



**Mozambique
Beira Agricultural Growth Corridor**

A Public Private Partnership

**Beira Agricultural Growth Corridor (BAGC) Strategy and Investment Plan
(2015-2018)**

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1. INTRODUCTION

1.1 National Goals and Priorities for Agricultural Growth and Investment

Mozambique has a clear vision for the long-term growth and development of the agricultural sector, which are outlined in the Comprehensive African Agricultural Sector Development (CAADP), the Strategic Plan for Agricultural Sector Development (PEDSA) and the CAADP Investment Plan. PEDSA 2010-2019 details steps to unleash the vast potential of Mozambican agriculture by creating an integrated, prosperous, competitive and sustainable agriculture sector. It describes a number of specific objectives which aim to: ‘Contribute towards the food security and income of agricultural producers in a competitive and sustainable way, guaranteeing social and gender equality.’ Essentially, investment will be prioritised into areas with favourable agro-ecological conditions and large comparative advantages to increase productivity throughout value chains.

The PEDSA identifies the development of a number of trade corridors as the catalysts to drive agricultural growth in Mozambique, of which initiatives are being promoted to attract many types of investment. These locations are being targeted due to their huge production potential for food, cash crops, livestock, plantation forestry and fisheries, and also their integration with domestic, regional and international markets. Investment is required to trigger the spillover effects necessary to stimulate sustainable and self-fulfilling growth all over the country. The Government of Mozambique and its partners are investing in infrastructure, equipment, scientific research, services and markets in order to expand the agricultural opportunities available to investors.

The private sector is recognised as the primary driver of agricultural growth and development in these target areas. Investment will further strengthen the linkages in the specific value chains being promoted in all locations. As such, businesses that enable the creation of these linkages are being sought to further develop Mozambican agriculture. In particular, there is significant scope for the development of a network of input supply chains (seeds, fertilisers, machinery, etc.), agro-processing and crop production.

Agricultural growth is planned to be pursued through an innovative ‘cluster’ approach, thus ensuring large agribusiness involvement and increasing economic opportunity for all. The spillover effects from such ‘clusters’ will allow smallholder production to benefit from the scale economies provided through this market structure and make farming a more reliable and profitable business activity. The achievement of objectives outlined in the PEDSA will go a long way in contributing to food security, reducing poverty and increasing the opportunities and profitability of agriculture for all. Specifically, a 7% increase in agricultural growth is expected each year, resulting from a doubling of production through increases in productivity and an expansion of cultivated area over the lifetime of the PEDSA.

1.2 About the Beira Corridor

The Beira corridor is a large area covering the provinces of Manica, Sofala, and Tete. It has high agricultural potential with over 10 million hectares of arable land with good soils, climate and access



to water. But this potential has not been realised. At present there is hardly any commercial agriculture in the corridor. The rural population is almost entirely reliant on subsistence agriculture and remains very poor.

The Beira Corridor is also important to regional economic development. It connects the port of Beira to the central region of Mozambique and through to Zimbabwe, Zambia and to a lesser extent Malawi and DRC. For these areas Beira port is *potentially* a cheaper export alternative than Durban due to its relatively short distance from major mining and agricultural areas. However rail and port infrastructure needs to be improved and volumes will have to increase before transport costs fall to a competitive level. Cross-border connections also remain a challenge.

Today there are excellent prospects for a revival of agriculture along the Beira corridor, for a number of reasons:

- A number of large mining investments are going ahead, which will improve access to infrastructure in the region and boost local demand;
- The recently completed rehabilitation of the Beira Port;
- Major public investments are underway to improve transport infrastructure, including the Sena railway line;
- Several donor investments targeting irrigation and road development;

But a number of constraints remain which, unless they are addressed, are likely to hold back any widespread growth in agriculture production:

- Inadequate smaller-scale infrastructure (e.g. feeder roads, electricity) drives up the costs of production and transport making agriculture less competitive.
- A lack of access to affordable and long-term finance restricts farmers from being able to invest in capital equipment such as irrigation. And
- There are limited opportunities for value-addition through storage or processing, which suppresses margins.

The interaction of these constraints makes farming on a commercially sustainable basis in the Beira corridor very challenging.

Box 1: Market failures constraining development of Agriculture

Private Sector Investments

- There is a need to crowd in more agribusiness investments in the corridor. This will provide more anchor investments to drive growth; increase demand for commercial services and reduce the per unit cost for providing infrastructure. The BAGC aims to help “pioneering” agriculture businesses become established, helping to drive down costs of doing business for other firms over time.
- The BAGC seeks to promote the emergence of a class of medium sized commercial farm operators. It also seeks to build the capacity of smallholder farmers to become commercial operators allowing them to take steps towards becoming larger-scale farmers employing modern farming methods.

Agriculture Infrastructure

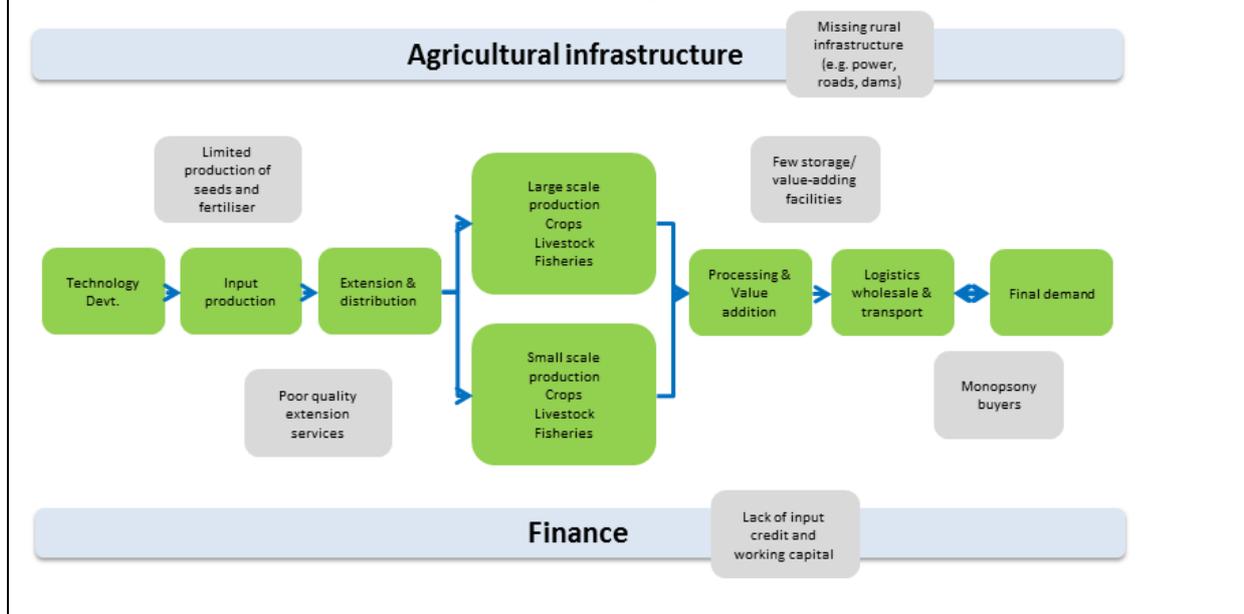
- Agriculture cannot be profitable without access to affordable power, water and transport infrastructure. The Beira corridor has reasonable “backbone” infrastructure but the “last mile” connections to productive farming areas are missing.
- There are economies of scale for irrigated commercial agriculture which depends on heavy up-front investment in dams, water supply systems and land clearing. Public support is required to create incentives for private sector investments in last mile infrastructure

Agricultural Support Services.

- Commercial agriculture requires specialist agricultural services for increased production and productivity
- There is a need to increase demand and supply of commercial services as well as technology options for farmers.

Coordination problems

- There are a large number of agriculture support programmes in the Beira corridor but they are not coordinated, with the result there are investment gaps and unnecessary duplication.



