



Developing Inclusive Agro Businesses in Mozambique: Linking the Private Sector with Local Communities

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1

Inclusive Business: Profitable Business for Sustainable Development

What is Inclusive Business?

- Entrepreneurial initiatives seeking to build bridges between business and low-income populations for the benefit of both.
- Inclusive business involves doing business with low-income populations across companies' value chains, incorporating them in the supply, production, distribution and marketing of goods and services.

Why Inclusive Business?

- Developing countries represent the growth markets of the future. Already accounting for more than half of the world's gross domestic product, their economic weight will increase substantially over the coming decades.
- Through Inclusive Business, local communities can be involved in business, not only as consumers, but also as employees, suppliers and small investors. This generates new jobs, income, technical skills and local capacity.
- Likewise, poorer consumers can benefit from products and services that meet their needs in affordable ways.

The Benefits of Inclusive Business:

Sourcing from, Selling to and Distributing through local Communities

- **Generate Profit:** Can yield higher rates of return than ventures in developed markets
- **Develop New Markets:** Can expand customer base by tapping into the \$5 trillion BOP market (**worldwide**)
- **Drive Innovation:** Can lead to innovations that contribute to a company's increased competitiveness
- **Expand Labor Pool:** The BOP offers a large source of labor that can deliver high-quality products/services at competitive costs and unique expertise driven through local knowledge
- **Strengthen Value Chains:** Companies can expand and diversify their supplier base to lower risks and increase flexibility
- **Enhance Institutional Relationships:** Several companies have expressed the importance of strong relationships with institutions and regulators

SNV: Who Are We?

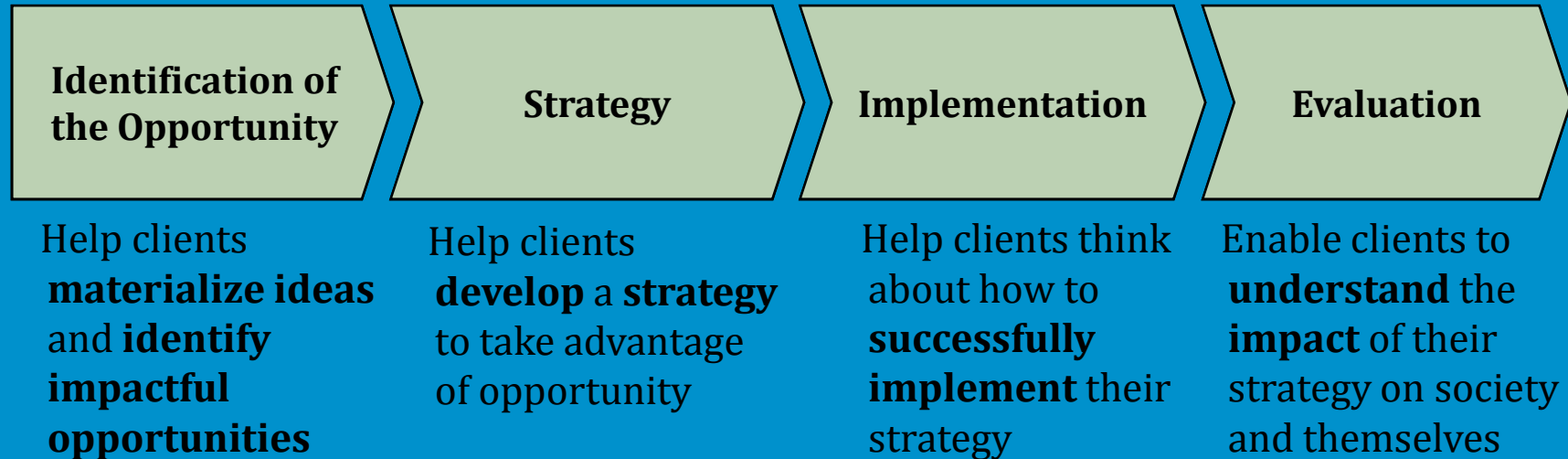
SNV Worldwide:

- Present in 5 regions worldwide; 32 countries;
- H/O in the Netherlands
- Almost 3,000 clients
- Over 900 professional and 550 support staff

