e trouxe-o a Moçambique e essa pessoa está colocada em Chimoio e está neste momento a desenhar e promover produtos para o sector agrícola. São produtos específicos para Moçambique", disse.

Explicou também que o Zimbabwe já teve um sector de financiamento agrícola bastante sofisticado.

A Zâmbia, por exemplo, é um país que está a fica... muito sofisticado devido à situação no Zimbabwe, já que muitos agricult... zimbabweanos vão para aquele país e eles estão a ter também muitos especialistas.

No que respeita à forma de financiamento a pequenos agricultores, Tite afirmou existirem vários esquemas.

Por exemplo, na África do Sul, na zona do Cabo Ocidental, "estamos a ver grandes agricultores a darem pedaços de terra aos seus agricultores para poderem lançar as suas videiras para a produção de uvas e este grande agricultor, mais tarde, no momento da colheita, compra a produção desses pequenos agricultores".

Referiu-se à situação da indústria de algodão no Zimbabwe, considerando que "vimos que 80 por cento da produção de algodão era de pequenos agricultores que possuíam 2 a 3 hectares de terra e que depois vendiam a s...a produção aos grandes agricultores".

Na Zâmbia também é o mesmo que está a acontecer em relação ao algodão. No Malawi, por exemplo, há uma instituição de financiamento ao desenvolvimento rural que concede insumos como fertilizantes e sementes aos pequenos agricultores para a produção de tabaco e algodão, também ajudam em termos de conhecimento, mandam especialistas. Eles fazem isso com uma das organizações de ajuda da Dinamarca ou da Noruega. Isto tem estado a reforçar o conhecimento no plantio e no desenvolvimento de actividades agrícolas em relação a várias culturas.

Fez também referência a Moçambique, afirmando que "em Chimoio existe uma empresa que está a empregar 100 pequenos agricultores com quem faz o fomento de milho miúdo (Baby Corn) que é exportado para a Inglaterra. Em 6 meses eles conseguiram produzir até 20 toneladas".

"Há uma empresa que produz roseiras e tem estado a exportar 1.7 milhões de rosas por semana e eu penso que isso é alguma coisa com que nos devemos orgulhar", disse.

Appendix B. Terms of Reference

Trade Policy Development (TPD) Project, Scope of Work for Short-term Trade Finance Specialists

I. Overview

The TDP project seeks to increase economic growth through enhancing competitiveness in world markets. The project includes four activity components: Capacity Building and Policy Reform for Trade and Competitiveness, Trade Facilitation, Financial Services for Trade and Competitiveness and Dialogue for Competitiveness.

The Southern Africa region remains among the poorest of the world. The region accounts for less than one per cent of global merchandise trade. Aggregate GDP in the Southern African Development Community (SADC) is $188 billion in real terms, which yields a GDP per capita of approximately $1,000. Foreign direct investment flows to the region have declined over the past decade.

The region's ability to compete effectively in the global economy is constrained by a number of factors, including the trade policy environment and domestic regulatory policies that result in increased transaction costs. Trade policies remain generally mercantilist which results in anti-export bias. Constraints in trade facilitation, including customs valuation and clearances, government procedures and cross-border transport are widespread. Restrictive policies suppress foreign investment in many key service sectors.

The region is characterized by a multiplicity of regional integration agreements and bilateral agreements, and is engaged in trade negotiations at the multilateral and bilateral level. These include the Doha Development Round, the EPA negotiations, the mid-term review of the SADC Trade Protocol and negotiations for a free trade agreement between the US and SACU. The African Growth and Opportunities Act (AGOA) has stimulated an increase in apparel exports to the United States. The trade negotiations provide opportunities for increased economic growth providing the countries are able to compete in the global economy. TPD supports the Southern African countries to transform the opportunities into results.

There is a considerable amount of information on the state of the financial systems in Southern Africa. Access to trade finance for small and medium sized exporters continues to be a challenge since the large commercial banks do not offer a small loan window. The 2003-2004 Global Competitiveness Report listed access to financial services as a high priority issue in Botswana, Malawi, Mozambique, South Africa, Tanzania, and Zambia. While banks in the region tend to have liquid assets, they often lend abroad. The inability of the banks to find bankable projects results from banks not being able to structure deals to suit their customers needs. Indeed most banks have neither the knowledge nor the inclination to learn or support innovative trade financing structures. The crowding out of the small trader is a well-known phenomenon.

The TPD team consists of a core long-term staff located in the Southern African Global Competitiveness Hub office in Gaborone. The core team consists of a TPD Director, Deputy Director, six technical advisors, an Operations Manager and administrative staff, supplemented by a network of collaborating regional firms providing dedicated consultants in the RCSA countries. In this way, the TPD Team can effectively promote change at the national level and coordinate at the regional level. This team is supported by specialist consultants, as needed, in a wide variety of fields.

II. Objective of this Consultancy

To work with the TPD Acting Director to design and implement four country financial sector studies focused on the question of the availability of international trade related financial services (especially credit) and especially to Small and Medium Enterprises (SME). These four studies are intended to suggest financial sector interventions which USAID might support to improve the access of SME to trade related financial services and thus increase the total volume of and gains from trade. The interventions need to be done in the context of insuring financial sector stability, the prudential integrity of financial institutions, and the support of sound, sustainable development projects. They need in particular to address the needs of women and the impacts of AIDS on financial sectors.

The assignment is divided into three stages as follows:

1. The selection and design of the studies, the preparation of SOWs, and arranging staffing and for other inputs.

2. The conduct of the four studies.

3. The preparation of a final report based on the four cases and its presentation regional and subregional dialogue meetings to discuss and promote its recommendations.

