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MOZAMBIQUE BUSINESS LINKAGES REVIEW

AN OVERVIEW OF KEY EXPERIENCE, ISSUES AND LESSONS

OCTOBER 2012

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MOZAMBIQUE BUSINESS LINKAGES REVIEW

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FOREWORD

ABBREVIATIONS

| | |
|--------|---|
| APDF | Africa Project Development Facility |
| A2F | Access to finance |
| BEAM | Building Engineering Abilities in Mozambique |
| BEE | Black Economic Empowerment |
| CDM | Cervejas de Mocambique |
| CPI | Centro de Promoção de Investimentos/Investment Promotion Centre |
| CSI | Corporate Social Investment |
| CSR | Corporate Social Responsibility |
| DFID | UK's Department for International Development |
| EPCM | Engineering, Procurement, Construction and Management sector |
| FDI | Foreign Direct Investment |
| GDP | Gross Domestic Product |
| HDSA | Historically Disadvantaged South Africans |
| ICC | International Capital Corporation |
| IFC | International Finance Corporation |
| IPR | Investment Policy Review - Mozambique |
| JV | Joint Venture |
| MFI | Micro Finance Institution |
| MIREM | Ministry of Minerals and Natural Resources |
| MMSD | Mining, Minerals and Sustainable Development project |
| NGO | Non Governmental Organization |
| PACDE | Enterprise Development and Competitiveness Support Project |
| PARPA | Action Plan for the Reduction of Absolute Poverty |
| PODE | Project for Entrepreneurial Development |
| RTCM | Rio Tinto Coal Mozambique |
| Sasol | Sasol Petroleum International – Mozambique |
| SME | Small and Medium Enterprise |
| SMEELP | Small and Medium Enterprise Empowerment Program |
| SSA | Sub-Saharan Africa |
| TA | Technical Assistance |
| UNCTAD | United Nations Conference on Trade and Development |
| USAID | United States Agency for International Development |
| WB | World Bank |
| WBCSD | World Business Council for Sustainable Development |

EXECUTIVE SUMMARY

Mozambique has continued to attract Foreign Direct Investment (FDI) following the signing of the peace agreement in 1992. The country's biggest breakthrough was achieved in the mid-1990s when Mozal, the large-scale aluminium smelter was established. This project sent a strong signal to the global business community that Mozambique was open for investment and capable of hosting such mega projects. Following this, other mega projects, mostly in the extractive industries have generated large FDI inflows amounting to around US\$8.4 billion between 1997 and 2009. Experience has shown the extractive industry can have significant economic, social, physical and environmental impacts in host countries, however, how such mining operations are regulated can determine whether their impacts are positive or negative. Globally, there is increasing demand, especially from stakeholders such as donors and local business communities, for multinational corporations in this sector to deliver positive impacts. Similarly, expectations about the impact of the mega projects on Mozambique in terms of growth, development and poverty reduction have been very high.

This review was commissioned within this context with the following as its primary objective.

- to critically review experiences, challenges, issues and lessons learnt in business linkages in Mozambique, in particular documenting experiences of those companies that have successfully participated in such programs, highlight risks and
- to benchmark against successful projects in the region, especially South Africa.

The methodology adopted involved collecting of primary data through a series of interviews with a broad range of stakeholders using interview guidelines. Secondary source data came from reviewing literature from various multilateral organizations, academics, and mining companies (See bibliography, Annex A and Annex D).

The main findings and conclusions of the review can be summarized as follows:

- Mozambique has several programs and/or activities aimed at supporting SMEs; however, they cannot all be classified as business linkages programs. This report focuses on collaborative business linkages, which are explicitly built up by firms out of mutual interest.
- IFC's Mozambique SME Linkages Program (Mozlink) is regarded by many as the country's flagship program, and is therefore the main focus of this review. Other programs and linkages activities were identified as follows:
 - Rio Tinto Coal Mozambique (RTCM) and VALE's linkages programs which are still at design stages; RTCM and VALE are among the biggest investors in the Tete coal mining region. Among small investors in the coal industry are Ncondezi Coal, Beacon Hill Resources, and Minas de Revuboe.
 - In addition, there are several companies conducting explorations for gas resources including Anadarko, ENI among the big corporations, all promising to establish programs or linkages activities to support local SMEs.

Having identified private sector weakness and its inability to meet international trade standards as the main constraints to an effective collaboration with local SMEs, Mozal established the Small and Medium Enterprise Empowerment and Linkages Program (SMEELP) in 2001. Following its success, Mozlink I was jointly established by IFC and Mozal in 2003. In 2007, Mozlink II which included Sasol, SABMiller and Coca Cola was established to build on what was achieved by Mozlink I and II.

The Mozlink approach consisted of five phases: 1) Preparation; 2) Assessment I and Workshop I; 3) Execution of SME Improvement Plan; 4) Assessment II and Workshop II; and 5) Evaluation.