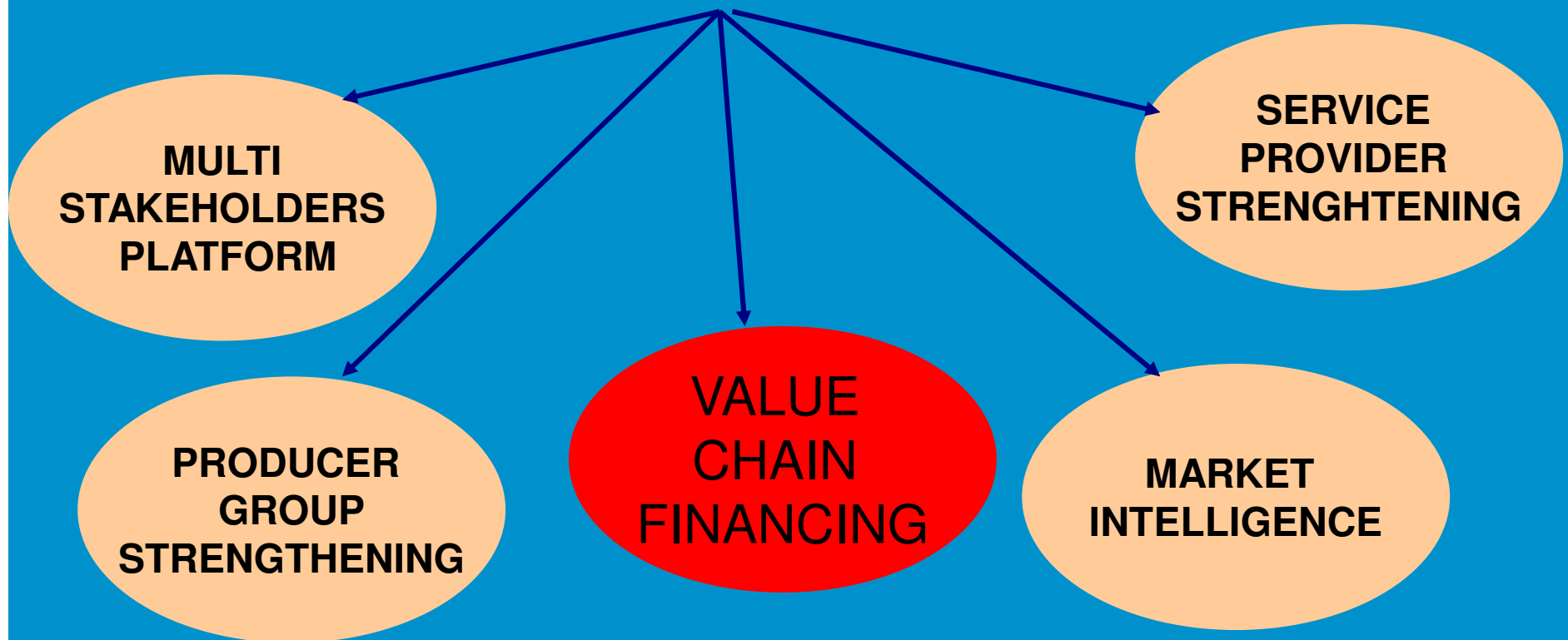
SNV Mozambique:

- 4 Offices: Maputo, Inhambane, Beira/Chimoio, Nampula
- 30 staff
- Public Sector Development: *Education and Wash*
- Economic Development:
Agro Value Chain Development through Inclusive Business