2. BACKGROUND TO THE BEIRA AGRICULTURAL GROWTH CORRIDOR (BAGC)

The Beira Agricultural Growth Corridor Partnership (BAGCP) was established in March 2010 as a partnership between the Government of Mozambique, private companies and donor agencies which aims to boost agricultural productivity and address food security in Tete, Sofala and Manica. It is an integral and innovative part of a long-term commitment by an increasing number of organizations and individuals to promote private sector-led agricultural growth within the Beira Corridor of Mozambique.

The Beira Agricultural Growth Corridor aims to boost agricultural productivity and competitiveness in the region through:

- **Ensuring** public and private sector investments along agriculture value chains are properly coordinated;
- **Leveraging** existing “anchor” investments (e.g. in the mining sector and railways) to benefit agriculture;
- **Developing** new infrastructure and agriculture projects as commercially-viable business opportunities that drive growth and benefit local communities;
- **Supporting** the development of sustainable agriculture support services with a special focus on production inputs, financial services and extension services; and
- **Supporting** investment and help to provide a suitable business environment for agricultural investors who will engage with small and medium sized farming interests in the corridor

The BAGC investment blueprint identifies several early win-win opportunities in horticulture, fruits, forestry, oilseeds (soybeans), food crops (maize, rice), beef, dairy and sugarcane. The BAGC Blueprint presents a roadmap for bringing 190,000 hectares of food and other crops under commercial irrigation by incorporating smallholders. If achieved, a total investment by the public and private

sectors of \$1.7 billion will generate annual farming revenues of \$1 billion and will stimulate investment along the entire value chain.

The BAGC is about promoting commercial agriculture and agribusiness. Its activities therefore target to benefit all classes of commercial producers:

- **Smallholder farms with commercial potential:** This is considered an important category as this represents more than 25% of the smallholder farming community currently producing and interacting with the market. Constraints for growth include access to organized markets, modern inputs, technologies and working capital finance. There may be a good case to support commercialization and market linkages in the short to medium term to ensure a benign transition.
- **Emergent commercial farms and agribusiness:** Farmers are operating with larger land units and key constraints include access to capital (both investment and working); infrastructure (electricity and water) and markets. They represent an engine for future economic growth in the region with potential to raise productivity (with strong demand for wage-labour) either as outgrowers or independent
- **Medium size farms and agribusinesses** that have potential to play catalytic role in many supply chains, pump-priming investment along the chain, creating jobs downstream in processing or linkages for smallholders as outgrowers.

2.1 BAGC Partnership Legal Status and Governance Structures

2.1.1 BAGC Partnership Objectives

The role of the **BAGC Partnership** is to facilitate coordinated investments by public and private sectors to support commercially-viable agricultural businesses. The primary objective is to alleviate the systemic problems in agricultural value chains that hinder the sustainable development of commercial agribusiness, in particular the lack of infrastructure, technical support services, high costs of inputs and finance and the lack of effective routes to market.

The BAGC Partnership, as a private sector-championed initiative, aims to introduce three new factors to agricultural development within the Beira Corridor. First is to foster closer cooperation between development actors within the corridor. Second, is the twinning of commercial (private investments) and development (Government, Donor, NGO) objectives. Third, is the encouragement of open, well-informed dialogue between the public and private sectors that will generate financial and economic benefits to (i) farmers/farmer associations and (ii) commercial rural enterprises.

The BAGC Partnership aims to implement the following specific approaches:

- Develop sustainable and commercial agriculture and agribusiness through identifying constraints (eg finance, technical services, infrastructure) and catalysing additional donor and public sector funds to address such constraints
- Coordinating and bringing together stakeholders to discuss specific issues and share information including stimulating more effective coordination and alignment of existing and/or planned hard or soft infrastructure programmes with the needs of agribusiness; and

- Identifying and catalysing the deployment of additional private sector investments willing to engage with small and medium sized farming interests in the corridor; and
- Facilitating implementation of innovative models that lead to integration of smallholder farmers into commercial agriculture
- support investment and help to provide a suitable policy and regulatory environment for commercial and agribusiness investors

2.1.2 BAGC Organisational Arrangements

The BAGC Partnership is a registered as an Association under Mozambican law, with a broad-based, private and public sector membership, of user, service provider and policy maker / enabler stakeholders. Within this, the membership has elected a representative Board to oversee the implementation of the Partnership's objectives, comprising a sub-set of the most actively engaged stakeholders.

Figure 2.1: Structure of BAGC Initiative

The governance structure of the BAGC initiative comprises two Mozambican legal entities, namely the BAGC Partnership (a not for profit association) and the BAGC Catalytic Fund (an investment company).

The BAGC Partnership

The governance and management of BAGCP is set up in accordance with its statutes that enables it to employ partnership approaches in the agricultural development agenda where by the partners and other stakeholders are actively involved at all stages of the programme development and cycle management. The core constituent parts of BAGCP are (i) its Membership, (ii) its Board (and any sub-committees); and (iii) the Secretariat that supports the Board. The Partnership is composed essentially of: Central and local Mozambique government agencies led by CEPAGRI and also draw its membership from the private sector and farmer organizations.

2.1.3 The Board

The Board of the BAGCP is chaired by CEPAGRI/FDA. Responsibility for implementation of the BAGC Partnership's mandate rests with the BAGC Partnership's board which is accountable for implementation of the BAGC's mandate. The Board of Directors are drawn from each of the main constituents of the Partnership:

- a) One member of the Board is a representative of the Ministry of Agriculture (Cepagri/FDA);
- b) One member of the Board is the representative of the National Farmer's Organization
- c) One member of the Board of Directors represent the private sector; and
- d) One member of the Board is the Executive Director of the BAGCP

2.1.4 The Secretariat

The Secretariat with offices in the Corridor provides a platform for the coordination and facilitation of operational support for the work of the partnership. Thus the responsibility for implementation activities on a day-to-day basis rests with a core Secretariat. BAGCP Secretariat is headed by an Executive Director who is responsible for the overall management of the organization programmes and projects. The Executive Director is responsible to the Board. The Executive Director is supported by a team of 12 qualified technical and support staff.

2.1.5 BAGC Members

Unlike some of the other spatial development initiatives in Mozambique, most notably the Maputo Corridor, the Beira Corridor is not so much a transport-driven initiative – although the transport backbone is an important enabler and will grow in importance as the wider hinterland (including mines and Zimbabwe/Malawi etc) develop – but rather an agri-business initiative. As such, the main criterion for qualification for the partnership is that of being a key stakeholder in the Corridor, through being either:

- an agri-business ;
- a supplier of goods and services to the sector, including finance and infrastructure services;
- a policy maker / enabler
- Donors

Coordinating the BAGCP will only succeed through understanding, effective communication, some subtlety, and the right incentives and benefits. Also the Partnership will only work if it is made clear by each Partner what their own objectives are by working under a Partnership (and these are clearly communicated) and that there is a clear overall Partnership's objective that is endorsed by all.

The BAGCP is based on an agreement for shared ownership, whereby the public agencies and private companies pool resources and share risks and rewards. This is done to create efficiency in the provision and use of goods and services.

Incentives and benefits

BAGC is expected to generate financial and economic benefits to a wide range of partners including smallholder farmers and their communities. These benefits can be categorised into three specific groups; (i) benefits to rural enterprises, (ii) smallholder farmer benefits and (iii) Partner benefits including those to Government through improving food security; raising GDP and improving tax receipts to invest further in the region.

Rural Enterprises: BAGC will directly benefit small medium and large business enterprises serving the rural population within the Beira Corridor. The Partners, through the Secretariat will target investment finance and other resources that support rural enterprises and the linkages between them within the value chain. The attraction of such linkages will be the multiplier effect that an injection of finance, skills and knowledge could achieve. This is through new salaried employment positions, increased demand for farm produce, and increased demand for professional and input services. This will be a financially efficient means of increasing rural incomes, reducing rural poverty, and stimulating the growth of rural businesses.

BAGC will support and coordinate activities that generate increased profits, increase opportunities for market expansion, and diversification. This will create backward linkages with primary producers for product provision. Use of the value chain approach will ensure that the support given to targeted enterprises will be complemented with other activities in the value chain.