With an investment of about US\$1million by IFC and partner corporations, the program facilitated US\$53million in incremental sales for local SMEs; US\$ 15million in the value of contracts signed by SMEs and creating 336 formal jobs. Mozlink was regarded to be generally successful by almost all the respondents; however, several areas that did not work well were highlighted as follows:

- Commitment of corporations' senior management - there was a higher level of commitment shown by Mozal's management during the SMEELP and Mozlink I projects, however, there was a notable decline in the commitment during Mozlink II when multiple partners joined the program.
- Managing expectations of SMEs throughout a project's life span proved challenging as a number of entrepreneurs viewed joining the program as a guarantee of contracts from corporations. When their expectations were not met, a number of them lost interest and their commitment to the program was affected.
- However, SMEs that joined the program to benefit from the technical assistance (TA) have shown great progress with most diversifying their markets.
- Access to finance (A2F) - almost all respondents indicated that this aspect of the program did not work well. This is also complemented by the findings of the independent evaluation of Mozlink II done by E&Y (section 3.4). In general, access to finance for SMEs is a challenge in most developing countries. In Mozambique, lack of collateral and formal credit histories coupled with excessive interests has resulted in the structural exclusion of most SMEs from accessing finance from commercial banks. Overall, there was little contact between the program and local commercial banks to drive this component of the program.
- Most entrepreneurs appreciated the training on safety, health, environment and quality. This was primarily delivered by staff from the various corporations on the program. This seemed to have worked quite well, but is a costly and time-consuming exercise for corporations.
- Lack of coordination and/or strategic approach towards SME support programs between technical and business service providers was noted as hampering the efficiency and impact of the program. There was limited effort aimed at improving the company as a whole – via value chain approach.
- The selection of SMEs by corporations was not always considered to be transparent – sometimes 'weak' SMEs were selected.

- Coordination of linkages programs - there is limited documented evidence of efforts to coordinate such linkages programs to leverage experience and resources.
- Program sustainability – the handover process of Mozlink II to the Investment Promotion Centre (CPI) by IFC is underway, however, the general view is that the program has lost momentum and uncertainly on CPI’s capacity to host the program is a major concern among key stakeholders.

Other country-specific factors affecting the success of linkages programs were identified as follows:

- The country’s weak private sector characterized by a large informal sector.
- Limited or lack of human capital - recent progress in education has been insufficient to create a pool of skilled workers to meet the growing demand. A 2008 survey of enterprises revealed that the worker's level of education has increasingly become an obstacle to doing business in Mozambique, especially for foreign and export oriented firms.
- Mozambique’s weakness in physical infrastructure is another major obstacle to the country’s development. Efforts to upgrade physical infrastructure are under way but the poor state of the road and railroad networks constrains economic growth by impeding the integration of regional markets.
- Mozambique has a weak manufacturing sector rendering it difficult for local SMEs to maximize opportunities offered by the technologically advanced operations of the multinational corporations (MNCs).
- Finally, the policy environment is not conducive for the development and growth of local SMEs. Despite all the good intentions and efforts made by government to address concerns of the local business community, the general perception is that Mozambique’s policies are biased towards mega projects and foreign companies at the expense of small investors and SMEs.

Taking the above conclusions into account, the following recommendations are made:

- Government should invest in improving and strengthening the private sector, especially promoting SMEs and human capital. To do this, a skills needs analysis of current and pipeline investments is necessary and would enable the country to use the prevailing investment ‘boom’ to build skills that are relevant in the respective industries.
- The need to invest in the country’s manufacturing sector is urgent and is an important step towards building the competitiveness of local SMEs.
- The country should take advantage of its proximity to South Africa by encouraging Joint Ventures (JVs) between more established South African companies and local SMEs. JVs would also offer an opportunity for skills and technology transfer.
- In addition, there is an opportunity for other stakeholders, especially donors, to work jointly with corporations such as RTCM in designing and supporting implementation of linkages programs.

- CPI's role in promoting business linkages in Mozambique is critical. Effort is needed to build the agency's capacity to manage linkages programs including exposing key staff to best practice models via study tours and so on.
- Stakeholders should develop realistic expectations on the benefits and impact of linkages programs. This is necessary to avoid disappointments. In particular, more attention should be given to SMEs who are more prone to join linkages programs in order to access contracts/business. SMEs should be encouraged to develop a long-term view mindset with regard to linkages.
- Provision of technical services by corporations' staff is a costly exercise. Therefore, an opportunity exists for donors to initially fund training of independent consultants to offer these services.
- Improved access to finance for SMEs is necessary for their growth. Corporations should consider adopting the Anglo Zimele social venture capital Model (Annex B). Alternatively, partnerships with development partners and donors should be considered to leverage resources and share risks.
- Coordination of linkages programs should be encouraged in order to reduce duplication of efforts; promote leveraging of resources and sharing of experiences, resulting in maximization of the impact of the programs.
- Future linkages programs should ensure sustainability plans are included at the design stage as this would insure a smooth transition of the program at the exit stage.
- Additionally, the government should continue implementing reforms aimed at improving the country's investment climate; however, priority should be given to the development of policies and regulations which primarily focus on small investors and local SMEs.

Finally, as a general rule, expectations should remain realistic, as creating strong backward or forward linkages with export-oriented mining companies has proved difficult in most countries, especially as coal is not a resource that can be subject to local transformation.

1. BACKGROUND AND CONTEXT

1.1 INTRODUCTION

Mozambique is located in south-eastern Africa, bordering the Mozambique Channel, between South Africa and Tanzania. With a population of about 19 million people, it has been among the world's fastest-growing least developed countries over the past two decades. The growth averaged 7.0 per cent per annum in 1993-1999 followed by average growth of 8.1 per cent in 2000-2008. ¹This growth has been mainly triggered by an increase in the global demand for minerals such as coal as well as increasing demand for new sources of energy. The latter has encouraged exploration of oil and gas of the coast of East Africa and Mozambique as the country is endowed with vast natural resources – including coal, titanium, natural gas and large underdeveloped agricultural land.