Developing Inclusive Business: Connecting The Private Sector



Developing Inclusive Business: Strengthening Local Partners/Communities



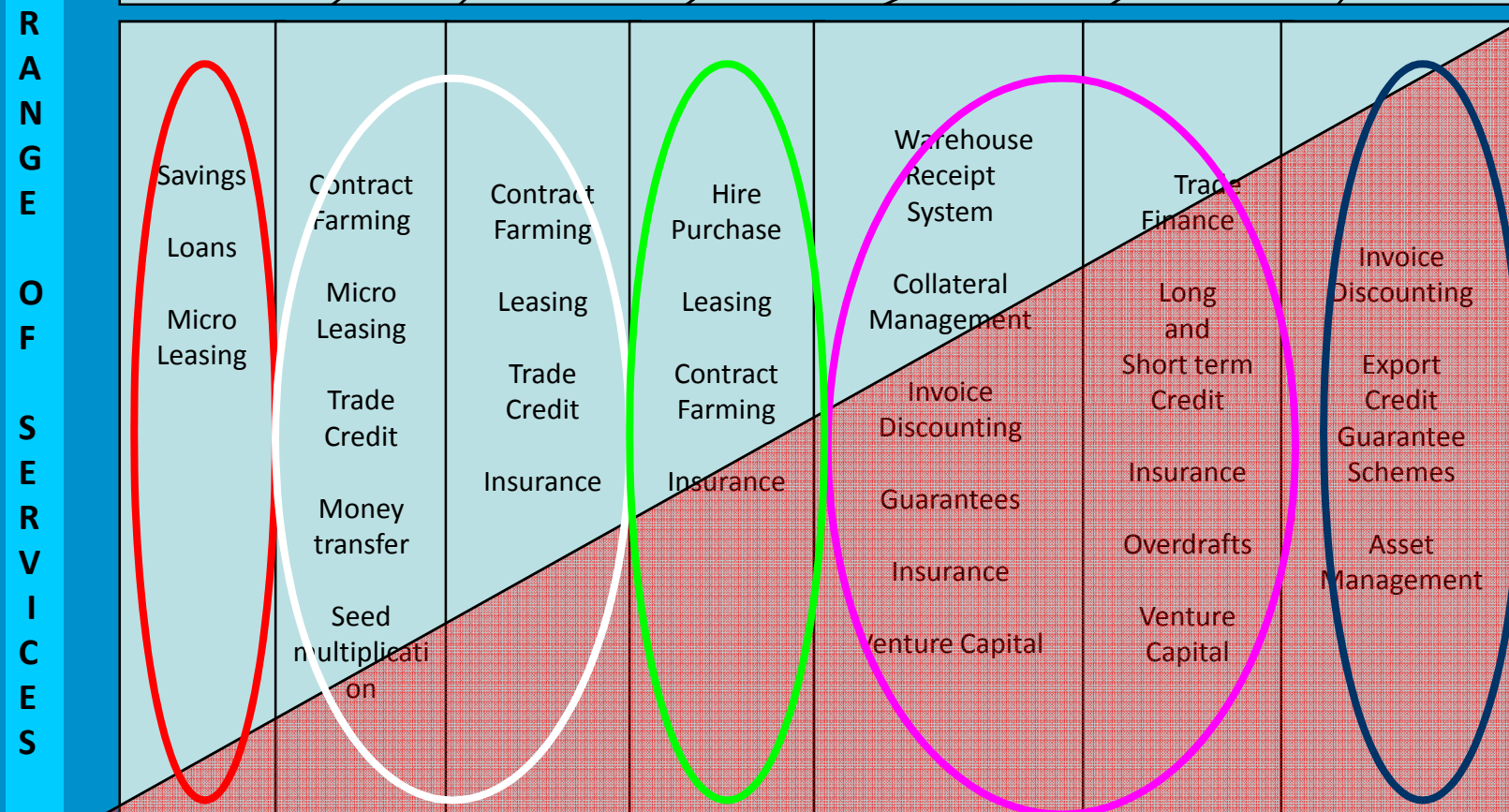


VALUE CHAIN CATALYST FUND -VCCF

Investing in Inclusive Agro Business

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Value Chain Financing Segments



Micro Finance

Grant/
Donors

Commercial Banks

Missing Middle
and VCCF

Commercial
Banks

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8

SNV

5 October 2009

DDE, SNV, SEAF Discussion

Connecting People's Capacities

Financials of the Value Chain Catalyst Fund

- **(Social) Private Equity Fund**
- **Investing in Agro Businesses in countries in South/Eastern Africa where as SNV has offices.**
- **Investment Themes:** Investments that increase the economic prosperity of marginalized sectors through value chain inertia
- **Selection Criteria:**
 - Growth companies
 - Innovative private sector companies, producer groups, or joint ventures that benefit the poorer as well.
 - Social impact and financial viability
 - Attractive valuations
 - Clear path to exit
- **Fund Size:** €30 million first close, end 2009
- **Fund Manager:** SEAF; Small Enterprise Action Fund
- **Average Deal Size:** € 300 thousand – 1.5 million
- **Targeted Overall Gross IRR:** IRR of 10% - 15%
- **Primary Investors in the VCCF:** European Development Finance Institutions (EDFI) and Social Investors

The Role of SNV:

SNV is VCCF's strategic partner in order to:

- Identify Agro Investment Opportunities
- Develop business plans and business models
- Recommend to VCCF
- Accompany the set up of the project
- Ensuring the poorer community benefits from the investments

Some (potential) Projects:

- Dried fruit factories in Southern/Central Moz.
- Rural Business Centres
- Vegetable packing/warehouses
- Banana and mango plantations
- Tea Production
- Honey production
- Oil Seeds Warehousing & Processing
- Potatoes

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