Smallholder Benefits: More effective access to finance, markets and farm inputs will stimulate farm production and income growth. The sustained access to relevant finance and reasonably priced inputs will help thousands of farmers and farmers' groups. The establishment of linkages within agricultural value chains using the Partnership resources, will themselves be a result of BAGC interventions. Increased agricultural production and incomes at farm level will be accomplished through:

- (a) investment inputs through the access to longer-term credit;
- (b) improved technology as a result of marketing and technical links with value adding businesses and markets;
- (c) crop intensification, increased production, better quality and reliability of produce; and
- (d) Access to improved markets.

Farmers will also benefit from targeted investments at the national level, focusing on support of more effective offloading and distribution of inputs from the port, or other sources, to retailer. This will drive greater cost efficiencies down the value chain and make inputs more affordable for small farmers.

Donor/ Government: Partner Benefits: BAGC national and international Partners meet in a desire to improve agribusiness and the value chains in which they operate within the corridor. BAGC will enable the partners to be more efficient and effective in the delivery of their goods and services. For the public sector this will be the opportunity to provide more appropriate and cost-effective support to sustainable development and poverty alleviation goals. Also, with the private sector sharing some of the risk of the programme, and investing, where applicable, in specific activities, the public sector will be able to redirect funds to other priority programmes.

2.2 BAGC Catalytic Fund

The role of the **Catalytic Fund** is to invest in early-stage farming and agroprocessing businesses which incorporate smallholder and emergent farmers.

In partnership with local entrepreneurs it "incubates" projects to get them to the stage where they are delivering social impact and are capable of attracting third-party finance on commercial terms. The CF is registered as an Investment Company.

The fund is subject to monitoring and evaluation by the BAGC Partnership and at regular intervals by independent external evaluators

The CF is currently being redesigned to create a new institutional framework following the termination of the partnership with AGDEVCO.

3. SUMMARY OF ACHIEVEMENTS OF THE BAGC TO DATE

Significant progress has been registered since the beginning of 2010. The Norwegian Ministry of Foreign Affairs and Royal Norwegian Embassy have committed \$1,850,000 to InfraCo and AgDevCo, for their Beira Agricultural Growth Corridor. Yara international provided at the beginning of 2011 initial funding to facilitate the establishment of a full time secretariat. DFID in 2010 approved funding of about \$10.4m over the period of three years, the majority of which is channelled to the Catalytic fund. In 2011 the Dutch Embassy approved funding for about \$10 million to support the CF and the Secretariat over a period of three years.

The BAGC initiative has since 2012 been implementing a range of activities that seek to facilitate increased development of the Corridor. The following achievements were registered during over this period:

Since the launch of the Investment Blueprint in January 2010 the initiative has:

- a) **Established the BAGC Partnership as a Mozambican not-for-profit organisation.** The Secretariat has been mobilizing Corridor based stakeholders to join and operate within the framework of BAGC. To date the BAGC is recognized by Government as the official coordinator of the Beira Corridor within the framework of PEDSA.
- b) **Established a full-time Secretariat.** This serves as the instrument for coordination of actions by the private and public sector. The Secretariat has offices in Chimoio, Beira and Maputo. Key staff includes an Executive Director, Policy and Programs officer, 2 regional Partnership Coordinators and 2 agribusiness information officers and 2 finance/administrative officers
- c) **Raised an initial \$20 million for the BAGC Catalytic Fund** – incorporated as a Mozambican investment company – and appointed AgDevCo as the fund manager. The Catalytic Fund is operational and has to date awarded funding and technical support to seventeen early-stage investment opportunities with an investment of \$7.4million
- d) **Established strategic partnership with AGRA** in the implementation of the \$32m Breadbasket Strategy and Investment Plan. AGRA identified the Beira Corridor as a focal area of its investments and allocated resources for the BAGC Secretariat and CEPAGRI to coordinate the implementation of projects that are funded by AGRA along the Beira Corridor. This coordination includes facilitating the development of operational plans for investment in food production in the Beira Corridor; coordinate the implementation thereof; promote events to share experiences and lessons learned from ongoing interventions.
- e) **Established a partnership with World Bank PROIRRI Project.** PROIRRI identified BAGC as a strategic partner and assigned the responsibility to BAGC secretariat to facilitate the implementation of smallholder outgrower component under the PROIRRI's program. The objective of this support line is to promote win-win business agreements between small farmers and private sector operators (producers or processors of large-scale and / or commercial enterprises linked to a particular product). Over a period of 4 years the initiative is to develop 1.2million hectares of agribusiness linked smallholder schemes.

To identify business opportunities under PROIRRI's program the BAGC invite expressions of interest for eligible companies to prepare and submit project proposals. As a result, 5 schemes have been selected and are at various stages of implementation.

- f) Other programme specific achievements include:
 - **Investment Promotion:** The BAGC has, through its offices in Maputo, Beira and Chimoio entertained several investors interested in investing in the corridor. The main role played by the BAGC is facilitating access to Government institutions responsible for relevant subjects such as land, licensing and issuance of permits; information on production and marketing. The BAGC has also participated in local and international investment promotion events. To facilitate increased access to information 2 Agribusiness Centers were established in Chimoio and Beira to provide support services for agribusiness investors and other stakeholders. Databases have been created containing relevant agribusiness information which includes agricultural investments, providers and types of services available, agricultural production and marketing, road infrastructure, transport services, electricity and irrigation systems as well as programs support to agribusiness. A web based information center has been established www.beirainformation.com
 - **Investment Coordination:** The BAGC has created corridor based platforms that enable stakeholders to plan and review the implementation of agribusiness support programmes. Stakeholders have been mobilized around the following themes: Seed, Soil health, Market Linkages, Agricultural Training; Agricultural Research; Private Companies

- **Smallholder Farmer Development:** More effective access to finance, markets and farm inputs will stimulate farm production and income growth. The BAGC partnership is running a Smallholder Support facility that aims at providing support for the implementation of sustainable models for integrating small producers into commercial agriculture. This includes support for innovative agricultural service supply models as well as support for outgrower schemes with both Catalytic Fund financed projects as well as with other established agribusinesses. 8 projects are under implementation.

The BAGC, jointly with Concern Worldwide with support from DFID is implementing a **nutrition support programme** covering selected districts of the Beira Corridor. The targets for this intervention are the more economically active farmers and families engaged in BAGC activities (in terms of leveraging the fact that there are delivery platforms to engage them but also to support farmers to make more informed choices with their income) as well as the wider partners (private sector, GoM in the form of SETSAN and other donors) on influencing policy and investment choices.

- g) **Policy issues:** The BAGC has been supporting MINAG / DPA of Manica for monitoring the incidence of fruit fly in the Beira Corridor. BAGC also supported the DNSA / Department of Seed in reviewing Seeds and Fertilizer Regulations
- h) **Knowledge Management/Monitoring and Evaluation:** The BAGC has established a robust M& E system that seeks to track the evolution of the BAGC programme. A Baseline Study on the Beira Corridor conducted by KPMG covering Manica, Sofala and Tete will allow monitoring of the implementation of the initiative

EMERGING LESSONS

- **Partnership Development:** The public and private sector are willing to work together to address constraints to agribusiness development in the corridor. Partnerships appear to be more successful when promoted around some practical opportunity in the field. An emerging lesson is that future partnership development needs to focus on identifying such opportunities and mobilising relevant stakeholders (private sector, Government and Non-Governmental organisations) to collaborate in the implementation of the activity.
- **Coordination of Corridor Based Initiatives:** While institutions are willing to sit and discuss implementation experiences, a lot more is required for these discussion to influence implementation strategies. Donors need to take a more active part in ensuring that their implementation partners take on board best practices in the implementation of their programmes.
- **Limited availability of private sector anchor projects:** The availability of private sector investments to underpin smallholder agricultural development has not improved that much. Early stage investments generally have no capacity to support smallholder outreach programmes
- **Capacity of Implementation Partners** – Reputable organisations with capacity to implement projects and manage grants are hard to find. There is a general limitation in capacity of implementing partners. Bringing in capacity builders for implementing partners will help to fill in the capacity.
- **Commercial demand of agricultural services** – lessons are emerging that there is a limited commercial demand for agricultural services. The Donor, public and NGO sectors need to work towards ensuring that intervention activities stimulate commercial demand among smallholder farmers.