Mozambique has continued to attract FDI following signing of the peace agreement in 1992. One of the biggest breakthroughs was achieved in the mid-1990s when a consortium of foreign investors decided to establish the large-scale aluminium smelter – Mozal. This project was particularly important because it sent a strong signal to the global business community that Mozambique was open for investment and capable of hosting such mega projects². Following this, other mega projects, mostly in the extractive industries have generated large FDI inflows. Between 1997 and 2009, the country had received FDI of more than US\$8.4billion.

Because of its nature (scale, duration, extraction methods, and location), the extractive industry can have significant economic, social, physical and environmental impacts in host countries. How mining operations are regulated and managed can determine whether their impacts are positive or negative³. Globally, there is increasing demand, especially from stakeholders such as donors and local business communities, for MNCs in this sector to deliver positive impacts. Similarly, there is much attention directed towards high-profile mega projects in Mozambique, and expectations about their impact on the country in terms of growth, development and poverty reduction have been very high.

Within this context, this review was commissioned with the objectives stated below.

¹ UNCTAD's Investment Policy Review (IPR), 2010-2011

² A "mega project" is legally defined as any investment exceeding \$500 million regardless of economic activity. UNCTAD's IPR report, 2010-2011

³ World Bank and International Finance Corporation: 2002. Large Mines and Local Communities: Forging Partnerships, Building Sustainability.

1.2 OBJECTIVES

The main objective of the assignment was to review the effectiveness of business linkages programs conducted in Mozambique over the past decade and benchmark that experience against successful linkage programs in South Africa. Specifically, to:

- critically review experiences, challenges, issues and lessons learnt in business linkages in Mozambique, in particular documenting experiences of those companies that have successfully participated in such programs, those that have tried and failed, and the large companies that have been “targets” of such programs;
- determine whether regulatory and policy constraints have impeded effective linkages between large corporations and indigenous enterprises; and as far as possible
- benchmark the lessons learnt with successful mining linkages programs in the region, particularly in South Africa.

1.3 METHODOLOGY

Primary data was collected through a series of semi-structured interviews with a broad range of stakeholders using interview guidelines. Secondary source data came from reviewing literature from various multilateral organizations, academics, and mining companies (see bibliography, Annex A).

1.4 LIMITATIONS

The study was carried out in 15 days of which six were for actual field work/interviews in Mozambique. A total of 27 respondents participated in the interviews. They included SMEs, big business, government, consulting firms, development partners and individual consultants.

A fair review (evaluation) of the effectiveness of business linkages over the past decade would require detailed program and company-level information and data, including a larger sample, which was beyond the scope of this assignment given time constraints. With this in mind, the sections below provide a basic review of business linkage programs in Mozambique, without pretending to be exhaustive.

2. MAIN FINDINGS

2.1 OVERVIEW OF LINKAGE PROGRAMS

There are several programs and/or activities taking place in Mozambique to support SMEs, however, they cannot all be classified as business linkages programs. In general, all commercial interactions, all selling or buying activities between firms can be classified as business linkages. However, this report focuses on

collaborative business linkages⁴, which are explicitly built up by firms out of mutual interest. This is when enterprises (big business and SMEs) join a formal or informal group with the aim of bringing about a win-win situation for the parties involved.

IFC's Mozambique SME Linkages Program (Mozlink) is regarded by many as the country's flagship program, and is therefore the main focus of this review (section 2.2). An overview of other programs and linkage activities is presented below.

RIO TINTO COAL MOZAMBIQUE (RTCM)

Rio Tinto has massive experience in linkages gained from its projects in other countries. It has a stake in the Mozal project but has also recently entered the Tete industry for its coal mining project. Rio Tinto's program is still at design stage though significant progress has been achieved. The company is committed to implementing a demand-driven business linkages model which will contribute to significant opportunities for local SMEs in Mozambique. RTCM's program is based on the following strategy:

- Mapping of opportunities for local MSMEs (Demand side) - Opportunities have been mapped as follows (a) Rio Tinto Procurement opportunities (b) Community Relations/Business Initiatives (Agribusiness, Catering services), (c) Potential Business related to RTCM – Power plants, Infrastructure, etc.
- Identifying priority geographical areas – areas identified in the order of priority are (a) Resettled Communities (b) Tete/Beira (c) Zambezi Corridor and, (d) Mozambique as a whole.
- Mapping of local MSMEs – Local consulting firm (ICC) contracted to do map MSMEs/Entrepreneurs (supply side) the priority geographical area with a view to set aside a fixed number of companies from the list. RMCT will then conduct diagnostics on the selected companies. However, selected companies will not be guaranteed contracts as this is done on a competitive basis by the procurement department.
- Identifying program partners - donors or any relevant organization. There are discussions with DFID but not yet concluded. DFID's funding of AgDevCo (about \$9m) made it attractive as AgDevCo is also in partnership with the British Government and has been active in the region – working with farmers (resettled communities) in the area of food production, irrigation, and biofuels (high input of fuels into RTCM's operations). AgDevCo is conducting a six-month study into these three streams. RTCM has also invested in a Business Centre, and paying a consultant (based in Holland but frequently flies to Mozambique) as well as ICC to do the MSME mapping. So far the company has spent \$120million (2011) on local procurement (outside of construction) and \$160million in 2012.⁵