III. Position Descriptions

It is envisaged that there will eventually be a number of people engaged in the proposed assignment.

A. The first position will be a Lead Trade Finance Specialist

The Lead Trade Finance Specialist will work with the Acting Project Director and other relevant consultants and USAID RCSA.

IV. Responsibilities and Tasks

Specific responsibilities and tasks of the Lead Finance Specialist in the first stage of the project include:

- To develop and draft a comprehensive scope of work for a Trade Finance Study examining the problem of access to trade finance in the region, particularly for small and medium sized exporters. It is expected that the scope of work will address the following tasks and issues:
  - The survey and evaluation of all accessible documents, noting gaps in country-specific information, and to focus on the policies and incentives that govern financial institution performance;
  - Simultaneously, a review of past and present bilateral and multilateral donor programs. The focus of this review will be on the policies and incentives that govern financial institution performance;
  - The exploration of a variety of trade finance techniques and instruments, including back to back letters of credit, credit guarantees and insurance, improved credit information services, and use of micro-credit practices;
  - The examination of Southern Africa's ongoing efforts to improve its legal and regulatory environment, the technical capacity of financial; institutions, the potential impact of gender inequity and HIV/AIDs on lending practices, and an institution's willingness to provide financial instruments to small and medium-sized exporters;
  - The identification of priority countries for the study and conducting on-the-ground reconnaissance through meetings with all stakeholders (i.e., exporters, importers, consumers, financial institutions, and regulatory agencies) to ensure that input is incorporated at the national level.
  - The drafting and submission of an Action Plan for proposed interventions in trade finance sector – assessing the prospects for various financial system initiatives and proposing a plan to implement the proposed interventions.

- It is expected that in developing and preparing the scope of work for the Trade Finance Study the Trade Finance Specialist will:
  - Review appropriate background documents and consult with government, members of the private sector, the commercial banking sector, the non-commercial financial sector and users of trade finance. It is also expected that he will meet with other financial consultants identified by the Acting TPD Director for potential participation in the Trade Finance Study.
  - It is expected that at the completion of the consultancy the Trade Finance Specialist will produce a detailed Scope of Work for the Trade Finance Study based on four individual country studies: Angola, Botswana, Mozambique and Zambia as first choices. The Scopes of Work shall include the specification of the composition and rough scheduling of the case studies and the ensuing reports and dialogue meetings.

Stage 2. The Lead Finance Specialist will direct and participate in the conduct of the case studies and the preparation of reports that emerge from them.

Stage 3. The Lead Finance Specialist will direct and participate in one regional workshop and four subregional dialogue meetings considering both the individual country cases studies and the general report. A final report will be submitted based on the studies, reports, and input from the various workshops and dialogue meetings. Tentatively the regional workshop will involve 50 persons and the national workshops 50-100 persons each. The regional workshop will be a day long one. The dialogue meetings will generally be scheduled for 2-4 hours.

2.The other assignment team members will be specified in the Scopes of Work at the end of Stage I. At this stage several participants have been identified. Two are already mentioned in the proposal for the TESA project – Dr. Penelope Hawkins and Mr. Steve Beck. It is proposed to add one or two other specialists. These will participate in Stages 2 and 3 of the assignment by directing and participating in specific case studies and taking active part in the workshop and subregional dialogues. They will also comment on and contribute to the final report as appropriate. The detailed allocation of countries, level of effort, and SOW will be made in the SOWs prepared at the end of Stage 1.

V. Reporting Arrangements

The Lead Finance Specialist will report to the Acting TPD Director. It is envisaged that the other team members will report to the Lead Finance Specialist except as otherwise provided.

Copies of deliverables shall be submitted as follows to:

rkirk@tsginc.com; lhighland@tsginc.com; rlal@satradehub.org

Reports shall be developed using the HUB format, which will be provided upon request. Assistance in formatting reports may also be possible, but the consultant is responsible for his/her own outputs.

The consultant will prioritize his interventions in accordance with the work plan that will be approved by USAID RCSA. The consultant will work closely with other contractors at the Southern African Global Competitiveness Hub.

VI. Consultancy Qualifications

The Lead Consultant shall have the following minimum qualifications to be considered for this consultancy:

1. Educational Qualifications

— Minimum of a Masters degree in relevant discipline.

2. Work Experience Qualifications

— At least ten years of practical experience in relevant work.

It is anticipated that the other team members will have similar qualifications – though exceptions could be made if specific strong capabilities outway the lack of one or more of the listed qualifications.

VII. Level of Effort Allocation

Stage 1 and role of directing Stage 2

Stage 2: Levels of effort for each country case study – these will include the levels of effort for the Lead Finance Consultant when he takes part in the case studies concerned.

Each country study will entail roughly 50 days of LOE—involving two consultants one of whom will focus on the demand side for trade related financial services and the other on the supply side, however the allocation of roles will be flexible. One of the two will actually handle the write up of the country study and present its recommendations.

Stage 3. All the involved experts—four are envisioned—will attend a one day workshop in Gaborone to agree upon the overall scope and direction of their sectoral studies.

	Start	**End**	**US**	**Field**	**3rd**	**Travel**	**Total**
Tom Timberg	1/1/2005	8/31/2005		28	48	4	80
Penelope Hawkins	1/17/2005	8/31/2005		30	26	4	60
Steve Beck	1/17/2005	8/31/2005		21	7	4	32
Alistair Tite	1/17/2005	8/31/2005		22	0	0	22
Keith Jefferis	1/17/2005	8/31/2005		60	0	0	60

Appendix C. Contacts

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