4. BAGC THREE YEAR PARTNERSHIP PLAN

This section outlines BAGC Partnership agreed strategic directions for the period 2015 to 2018. The strategic direction provides conceptual framework that guides BAGC's use of its resources to accomplish its mission. These address what it needs to accomplish, what it will do and how it will do it. This strategic plan seeks to provide continuity to some of the initiatives that were started in 2012 and add new elements consistent with the emerging developments within the sector.

BAGC Secretariat will build on networks and experiences established by the initial operations, and incorporate lessons from other similar works. It would also complement the work financed by other sources. The approach will focus on coordination and facilitation of a series of interventions along value chains that help enable the growth of the agricultural sector within the Beira Corridor. This will continue to be done by stimulating start-up activities, establishing new networks, promoting appropriate methodologies, providing technical information and advice, and linking up key value chain actors.

BAGC has been conceived as a tool to bring changes and as such it must be able to continuously evolve new functions, actions and into new areas, as the agricultural sector evolves. As a consequence, BAGC will outsource some of its activities to different kinds of actors (NGOs, private sector actors, consultancy firms, research centres,) and will also directly be involved in developing of defined pilot interventions and site-specific partnerships. This will allow it to provide impact more quickly and efficiently. In such context, BAGC will – as much as possible – help others do their job more effectively: not to do their job for them.

4.1 This strategic plan

We have developed the current strategic plan for the next three years (2015 to 2018). This strategic plan:

- Has Provided our direction – it has helped us to be clear about both where we are going and what our main priorities will be for the next three years. We believe that more will be achieved by looking forward strategically, than simply reacting to events as they come along.
- Has helped us clarify our priorities – this will help us to decide how to allocate our resources and make choices about opportunities that may arise.
- Will help us in fund raising – this is going to be used as our effective marketing and communication tool.
- The planning process will build commitment to the organisation – the process of developing our strategy has been an opportunity to promote a sense of teamwork within our organisation. Involving staff, beneficiaries, partners and other stakeholders in the process has built enthusiasm for our organisation and will help to ensure that everyone is working towards the same goals.

4.2 The Strategic Planning Process

A step - wise process of consultations with various stakeholders was adopted in developing this strategy document. The following are some of the processes followed:

- **Making Ourselves Ready for the Strategic Planning Process:** The decision to revise our strategic planning process was taken by our board and partners in 2013. Since then we committed our time and resources needed for a successful strategic planning process and agree on what the strategic planning process is expected to accomplish. This helped us to be clear why we wanted to undertake the exercise. We were clear that the issues and choices facing our country and our organisation are long term and we had no crisis issues which needed resolving but challenges that needed strategising.
- **Identified what information is needed and review of the documents (Literature Review)** – good information was vital for making good decisions about our future. We listed the main information which we needed for developing a strategic plan and we allocated time to gather it. We identified some of the internal documents that provide such information including: BAGC Partnership constitution, BAGC Partnership previous plans proposals and reports, BAGC Partnership organizational history, Evaluation and Assessment Reports.
- **Staff planning and Review** – it was important to have a shared understanding of the history and profile of BAGC Partnership that everyone involved in developing this strategic plan builds from the same starting point. We produced a brief summary of the events that have shaped our organisation leading to the decision of developing the new strategies. This helped to see important lessons from the organisation’s history.
- **Stakeholder Consultations** – A number of stakeholder thematic workshops to review status, identify constraints and relevant intervention activities were organised.

4.3 Proposed strategies for period 2015-18

BAGC Partnerships activities will focus its efforts of the following priority areas:

- BAGC Partnership Strengthening
- Investment Coordination
- Agribusiness Investment Promotion
- Commercial farm development for emergent and smallholder farmers
- Infrastructure Development
- Agricultural Technical Support Services
- Smallholder Farmer Integration into Commercial Agriculture
- Policy and Regulation Issues
- Addressing Regional trade Issues

4.3.1 Strategic Objective 1: To strengthen BAGC Partnership Structures

The Secretariat will encourage more organisations in the public and private sector to enter into the partnership and start to play an active role in BAGC. This involves promoting regular interaction between various actors promoting agribusiness development within the corridor. The secretariat will also seek to raise the profile of the BAGC and increasing the level of understanding of BAGC activities by the key stakeholders in Government, Private and the Donor Community.

The Secretariat will also facilitate new private sector partnerships. A formal partnership engagement process will be followed. The partner engagement process would include (i) initial partner identification/ project profiling (incl. type of activity, project outline, amount of investment, and expected impact indicators), (ii) development of partner MOUs (iii) facilitation support during start up

through mobilisation of non-state partners v) Partner engagement and partnership facilitation activities to align, support, and follow up implementation of stakeholder investment activities, identify challenges and solutions, and review progress

Strategic Activities

In order to achieve this objective, BAGC will undertake the following activities

- Further strengthen the capacity of the Secretariat in order to effectively operationalize BAGC initiatives
- Organise annual Partnership meetings and quarterly BAGC Board Meetings; The partnership meetings will serve as a platform for members to contribute to partnership agenda and review progress of implementing agreed activities
- Create a donor platform and organise half yearly consultative meetings of BAGC donor to discuss progress in implementing BAGC activities
- Develop a communication strategy and operationalize the strategy. This includes production of a quarterly newsletter covering partnership activities and maintaining a dedicated BAGC partnership website
- Participate/Create platforms to brief Provincial Government and National Government on developments within the Beira Corridor

4.3.2 Strategic Objective 2: To Improve the Coordination of investments

There are a large number of agriculture support programmes in the Beira corridor but they are not coordinated, with the result there are gaps in provision and unnecessary duplication. There is an opportunity to formalise the BAGC Partnership as a neutral, trusted and professional coordinating entity and broker serving members drawn from government, the private sector, development partners and local farming communities.

Strategic Activities

- Updating mapping of current and pipeline stakeholder investments within the corridor and identifying scope, coverage and opportunities for complementarities along specific commodity value chains
- Maintain regular friends of agribusiness platform to serve as a mechanism for implementation partners to share experiences and progress.
- Maintain thematic platforms on infrastructure, finance, seeds, soil health and markets as mechanism to discuss detailed implementation experiences within each theme.
- Identify opportunities for new donor programmes and present such opportunities to potential funders

4.3.3 Strategic Objective 3: To Promote Agribusiness Investment

Agricultural development within the corridor has been constrained by limited availability of agribusiness involved in inputs supply, produce marketing and processing. The Secretariat will seek to facilitate entry of new agribusiness enterprises within the Corridor. The BAGC Partnership has

established **an Agribusiness Service Centres** in Beira and Chimoio to serve as coordination and information centers for the BAGC

Emerging SME face constraints in accessing investment funds arising in part from failure to prepare viable business plans or meeting other investment eligibility requirements imposed by financial institutions including the BAGC Catalytic Fund. Support such SMEs to meet such pre investment criteria is considered beyond the scope of services that can be mobilized from the financial institutions. The BAGC intends to introduce such services as part of the range of services to be provided by the agribusiness centers. This activity will be implemented in partnership with Cepagri

Strategic Activities

- Review and update of available databases. Widen the range of information to include technical studies, assessments and other information that could assist potential investors.
- Jointly with Cepagri and CPI organize bi-annual (local and international) investment conferences (and field visits) highlighting opportunities for investment in the Corridor
- Initiate and facilitate the development of commodity investment partnerships around key value chains and cluster areas.
- Establish a mechanism to track progress of investments – PPP tracker. The approach will seek to maintain a register of ongoing investments, engage sponsors to establish constraints and facilitate engagement with public authorities on the resolution of constraints identified
- Through the Agribusiness centers it is intended to:
 - Electronically disseminate collected information to rural farmers using affordable and easily scalable technologies, such as radio broadcasts, sms and text messages.
 - Maintain a web based information storage and retrieval system disseminating information about business/investment opportunities through the website, investor conferences, pro-active targeting, etc
 - Provide a platform for holding agribusiness meetings, round tables and discussions on topical agribusiness issues
 - Conduct short term courses on agribusiness targeting value chain facilitators
 - Provide technical support to emerging businesses in the development of business plans, and addressing investment eligibility constraints. This activity will be implemented in partnership with Cepagri and will use in house staff as well as contracted specialist services. Special attention will be provided to potential CF clients.