⁴ Promoting business linkages, Fr. Dr. Schulenburg and Sabine Becker, GTZ, 2006

⁵ Interview with the RTCM – General Manager, External Affairs

VALE

This company is among global industry leaders in diversified minerals companies. It has a significant integrated business in logistics, power and steel production. Vale was the first extractive industry company to enter the Tete coalmining industry. Working with the IFC, the company had the first attempt to design a linkages program. The program attempted to extend Vale's **Inove** procurement program model for local suppliers from Brazil to the Tete region. This did not materialize partly because the IFC did not continue with their planned investment in Vale. It was highlighted that ⁶Vale had so far spent over \$90million out of the \$162million earmarked for their CSR program - a combined social program in agriculture, health, resettlement and other social issues. The company's strategy prioritizes the communities directly impacted by its mining activities covering a radius of 50km around the Moatize operations. This is also at early stages and as such no information on the project's impact was obtained. Vale's other pipeline projects include its planned investment in Evate phosphate deposit in Nampula. This is still at pre-feasibility stage. It provides significant linkages potential and potential for export revenue creation and internal linkages with other sectors especially agriculture and chemicals industries due to sulphur-based fertilizer production.

An overview of other corporations (investments) and organizations with linkages - or potential for linkages programs - is provided in the table below.

TABLE 1: SUMMARY OF INVESTMENTS/ORGANIZATIONS WITH LINKAGES PROGRAMS

| COMPANY/ORGANIZATION | DESCRIPTION | VALUE OF CSR SPEND (US\$) |
|----------------------|---|---|
| NCONDEZI COAL | <ul style="list-style-type: none"> ⇒ Small firm with connections to financial institutions in UK ⇒ Exploration still underway ⇒ Keen to team up with a larger player to leverage their CSR budget | Committed \$2million for CSR budget ⁷ |
| JSPL | <ul style="list-style-type: none"> ⇒ A major player in the industrial economy of India with an appetite for global expansion whose core business is in steel and power generation ⇒ Have planned to establish a workshop (2012) in civil trades (bricklaying, gas keeper, welding, and so on) to cater for about 100 trainees ⇒ Some local staff already sent for training in India ⇒ Planning to commence Production in 2012 | Commitment - 10% of total mining and infrastructure spend will be provided to CSI (\$2million earmarked for coal and further funds for a Power project) with a focus on community development/social issues |
| ANADARKO - Oil & Gas | <ul style="list-style-type: none"> • Anadarko is among the largest independent oil and natural gas exploration and production companies in the world, with 2.54 billion barrels of oil equivalent (BBOE) of proved reserves. • Have identified the need to start or join a linkages program. But the | CSR budget still under preparation |

⁶ Unknown author – Assessment of potential for linkages programs in Mozambique's Tete region

⁷ informal conversation and from information displayed at their BusinessLink (2012) exhibition stand –Indy Village

| COMPANY/ORGANIZATION | DESCRIPTION | VALUE OF CSR SPEND (US\$) |
|---|--|--|
| | <p>high standards – quality, human capital, technology, etc means there need to invest in building relevant capacity.</p> <ul style="list-style-type: none"> • CSR Program to focus on Health and Education – Health (build capacity of clinics and regional hospitals), Education (focus on secondary and technical schools. Skills mapping exercise is recommended to map available skills Vs what is being demanded by Corporates. | |
| BEACON HILL RESOURCES | <ul style="list-style-type: none"> • small company in operating stage • Small skeleton staff on-site • May not have capacity to develop and manage a linkages program and could benefit from joining industry-wide program | Committed \$4million for CSR and/or CSI budget |
| MINAS DE REVUBOË | <ul style="list-style-type: none"> • Production is expected to start in 2014 for this small Australian mining company • May be too small to start own linkages program – joining a sector-wide program may be beneficial | CSR/CSI budget is yet to be resolved as contract negotiations are still underway |
| OTHER PROGRAMS OUTSIDE OF THE OGM SECTOR | | |
| AgDevCo, Agribusiness | <ul style="list-style-type: none"> • The objectives of AgDevCo's work in Tete is to foster off-take contracts between mining companies, Mozambican farmers and catering firms • Main partners are AgDevCo and DFID • Other equally vital partners are Vale, RTCM and other coal mining firms - Beacon Hill Resources, Revuboë, Ncondezi and hotels, restaurants, etc. • TA package structured on institutional support to smallholder cooperatives with a view to tapping mining company demand for food products to feed their project and operational staff. | |
| WORLD BANK PROGRAMS | <ul style="list-style-type: none"> • PACDE - is a World Bank and Irish financed program, which includes the Small Enterprise Subsidy Mechanism (MESE). It has a 5-year budget of \$4,5million targeting SMEs, micro-enterprises and business associations. There is a financing component structured around the Moatize Coal basin for SMEs targeting the coal mining industry designed on maximizing purchases of local goods by mining companies. • Growth Poles program – World Bank <p>The overall goals of an integrated growth poles strategy for Mozambique are therefore to promote private sector-led growth and employment while</p> | <p>\$4.5million</p> <p>Further studies/scoping of the</p> |