4.3.4 Strategic Objective 4: To Improve Infrastructure Development

Agriculture cannot be profitable without access to affordable power, water and transport infrastructure. Within the Beira Corridor there is reasonable “backbone” infrastructure but the “last mile” connections to productive farming areas are missing and/or very expensive to install. Improving agriculture-supporting infrastructure requires a combination of public and private sector funding, depending on the specific needs. The BAGC will propose a high priority initial 3-year BAGC infrastructure investment program listing priority infrastructure investments, justifying their priority status against other priority infrastructure investments at the provincial level, providing indicative budgets, and suggesting funding sources and next steps.

Strategic Activities

BAGC will implement activities as follows:

- Facilitate mapping of demand centers for electricity and water harvesting (dams) to enable public service utility organisations to provide “last mile” connections to farmers at reasonable cost.
- Advocate for the establishment a patient capital facilities (to operate through banks, CF) to support the private sector to install roads, power, irrigation and storage infrastructure
- Facilitate establishment of a Small Infrastructure Grant facility to assist farmers’ associations pay for last mile infrastructure. This will be a special window within the smallholder support facility

4.3.5 Strategic Objective 5: To extend Commercial farm development to emergent and smallholder farmers

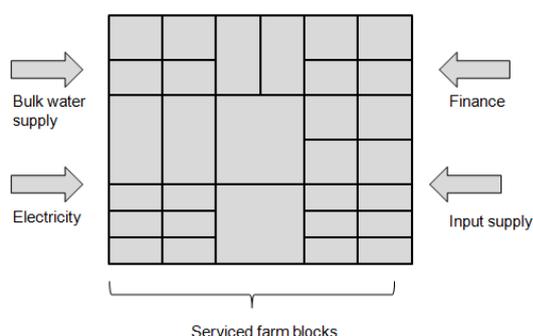
The BAGC Partnership will promote agriculture investment opportunities that deliver benefits for emergent and smallholder farmers. The type of agriculture projects will be wide ranging with a blend of risk sharing public and private input. Two models will be promoted:

1. **Serviced farm blocks** – The scheme will involve identification of a suitable large piece of land that is subsequently divided into smaller but economic units and allocated to interested users selected on the basis of their ability to productively utilised such land. The size of the units to be allocated will depend on the agro-ecological location of the target area as well as the potential enterprises that could be profitability implemented on the area. The identified area will be developed and equipped with the necessary productive infrastructure – irrigation, electricity and access roads.

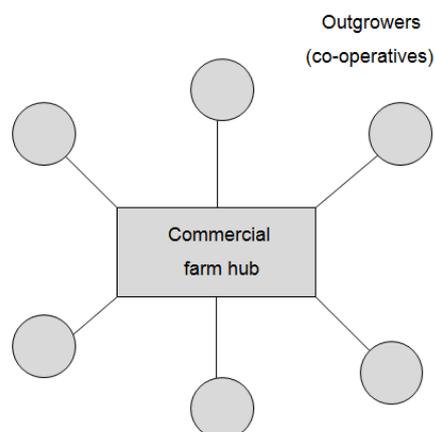
The commercial farm settlement scheme shall target:

- Persons that have gained commercial agricultural experience as managers, technical advisors, extension
 - School leavers that have passed through an agricultural training institution and have an interest in taking up commercial farming as a career
 - Emergent farmers that have been operating on a relatively smaller scale and are interested in operating larger units
2. **Commercial hubs and outgrower schemes** – BAGC will promote outgrower schemes linked to private businesses. The commercial hub provides a market, extension and other support services (potentially with donor support in the early years) while the smallholder provide the majority of the “raw material” required by the agribusiness.

Model 1: Develop serviced farm blocks and lease to commercial and smallholder farmers



Model 2: Greenfield commercial farm hubs and associated smallholder farmer outgrower schemes



Strategic Activities

- Engage Government to make available suitable tracts of land for irrigated farm-block development, undertake detailed designing and planning of the schemes (two farms of 1.000ha each have been identified in Manica)
- Mobilise resources from Development partners to make “catalytic” funding and “patient capital” available to meet investment requirements of the block farms
- Facilitate selection of candidates for the schemes
- Identify anchor investments interested in developing outgrower schemes. Facilitate smallholder farmer investments through Proirri funds and Innovative Facility

4.3.6 Strategic Objective 6: To Provide Agricultural Support Services

The objective of this line of intervention is to facilitate increased investment in agricultural support services within the Corridor. The Secretariat will enter into strategic partnerships with both commercial and public organizations that are able to provide support required to improve availability of agricultural support services such as finance, technical services (research, technical training, mechanization) and market support. During 2013, stakeholder consultative workshops were organized to identify investment priorities in research and technical training.

Two strategies will be adopted:

- a) Facilitate the development of stakeholder driven investment plans/projects for each of the strategic service areas- technical training services, research and extension, mechanization, rural finance, market linkages. Engage donors and government to mobilise resources to support implementation of such projects. BAGC will enter into strategic partnerships with relevant organisations in the implementation of such initiatives.
- b) Manage a Smallholder Support Innovative Facility. This operates as a challenge fund to finance third party initiatives leading to the development of sustainable and replicable smallholder integrated business models. The facility will be operated as follows:
 - Issue regular call for proposals to attract proposals from competent organisations.
 - Provide contracts to locally-based NGOs or private sector institutions to implement such investment and training activities that respond to the agreed agricultural services

constraints. Selection criteria would include the following (i) there is a clear innovative element involved; (ii) the activity is market-oriented and expected to produce a financial return to farmers; (iv) a strong demonstration effect is expected which could lead to replication in other locations v) a clear exit plan for the support.

In addition, the secretariat will seek to collaborate with implementing organisations to evaluate some of the prominent smallholder support programmes being implemented in the corridor to draw lessons with a view to promote their scaling up.

Interventions under the following subcomponent objectives will be promoted:

a) Access to improved Seed Varieties:

- A seed platform to monitor implementation of recently introduced seed regulations
- Support for stronger government inspection and enforcement regime for both seed and fertilizer
- implement mechanisms to increase demand for seed (voucher schemes, investments in on farm trials and demonstrations)

b) Improved Soil Health

- Facilitate the development of location specific fertilizer application recommendations.
- Implement through partnership with relevant Beira Corridor stakeholders programmes to increase soil fertility at low cost, for example conservation farming approaches and the use of legumes to fix nitrogen in the soils
- Investment in soil analysis labs offering a (initially subsidized) service to smallholder farmer organisations.
- Advocate for availability from cooperating partners such as AFAP, AGRA of matching grants and interest-free loans to support the growth of Mozambican fertiliser production and blending facilities, which should result in lower costs for farmers.

c) Improve Knowledge / Extension on Agricultural Technologies:

- Introduce practical training facilities in agricultural colleges to enable students have in college practical skills. This will be complimented by internship programmes within agribusiness enterprises within and outside the corridor
- Establish farmer training centers in each of the target provinces to provide short term resident courses to farmers. One such center could be established in Chimoio (next to ISPM)

Box 2: Irrigated farm block at ISPM, Chimoio: a pilot scheme

This project intends to develop an irrigated training facility at the ISPM Agricultural College in Chimoio. There are approximately 35 students graduating per year, and the project proposes establishing a scheme which will permit all students to commercially farm approximately one hectare per student for a two-year period.

Each student will be allocated a 1 hectare plot. The students will receive technical support and access to farm inputs on commercial terms. The 1 hectare plots will be run on a commercial basis, and the students will be expected to take full responsibility for the land, managing farm labour, finances, marketing of products etc. The project will teach dry land farming and irrigated farming, providing graduates with practical farming skills and bridging the gap between leaving school and becoming a commercial farmer. The project will provide an important pipeline of Mozambican

commercial farmers capable of managing nucleus farm hub and outgrower model projects, funded by the Catalytic Fund.

d) **Increase Farm Mechanisation:**

- Introduction of farm mechanisation training facilities in colleges that would provide training to students as well as provide outreach training programmes to farmers and other external users. One such center is under establishment at ISPM.
- Establish agribusiness services centers in strategic locations to provide agricultural services including mechanization services to emergent and small-scale commercial farm users

e) **Farmer associations and market linkages**

- Map all existing farmer associations in Manica, Sofala and Tete identifying their needs in terms of extension advice, access to inputs, access to finance, access to weather-index insurance, access to infrastructure and market linkages.
- Develop a market linkages programme to help create new and strengthen existing farmers' associations and link them to markets, wherever possible linking associations to commercial buyers
- Develop a Smallholder Development and Infrastructure grant facility to assist smallholder farmer associations installs low-cost irrigation, storage and processing facilities, where there is a proven business case. Grants could also be extended to help associations meet international certification criteria (e.g. fair trade or organic)

4.3.7 Strategic Objective 8: To Improve Policy / regulatory Environment

The policy environment for commercial farming in the Beira corridor can be improved. A number of policy and institutional constraints are requiring to be addressed. These include:

- **Fruit-fly:** Some of the Investments in fruits such as bananas and mangoes are targeting the export market particularly South Africa and Zimbabwe. The presence of the fruit-fly is presently affecting farmers to access these markets, a situation that is threatening the viability of these investments. There is an urgent need to engage authorities in these countries and agree on a roadmap that would allow for normalizing exports into these countries.
- **Quality Seed & Fertilizer:** Poor enforcement of the regulatory framework for quality control of seed and fertilizer compounded with lack of monitoring capacity on the part of the relevant authorities result in seed and fertilizer of low quality to be sold to farmers. This situation affects productivity and also affects technology adoption rates among smallholder farmers.
- **Pollution of Water Sources:** Alluvial gold mining taking place especially in Manica province affects the natural flow of water courses as well as the quality of water available for irrigation. Heavy siltation of irrigation water affects pumping and water distribution systems thereby affecting irrigation efficiencies and productivity
- **IVA on agricultural commodities marketed by smallholder farmers** Agricultural marketing companies are required to pay IVA on produce purchased from farmers. Smallholder farmers are unable to issue formal invoices on which such IVA may be reflected. There is therefore a case to exempt companies from such IVA payments considering the logistical difficulties that this currently brings.

The BAGC will not engage in policy advocacy per se but rather will seek to facilitate collaboration between the private sector and government to find solutions to identified problems. Some of the priority investments will be in the following activities:

Strategic Activities

- Provide support to the Manica DPA in monitoring fruit fly incidence within the Corridor. This will be a continuation of the cooperation framework established that involves MINAG, USAID and University Eduardo Mondlane
- Document evidence of ongoing practices in seed and fertilizer distribution and propose solutions as a part of the stakeholder exercise to revise the seed and fertilizer regulatory system
- Undertake research on major policy issues with a view to propose policy options to identified problems.
- Establish an effective *policy reform tracker* to track implementation progress of key policies and regulations. Prepare policy reports to inform decision making by relevant implementing agencies within the Partnership on some of the priority policy issues emerging

4.3.8 Regional Trade Issues

This represents a new activity area for the BAGC Partnership. A number of issues of interest to Mozambican and regional agribusiness institutions are emerging that could be included in the BAGC Agenda. Such issues include operations of the port of Beira, availability of storage and warehousing facility, regional joint procurement of inputs, transport logistics. The entry point for the BAGC shall be to commission a study that would determine the nature of activities that could be supported by the BAGC.

4.3.9 Strategic Objective 9: To Monitor, Evaluate and Manage Knowledge

The Monitoring and Evaluation (M&E) component of the Partnership has four objectives: i) to monitor and evaluate results and impacts with particular attention to growth of businesses, improvements in agricultural services and infrastructure, business environment, poverty, gender and social analysis; ii) to provide a basis for decision making on necessary amendments and improvements; iii) to promote accountability for resource use; and iv) to document, provide feedback on, and disseminate lessons learned.

Strategic Activities

- Undertaking baseline surveys of all projects under implementation through the Catalytic Fund and the Smallholder Facility. Monitoring results of projects implemented by CF, SF and annually assess their impact
- Identify innovative projects and programs with potential lessons for sharing. Organize study tours/lesson learning visits for relevant stakeholders to successful experiences within and outside the Beira Corridor
- Review and analyse successful farmer integration models to distill best practice for potential replication within the corridor
- Organise lesson learning sessions with partners

Annex 1 provides the Results Framework that will be used for development of the Performance Measurement Table for monitoring and evaluating the project.

5. COSTS AND FUNDING

This section outlines the finances relating to the support to proposed BAGC activities.

1. *Partnership Coordination* – is a means of ensuring better coordination and cooperation between the public and private sectors to achieve the aims of the BAGC. This includes secretariat staff costs (both full and part time), partnership meetings, office rental costs, travel, awareness building and facilitation activities (such as workshops, conferences, specific seminars, publications and marketing material) and backstopping and consultancy costs.
2. *Smallholder Support Facility* – will finance the implementation of sustainable models to integrate smallholder farmers into mainstream commercial agriculture. This will include Facilitate establishment of a Small Infrastructure Grant facility to assist farmers’ associations pay for last mile infrastructure
3. *Business Support TA Facility*: TA-facility that promotes potential clients to make them CF-bankable. Some of them might just be excluded because of insufficient bookkeeping, not regularized land title, etc. This would especially help to increase the quota of Mozambican farmers in the CF portfolio. Clients that receive TA should financially participate in the costs.
4. *The BAGC Catalytic Fund (CF)* – is an essential mechanism for supporting early-stage farming and agribusinesses which would not otherwise be able to raise start-up capital or implement business plans successfully

<i>Budget</i>	<i>Responsibility</i>	<i>Target Group</i>
<i>Partnership Coordination</i>	<i>BAGC Partnership/Secretariat</i>	<i>All stakeholders in Corridor</i>
<i>Smallholder Support Facility</i>	<i>BAGC Partnership/Secretariat</i>	<i>Smallholder farmers</i>
<i>Business Support/TA Facility:</i>	<i>BAGC Partnership/Secretariat</i>	<i>Emergent SMEs, farmers Associations</i>
<i>Catalytic Fund</i>	<i>Fund Manager</i>	<i>Startup SMEs</i>

The proposed budget has not included BAGC Activities independently funded by donor and private companies. These **Independent Operations** are found where funds have been made available by a public or commercial organization for a BAGC-related activity which flow directly to a project implementer. In that case the relevant element of the budget would be any funds that would flow to the BAGC secretariat to cover any technical relevant technical assistance costs.

Funds for the Catalytic Fund are also treated within this same category

8. MONITORING, EVALUATION AND RISKS

8.1 Organisation and Management of M&E

The Secretariat will have lead responsibility for the definition and management of the overall BAGC monitoring and evaluation (M&E) system.

The basis for the monitoring system is a half yearly reporting structure set against a Logical Framework and the Annual Work Plans and Budgets. The main weight in terms of information collection will fall on the partners implementing the various programmes. Following an agreed time schedule and format, they will submit half yearly reports to the Secretariat on: (i) activities undertaken in the last half year and cumulatively over the fiscal year; (ii) broad level of expenditures made in the

period; (iii) physical acquisitions made with the expenditures; and (iv) implementation progress expressed in terms of the agreed M&E indicators.