| COMPANY/ORGANIZATION | DESCRIPTION | VALUE OF CSR SPEND (US\$) |
|--------------------------------|---|--|
| | <p>maximizing sustainable and equitable growth, especially in the underserved provinces. The specific objectives are to (i) enhance sub-national economic competitiveness through business environment reforms; (ii) nurture and develop local and indigenous enterprises by fostering linkages with large and foreign investments; (iii) strengthen local institutional capacity; (iv) upgrade urban infrastructure; and (v) strengthen economic governance and improve management of social and environmental impacts.</p> <ul style="list-style-type: none"> • | project is underway |
| SNV – Inclusive Business Model | <ul style="list-style-type: none"> • Sectors: Agribusiness, Renewable energy, water, hygiene and Sanitation • SNV programs are implemented mostly in Nampula, Nacala and Beira corridors • The model is based on building the capacity of smallholder farmers via intermediaries. Large companies such as OLAM work with SNV in this model and provide capacity building/ training to local small farmers from whom they procure agricultural produce. The approach of the Inclusive Business model is to work with all actors in the value chain either as workers, suppliers, distributors and/or consumers. • Main products are cotton, sesame, soya beans, oil seeds which are exported to Japan and other markets • Discussions underway with CPI for sustainability | Program funding of \$500,000, of which \$250,000 from The Ford Foundation. More funding is required to sustain the program. |
| ACIS – BusinessLink Program | <ul style="list-style-type: none"> • BUSINESSLINK – Trade Fair/Exhibition/Networking Annual event free for SMEs but bigger firms pay to exhibit their products • Provides a good platform for networking/information exchanging between large business and SMEs • Participants list given to all attendees ahead of the event to help them plan their meetings in advance • Opportunity to facilitate formation of JVs with foreign companies who participate in the event | <p>ACIS, business association - 320 members are mostly SMEs with a few large companies.</p> <p>Generally funded from member fees (overheads) and from events such as BusinessLink.</p> |
| UNIDO – SPX model | <ul style="list-style-type: none"> • Web – based (Portal) program – • Process: Matchmaking, Benchmarking & Supplier capacity building program • Focuses on 3 sectors – 1. Metals, 2. Plastic & Packages, 3. Industrial services – ALL suppliers are manufacturing companies. Target (150 suppliers): program started in 2011, SPX Centre launched in August 2012 • Supply-driven model as it starts by mapping/selecting SMEs first, big firms are expected to visit/check the portal to find potential local suppliers | |
| GLOBAL GAP | <ul style="list-style-type: none"> • Focused in Agribusiness • Chain stores buying produce of local peasant farmers • Encourages good environmental practices but the cost leading up to certification too high for MSMEs, AV. \$50,000 | |

2.2 MOZLINK

2.2.1 BACKGROUND

Mozlink was established as a follow up to similar initiative started by the Mozal Aluminium smelter investment project located about 20km from Maputo, Mozambique's capital. It was the country's first Mega -project, with an investment of about \$2billion by a consortium of companies with BHP Billiton holding a majority stake.

Mozal identified private sector weakness and its inability to meet international trade standards as the main constraints to an effective collaboration with local SMEs. These constraints included SMEs inability to: (i) participate effectively in bidding, tendering and post –tendering, relatively complex processes, (ii) meet stringent technical, quality, safety and environmental requirements, (iii) meet deadlines and ensure a regular supply, and (iv) to set up appropriate financial management and organizational internal controls.

SMEELP (2001–2003)

In response to the lack of capacity among local SMEs, the Small and Medium Enterprise Empowerment and Linkages Program (SMEELP) was designed with the view to provide growth opportunities to SMEs and ensure sustainability of “SMEs Empowerment and Linkages” model through skills transfer to the “Linkages Unit” hosted by Centro de Promoção Investimento /Investment Promotion Centre (CPI). This program was developed by Mozal and IFC in collaboration with beneficiaries, based on their experience in dealing with local SMEs, during the first phase of plant construction. The program's main components included: (i) contracts identification for local SMEs, (ii) SME selection, and (iii) training and mentoring, targeting Mozambican firms employing less than 100 employees.

Mozlink I (2003-2007)

The success of the SMEELP encouraged Mozal to draw a new program – Mozambique SME Linkages Program (Mozlink I), together with the Africa Project Development Facility (APDF), Programa de Desenvolvimento Empresarial (PODE) and CPI on behalf of the Government of Mozambique, whose results were also encouraging.⁸

Mozlink II (2007-2010)

Mozlink II, which was developed with IFC technical assistance, built on the success of the previous two linkages programs and aimed at pursuing the same objectives and work methodology established by its predecessors. Four corporations, Mozal, Sasol, SAB Miller and Coca-Cola joined the Mozlink II program.

⁸ 2010 report by E&Y - independent evaluation of Mozlink II

2.2.2 PROGRAM APPROACH

The Mozlink approach consisted of five phases: ⁹1) Preparation; 2) Assessment I and Workshop I; 3) Execution of SME Improvement Plan; 4) Assessment II and Workshop II; and 5) Evaluation.

Phase 1: Preparation

This phase consists of finding internal champions and incorporating program values into the company's charter. Partners are then selected, and a steering committee is created to monitor the implementation and progress of the program. A strategy that integrates essential components of the program (e.g., procurement, finance, program monitoring and evaluation) is then designed. SMEs are selected and visited by program members to find out about their interest in the program. Finally, technical (company employees) and business (external consultants) mentors, who will coach and guide the SMEs through the program, are identified, recruited and trained.

Phase 2: Assessment I and Workshop I

The program's training and mentoring components are designed following the collection and analysis of baseline data on the SMEs' technical and business skills. The resulting curriculum is applied in one-day group training sessions, then during one-on-one mentoring sessions. A six-month improvement plan for each SME is developed, to be monitored by the SMEs and the mentors to ensure SME program ownership and commitment. Finally, a workshop is conducted to present to SMEs the status of their current skills (identified in the first assessment), and to provide them with an opportunity to meet with the mentors to discuss their improvement plan.

Phase 3: Execution of the SME Improvement Plan

Using the curriculum developed in phase 2, one-day workshops are delivered to the SMEs, who also implement their improvement plan and are encouraged to be in regular contact with their mentors. Mentors continue to be available after the program ends. Business and technical mentors evaluate progress and performance to-date three months into the implementation plan, using the same questionnaire used in the first assessment. Progress is then compared against the baseline data, and insufficient progress is addressed during subsequent meetings between the SMEs' management and the mentors. Finally, a steering committee meeting examines the progress of the overall program.

Phase 4: Assessment II and Workshop II

At the end of the implementation plan, end-line data is collected and compared with previous data, with a focus on improvement and the SMEs' willingness to improve. A second workshop is conducted during which the mentors present the results of the second assessment to the SMEs. The next steps are outlined and focus on the SMEs' need to diversify to avoid dependence on the lead company. The SMEs are also informed that an evaluation of their new organizational structure and business model will take place after two years and that mentorship will be available after the end of the program.

⁹ This section is derived from Jaspers, Frans-Jozef; and Mehta, Ishira. 2008. Developing SMEs through Business Linkages—The Mozlink Experience. A Manual for Companies, NGOs, and Government Entities, Version 1. 0. International Finance Corporation.

Phase 5: Evaluation

In this phase, changes in the procurement patterns of the lead company vis-à-vis local SMEs, change in employment, change in the quantity and size of contracts, change in turnover, and change in the number of client companies (client diversification) are measured. The end-line data collected during this phase are compared against baseline data. Because some changes are only visible a couple of years after the end of the program, subsequent evaluations are needed to get an accurate sense of its effects.

2.3 MOZLINK II - LESSONS, EXPERIENCE AND ISSUES

The following issues were highlighted as main lessons and experience from the Mozlink program.

2.3.1 COMMITMENT OF MNCS TO LINKAGES – CSR VS BUSINESS STRATEGY

A report on business linkages best practice experience¹⁰ highlights the following as a demonstration of a corporation's management commitment to a linkages program:

- ***A clear business case*** is needed for a sustained and long-term commitment of the corporate investor. Real sustainability is therefore commercial in nature, not philanthropic. This is because SME linkage programs are costly, risky and time consuming for companies.
- ***Clear responsibilities and leadership*** - This entails corporate leadership, vision and resources, including the use of company expertise and personnel such as the integration of line managers and procurement into the monitoring and evaluation of the linkage program.

Mozal showed this level of leadership and commitment, especially during the SMEELP and Mozlink I programs. However, this declined for Mozlink II when multiple partners joined the program. It should be noted that the partners were from different industry sectors – for example, Coca cola and SABMiller are not from the extractive industry. This could pose a potential challenge especially in terms of managing the expectations of all partners.

2.3.2 MANAGING EXPECTATIONS OF LOCAL SMES

Managing expectations of SMEs throughout a project's life span has proved challenging in most linkages programs. The following issues were highlighted with regards to the Mozlink program:

- Most SMEs viewed joining the program as a guarantee of contracts from corporations. In contrast, the view of corporations was that the program was to help build the capacity of local SMEs and improve their competitiveness in the marketplace.
- Most SMEs did not approach the program with a long term view, i.e. to improve their capacity in all relevant areas to position them to access opportunities beyond the corporations on the program.

¹⁰ Report by Jasper, Franz-Josef and Ishira Mehta, 2007

- SMEs that joined the program with the primary goal to access contracts showed little commitment to the training or mentorship program. In certain cases, owners/management delegated junior staff and relatives (not employed at the company) to attend the training workshops
- The mismatch in the entrepreneurs' expectations vs. what the program was offering negatively affected the attitude of some. Some of the entrepreneurs saw training as a time wasting activity given the opportunity cost of using the time to look for more business. Some even dropped out of the program due to this.

However, SMEs that joined the program to benefit from the technical assistance (TA) have shown great progress with most diversifying their markets.¹¹

This experience underscores the fact that having clear objectives for linkages programs is good but not sufficient on its own. Clearly communicating program objectives to all stakeholders, especially SMEs, before they join the program is an important step towards management of expectations of all concerned parties.

2.3.3 ACCESS TO FINANCE FOR LOCAL SMES

Access to finance (A2F) is necessary for SMEs' development and growth. Almost all respondents indicated that this aspect of the program did not work well. This is also complemented by the findings of the independent evaluation of Mozlink II done by E&Y (section 3.4). In general, access to finance for SMEs is a challenge in most developing countries. In Mozambique, lack of collateral and formal credit histories coupled with excessive interests has resulted in the structural exclusion of most SMEs from accessing finance from commercial banks. On the other hand Micro Finance Institutions (MFIs) tend to concentrate on micro enterprises, leaving a gap for small-medium companies.