It is recognized that some of the Independent Operators will require additional and more detailed M&E systems for their own internal processes. However for the BAGC as a whole, a general system will operate that includes the impact of the programme along supported value chains. The guiding principle of the M&E activity will be to maintain a simple and straightforward system that can be understood and used by all Partners. It will not replicate any Partner's own M&E system; only complement them to provide an overall picture of how the various value chains within the Beira Corridor are performing. It will also identify remaining weakness and constraints that require attention, as well as providing evaluation feedback, benchmarking and lessons learned to the Partnership.

ANNEX 1: SECRETARIAT ORGANISATION AND OPERATIONS

BAGC Secretariat operations will be transparent, accountable and not burdened with excess administration. It will operate outside government, but work closely with central and local government partners. It will also be responsive to both national policies and business interests.

As set out in the previous section, the role of the Board and Secretariat are to fulfill the requirements of the Partners / Members of the BAGC. The Secretariat specifically, will be the “arms and legs” of the Partnership, undertaking much of the “spadework” in ensuring that its objectives are realized. Within the overall structure of the BAGC, the Secretariat will have a number of specific objectives:

- First, to act as a “brokerage” or networking centre for agribusiness, farmers and their associations, bringing together agri-business and supporting services that underpin agricultural value chains.
- Second, to help the Board to implement specific initiatives desired by the Members, through for instance, supporting any specially assembled working groups tasked with addressing specific issues.
- Third, to provide information to its members, in terms of regional, national and international developments that they should be aware of, local agricultural best practice etc.
- Fourth, to “champion” agribusiness interests more widely, through, for instance:
 - acting as an interface with providers of finance, channeling requests for support to suitable donor or private or combination of funding sources; and
 - supporting initiatives such as the prioritization of financial support for irrigation or electricity supply, or raising awareness of the capacity required in future rural road development, for instance, by using a time to value chain methodology approach.
- Fifth, to develop linkages not only in Mozambique, but also through neighbouring SADC countries to support their agriculture and infrastructure needs.

In addition, as discussed elsewhere, the Secretariat plays an important role in the operations of the Catalytic Fund, marketing and publicizing its existence and helping to short-list applications.

The Secretariat shall:

- Maintain Focus on strategy, coordination and overall steering;
- Outsource or establish project specific dedicated operational units for projects under its facilitation (eg smallholders support facility, AGRA Contract, PROIRRI MOU and Innovative Approaches);

- Maintain a consultancy budget that will allow it to hire in short term services to undertake assignments as necessary

The strategy is to maintain a lean core Secretariat Team. The staffing of the Secretariat in terms of staff numbers and skill mix needs to reflect the core activities to be undertaken and the likely funding that is made available by the Partners. In terms of full time staff equivalents, this should comprise of:

- 1 Director. A full-time agri-business expert, responsible for understanding and prioritizing agri-business needs and requirements.
- A fulltime, policy advisor, responsible for acting as coordinator between the BAGC and policy makers and donors.
- 1 M&E Coordinator, responsible for planning, monitoring and evaluation including knowledge management activities
- 1 Budget Manager, responsible for financial management and reporting
- 2 full-time agri-business experts, responsible for understanding and prioritizing agri-business needs and requirements within each region
- 2 fulltime agribusiness advisors responsible for providing agribusiness support services to SMES and other partners

A range of different activities will be organized by the Secretariat. In many cases Secretariat staff will undertake the work. However it is recognized that there will be a need for more specialized input that will help facilitate and add value to the Partnership. A resource pool of additional expertise will be identified that can be drawn upon to undertake specific activities. At this stage it is not known exactly what these will need to cover however it is clear that outsourcing specific expertise will be determined according to the task, expertise, availability, interest and capacity.

For additional field operations, lists of organizations capable of participating and complementing core activities will be prepared and reviewed by the Secretariat. Specific tasks may include preparing monitoring and evaluation criteria and field measurement, annual/bi-annual reports development (for donor sponsors and the Partners), due diligence and risk assessments of particular agribusiness investments, linkages with other Partnership programmes in Africa to share best practice, and outsourcing activities around awareness building of the BAGC for potential investors outside Mozambique

The Secretariat needs to improve its capacity through

- Strengthening its reporting capacity. This will be achieved through recruitment of an M&E coordinator
- Strengthening its financial Management Capacity: Recruitment of a Budget Manager to serve as office manager and take overall financial management
- Upgrade the capacity of Field level Agribusiness Advisory and Partnership Facilitation skills

ANNEX II – BAGC CATALYTIC FUND

Introduction and Objectives

The Catalytic Fund is a social venture capital fund which supports early-stage businesses, helping to ‘kick start’ commercially-viable agriculture in the Beira corridor region of Mozambique.

The purpose of the Catalytic Fund is to leverage private investment into socially-responsible agriculture businesses, including irrigated food crop production. It aims to demonstrate that it is possible to develop profitable agriculture businesses, with major social benefits.

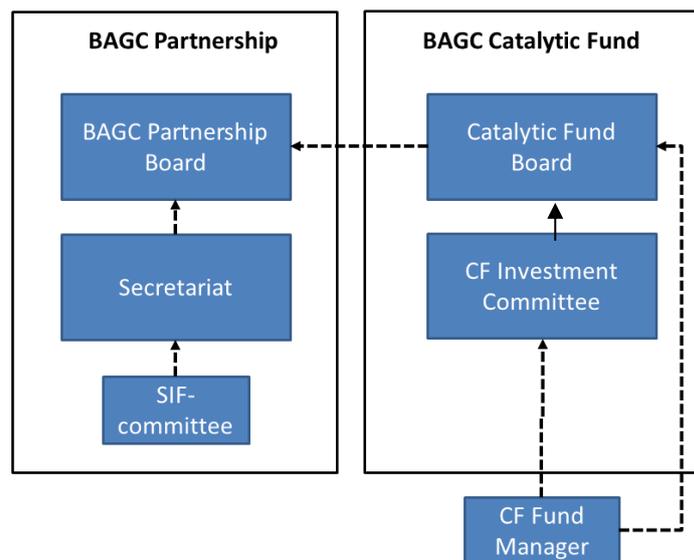
The Fund is a donor-funded, privately-managed investment fund which aims to stimulate greater private sector investment in the agriculture sector in the Beira Corridor region of Mozambique, thereby contributing to the reduction of poverty. It is the financing arm of the Beira Agricultural Growth Corridor (BAGC) initiative.

The objective of the Fund is to reduce rural poverty and create employment opportunities in central Mozambique, by providing low-cost capital and technical assistance, to assist the development and growth of Mozambican agricultural businesses.

The activities of the fund are governed by an “an operational policies and procedures document” agreed upon between the BAGC Partnership, the Funders and the Fund Manager. The Operating Policies in Part I may only be amended, modified or otherwise changed by the affirmative vote of a simple majority of the Fund Board, and subsequent approval of the BAGC Partnership board and Funders.

Corporate Governance Structure

The diagram below represents the governance structure of the BAGC initiative. The initiative comprises of the BAGC Partnership and the BAGC Catalytic Fund.