While there was some evidence that training offered by Mozlink had raised SMEs' profile to access finance, there was no formal program links with local banks.¹² Further, SMEs expectations around IFC's role in providing finance needed more clarification.

Other IFC linkages programs such as the CSSDP had invited local banks to be part of their steering committee. This allowed banks to access information on promising SMEs that they would target for potential financing, resulting in more than US\$1.5million being accessed by SMEs from local commercial banks. Most remarkably, South Africa's Anglo Zimele program model has an A2F component at the core of its success.

2.3.4 TRAINING AND MENTORSHIP PROGRAM

Most entrepreneurs appreciated the training on safety, health, environment and quality. This was primarily delivered by staff from the various corporations on the program. This seemed to have worked quite well, but is a costly and time-consuming exercise for corporations.

¹¹ Highlighted during the interview with ICC

¹² Independent Evaluation of Mozlink II by E&Y

Mozal's Building Engineering Abilities in Mozambique (BEAM) initiative - done via the Engineering Council, helped to build the capacity of local suppliers in HSEC/Health Safety, Environment & Community and has continued to run one session per month for its suppliers. This was also implemented as part of the Mozlink II program with positive feedback from local suppliers who participated.

However, areas needing improvement were raised as follows:

- Lack of coordination and/or strategic approach towards SME support programs between technical and business service providers. For example, they both did the GAP analysis independently. The absence of joint planning and implementation of TA was deemed as time-consuming for SMEs. Joint planning or coordination is necessary due to links between technical and BDS, for example Marketing Vs Technical gaps (product development) would inform strategy such as price reduction Vs increasing the market.
- There was limited effort aimed at improving the company as a whole – via 'value chain'¹³ improvement.
- Willingness by SMEs to commit time and money to training or capacity building activities.
- The selection of SMEs by corporations was not always considered to be transparent – sometimes 'weak'¹⁴ SMEs were selected
- Time allocated for mentorship was deemed inadequate – 16 hours/2 days for each SME was considered as a "light touch" approach which limited the impact of the training on SMEs.

2.3.5 COORDINATION OF LINKAGES PROGRAMS

Mozambique has several programs or initiatives targeting SMEs. Some are funded by donors while others are implemented by corporations and government agencies. There is limited documented evidence of efforts to coordinate such programs to leverage experience and resources. While this is a problem in most developing countries, sharing lessons would have helped other programs to improve significantly.

2.3.6 PROGRAM HANDOVER AND SUSTAINABILITY

The handover process of Mozlink II to CPI by IFC is underway. A memorandum of understanding has already been signed by both parties. While the consultant had no access to the document, it is understood that the document spells out the capacity building activities needed for CPI to continue with Mozlink III. The general view is that the program has lost some of its momentum and a major lesson from the experience is that sustainability strategy plans should be agreed during the design phase to allow for smooth program transitioning.

¹³ 'Value chain' refers to all activities and services that bring a product (or service) from conception to end use in a particular industry – from input supply to production, wholesale and finally retail. It is so called because value is being added to the product or service at each step. Taking a 'value chain approach' to economic development means addressing the major constraints and opportunities faced by business at multiple levels of the value chain.

ACDI/VOCA

¹⁴ SMEs not meeting the selection criteria

2.3.7 PROGRAM ACHIEVEMENTS – COSTS VS BENEFITS

Business linkage activities can be difficult to monitor and evaluate for a variety of reasons. One challenge is choosing appropriate metrics, of both business and development impact. Another is distinguishing output metrics – such as the number of local contracts awarded – and outcome metrics such as the increase in per capital income attributable to a linkage program. Complexity and the lack of counterfactual – the inability to know what would have happened in the absence of a linkage program – complicate the task of establishing causality.¹⁵

The costs associated with implementing a business linkages program are primarily a function of the adopted model; skill levels/cost of key staff; program structure, such as the number of staff, location of offices – if located at a corporation’s office, rentals may be forfeited if the corporation is making an in-kind contribution.

IFC and partner corporations’ initial budget of US\$ 1,170,000 was revised to a final investment of US\$ 1,012,153 in Mozlink II program of which close to US\$ 700,000 was expended by the program.¹⁶ Over its three-year time frame, the program achieved the following results (**table 2**):¹⁷ Mozlink also had an HIV/AIDS component which is not included in this report.

Table 2: Summary of Mozlink II KPI’s and Achievements

| Indicators | Planned | Achieved |
|---|------------|------------|
| <i>Outputs</i> | | |
| # of workshops, training events, seminars | 30 | 51 |
| # of participants in workshops, training events, seminars | 400 | 551 |
| # of entities/SMEs receiving in dept advisory services (mentorship) | 17 | 45 |
| # of entities receiving advisory services (training) | 80 | 77 |
| # of reports completed | 6 | 45 |
| <i>Outcomes</i> | | |
| # of entities that implemented recommended changes | 40 | 36 |
| Value of contracts signed by SMEs (US\$) | 15,000,000 | 15,000,084 |
| # of signed contracts | N/A | N/A |

¹⁵ Beth Jenkins, Anna Akhalkatsi, Brad Roberts, and Amanda Gardiner – IFC International Business Leaders Forum, and the Fellows of Harvard College

¹⁶ E&Y independent Evaluation of Mozlink II

¹⁷ These indicators are tracked on quarterly basis for all IFC linkages programs

| Indicators | Planned | Achieved |
|--|------------|------------|
| <i>Impact</i> | | |
| # of entities accessing funding | N/A | |
| Total incremental sales revenue amount (US\$) | 20,000,000 | 53,032,000 |
| Amount of funding facilitated by mentoring | 2,000,000 | 0 |
| # of formal jobs created | 700 | 336 |
| # of entities reporting performance improvements | 70 | 36 |

The program cost, according to the budget, was US\$1.01 million (for 3 years). The intent of the MNCs to continue funding the activities may imply that the benefit they derived from Mozlink exceeded their (approximately US \$ 0.5 million) contribution in the three years.