BAGC Catalytic Fund

The BAGC Catalytic Fund has a board of four directors, three of whom are appointed by the board of the BAGC Partnership although no member of the Partnership Board or BAGC Secretariat can be a member of the CF board. The fourth director is a representative of the Fund Manager. The composition of the Board should have individuals with a range of skills and experience that is representative of the BAGC Partnership. This means a balance of participants from the private and public sector with commercial as well as agricultural development experience. To further facilitate communication between the Partnership and CF, the Secretariat shall have an observer status on the CF board. The Chair of the Board will be appointed by the BAGC Partnership Board. Fund Board is responsible for upholding the mission of the Fund as enshrined in its articles of association and in the Operating Policies and Procedures (OPPs) of the Fund, which have been endorsed by its Funders and cannot be amended without the Funders' approval. Specifically, the Board must ensure that the Investment Committee and the Fund Manager are performing their duties properly. The BAGC Board holds the CF Board to account for this task. The Board will be expected to provide guidance to the CF Manager in a range of areas such as policy determinations, strategic vision, operations, fund raising and financial performance. Specifically the board is expected to:

- Select the Fund Manager(s) and participate in the review and development of the Fund Management Services Agreement
- Ensure that the Investment Committee and the fund manager are performing their duties properly.
- Provide constructive input to the formulation of strategies, plans and policies.
- Attend Board and designated Board committee meetings, prepare for such meetings by studying the documents provided (and request essential papers if not provided) and participate in a manner that furthers the interests of the Catalytic Fund.
- conduct periodic reviews to ensure the CF operates in a manner consistent with the company articles of association and the Fund Operating Policies and Procedures (OPPs)
- As appropriate, review the Fund Operating Policies and Procedures (OPPs). Monitor decisions by the Investment Committee and ensure they are consistent with the Investment Policy and Operating Guidelines.
- Monitor performance of the Fund Manager, its execution of policies and plans and management of resources with respect to the Catalytic Fund.
- Provide advice in connection with critical incidents, special exercises and negotiations as requested by the Fund Manager
- consider and ratify the decisions of the Investment Committee with respect to the projects to be funded and make funds available to recommended projects;
- consider any actual or potential conflict of interest referred to it by the investment committee and direct as to how the CF should address the actual or potential conflict of interest;
- maintain and update a register in which all declarations of potential or actual Conflicts of Interest are recorded, send a copy to the BAGC Board and make it available for inspection, on request, to any CF Persons or Funder;
- on an annual basis, approve the budget of the Fund Manager including overall levels of remuneration;
- on a quarterly basis, review the CF operating expenses; and

Investment Committee

- The BAGC Catalytic Fund has an Investment Committee that is responsible for making all decisions on how funds are allocated in accordance with the OPPs and on the recommendation of the Fund Manager. The Investment Committee comprises of two appointees of the Fund Manager and two appointees of the BAGC Partnership Board. The Chair of the Investment Committee will be one of the two appointees of the BAGC Partnership Board. The appointment will be for an initial term of two years, renewable by mutual agreement for an additional term of no more than three years.
- The majority of individuals on the Investment Committee should have a background in the private sector with experience of investing in agriculture and related businesses in Africa and/or other relevant fund management decision-making experience in the private sector. The members of the Investment Committee shall be willing and able to commit the time necessary for timely and effective decision-making. The Investment Committee members should have no financial interest in the success or failure of any of the projects to be supported by the Fund; or such interests to be declared and the individual concerned to take no role in any decisions relating to potential support by the Catalytic Fund to such projects.

The responsibilities of the investment committee are to:

- Assess and review in detail the commercial viability and sustainability of any application and proposal by the Fund Manager for an investment for the Catalytic Fund
- To consider and approve any application in relation to an investment opportunity delivered by the Fund
- To review performance reports prepared by the Fund Manager on the Catalytic Fund's investments.
- To decide on the appropriate action to be taken when a company or organisation that has received an investment in the Catalytic Fund goes into default or potential default.
- To establish, review and approve the investment policy of the Catalytic Fund for approval by the Board.

Fund Manager

The Fund Manager is responsible for the following services:

- identifying investment opportunities including catalytic investment in existing SME businesses and Project Development Opportunities;
- identifying and putting in place formal and informal partnerships with commercial and public sector entities that support the ability of agribusinesses in the Beira Corridor to access markets at beneficial rates;
- carrying out appropriate due diligence on potential investments and opportunities, including but not limited to economic and social value scenario analysis, risk analysis, management and governance checks;
- evaluating and recommending selection of investments;
- ensuring recommendations to the CF IC for the use of funds comply with the Investment Conditions;
- structuring investments on behalf of the CF, including project documentation;
- providing monitoring and evaluation of investments; and/or,
- providing on-going technical assistance, including the provision of in-house and contract support.
- raise additional funds for the Fund it is managing, subject to the approval of the Board;

- prepare various policies of the Fund for approval by the Board;
- Additionally, AgDevCo shall carry out Project Development Activities on specific Project Development Opportunities as agreed by the CF IC.

1. Activity

The Fund invests early-stage venture capital on concessional terms in agriculture businesses that have linkages to smallholder and emergent farmers. By providing business advisory and technical support it helps clients establish profitable operations that are capable of attracting third-party debt and equity.

The Catalytic Fund invests in:

- Existing small and medium size agribusinesses ('SME Investments'). These are investments made by the Fund to support operation or expansion of existing or new businesses and are typically around \$50,000 - \$500,000 in size.
- Project Development Opportunities, which are early stage agribusiness opportunities across the value chain, and which are often (although not exclusively) 'Greenfield' ('Project Development Investments').

The Catalytic Fund seeks to recover its capital and make a minimum financial return of around 5% in USD terms on all of its investments as well as sharing in the upside of those business that are successful. As a revolving facility, all returns are recycled into developing new investment opportunities.

The Fund operates at arm's length from the donors, the BAGC Partnership and the Government. The Fund does not compete with the private sector, rather seeks to stimulate expanded private sector involvement in agribusiness development over time. The purpose of the Fund is to leverage private investment into socially responsible agriculture businesses, including irrigated food crop production. It aims to demonstrate that it is possible to develop profitable agriculture businesses, with major social benefits.

2. Eligible Investments

Investment Conditions

All Investment by the Fund is subject to the following Investment Conditions:

The proposed use of funds is compliant with the Operating Policies and Procedures of the Fund, the Investment Guidelines set out in Annex 2 and the grant agreements between the Funders and AgDevCo on behalf of the CF.

Funds are used solely to promote sustainable agriculture in the Beira Corridor by developing and/or supporting commercially viable agribusiness projects.

The fund will not provide grants and will seek to recover all funds invested.

Investment Principles

All Fund investments are expected to follow the guidelines set out in this document.

However, the precise terms and structure will inevitably vary on a case-by-case basis. In cases where the proposed structure departs significantly from these guidelines they are expected to be approved by the Fund Board.

The choice of investments will be guided by, but not limited to, the following investment principles:

- **Commercial viability:** To ensure long-term sustainability, all projects must be commercially viable agribusinesses that show potential to attract private debt and equity finance once properly developed. Funding recipients should have a credible operating capability.
- **Development impact:** All agribusinesses supported by the fund must involve significant benefits for local communities and smallholder and emergent farmers, including improved infrastructure provision (e.g. irrigation/ storage/ processing). Agribusinesses must comply with internationally accepted social and environmental standards; they should also promote gender equality.
- **Management Capability:** The recipient of investment can demonstrate that it has a management team committed to and capable of undertaking the proposed investment;
- **Additionally:** All agribusinesses should be greenfield or early-stage enterprises which are currently unable to access other types of finance. The Catalytic Fund must not crowd-out other investors, but should instead seek to leverage third-party finance from local and international investors into the agribusiness as soon as possible
- **Monitoring & evaluation:** All agribusinesses will have monitoring and evaluation (M&E) indicators which will be used to track performance against targets throughout the life of the project. The BAGC Secretariat will have responsibility for collecting and disseminating M&E data.

Investment Decision Process Principles

Principles governing the investment decision-making process are:

- The Fund Manager should recommend projects to an investment committee comprising of two qualified nominees of the Fund Manager and two other qualified nominees of the BAGC Partnership.
- The Investment Committee makes investment decisions on projects below \$150,000. Investments above \$150,000 will require endorsement of the full CF Board
- The Investment Committee should have an absolute duty to uphold the operating policies and procedures of the Fund and ensure the investment principles are complied with. It should report to the Board.

Typical investments made by the Fund will be in the range \$50,000 to \$500,000 although larger investments may be made in exceptional cases where there are exceptional development benefits underpinned by a robust commercially viable business plan

Geographical Coverage

The Fund may only invest in Opportunities in Mozambique, and limited to the provinces of Manica, Sofala, and Tete and Zambezia (Lower Zambezia).