This is before taking into account the US\$53million sales revenues for the SMEs, some of which may have otherwise collapsed in the global financial crisis.

Further, any additional benefits arising from the continuation of the program activities by the MNCs after the program exit would arise because of the initial investment into the Mozlink program.

While the absence of baseline data on some of the indicators restricts the possibility of assessing what might have been the ‘without Mozlink II’ position of the SMEs, including the local BDSs, a crude cost benefit analysis would seem to indicate that the benefits from the Mozlink II program are certainly more than the cost or investment.

A top line comparison of Mozlink II with other similar IFC linkages programs also shows the program performed relatively well, with the exception of the ‘A2F’ component (**table 3**).

Table 3: Mozlink II Vs Copperbelt SME Suppliers Development Program (CSSDP)
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| Component/Indicator | Mozlink II | CSSDP (Zambia) |
|---|------------------|------------------|
| Program budget/cost | US\$ 1.01million | US\$1.2million |
| # of entities/SMEs receiving in-depth advisory services | 45 | 35 |
| Value of contracts signed by SMEs | US\$ 15million | US\$ 21.5million |
| Total incremental sales revenue | US\$ 53million | US\$ 18.5million |

¹⁸ Programs were implemented during the same period (2007-2010)

| Component/Indicator | Mozlink II | CSSDP (Zambia) |
|--|------------|-----------------|
| Formal jobs created | 336 | 135 |
| Total finance facilitated for local SMEs | 0 | US\$ 1.5million |

However, this comparison should be viewed within different country contexts especially in terms of existing policy and legal framework, and the general business environment prevailing in each respective country.

2.3.8 SUMMARY OF E&Y INDEPENDENT EVALUATION OF MOZLINK II

E&Y was contracted by IFC to conduct an independent evaluation of the Mozlink II program. E&Y's evaluation of the program aimed at providing stakeholders with an assessment of the design and the business model adopted by the program, the first results regarding desired outputs and program outcomes, evaluate what worked and what did not work and recommend new direction or areas of focus of the program in 2010. ¹⁹The study critically reviewed achievements in key areas including – program Objectives; Relevance and Design; Efficiency and Effectiveness; Implementation model; Impact and Sustainability. The main findings and recommendations of E&Y's evaluation, which are relevant to this review, are summarized in table 4.

Table 4: Findings²⁰ of the independent evaluation of Mozlink II by E&Y

| COMPONENT | | MAIN FINDINGS | RECOMMENDATIONS |
|---------------------------|--|---|--|
| Program objectives | ⇒ SME training, capacity building & Mentorship | <p>Provided both training & mentorship; Mentorship effective but benefited fewer companies</p> <p>Provided technical training via corporations; benefited fewer companies as it requires more time & effort</p> | <p>Negotiating between SMEs and SPs to agree on best time for training</p> <p>More rigorous screening of SME training participants</p> |
| | ⇒ Internalize linkages process in industry | Corporations positively affected & keen to continue program albeit weak senior management commitment | Improve corporations' senior management's commitment to linkages |
| | ⇒ Increase A2F for SMEs | Some evidence that training had raised SMEs' profile to access finance; but no formal program links with local banks | Establish or work with tailor-made SME funds – VC funds, guarantee funds |

¹⁹ E&Y report, 2010 - An the Independent evaluation of Mozlink II

²⁰ For a better appreciation of the E&Y findings, it is recommended to refer to detailed report

| COMPONENT | | MAIN FINDINGS | RECOMMENDATIONS |
|---------------------------------------|---------------------------|--|---|
| | | | Improve coordination with other A2F programs in IFC |
| Relevance & Design | ⇒ Relevance | Program was and is relevant given the need to train SMEs and help them access opportunities in the market | |
| | ⇒ Design | Program duration short to achieve desired results | Achievement of all program objectives require a longer duration – at least 5 years |
| | | SME selection by corporations not very transparent | The selection of companies should result in a public notice by which all interested SMEs could apply |
| | | SME representative body not included in steering committee | Inclusion of SMEs in the Steering committee as they are the focus of the program |
| Efficiency & Effectiveness | ⇒ Monitoring & Evaluation | Limited data availability on participant companies | Ensure completion of baseline study prior to start of program More funds directed to program activities (60-70% of budget) |
| | ⇒ Staff | Limited human capacity – especially service providers; also small PMU team | Ensure coordination with other complementary programs |
| | ⇒ Project duration | Short project duration to achieve desired results | Longer duration more realistic for achievement of desired results |
| Implementation Model | | Implementation Model has been maintained since SMEELP and Mozlink I | |
| Impact | | Program has improved SME competitiveness, increased job creation and is seen as a best practice model with potential to be sustained by corporations | |
| Sustainability | | Great potential for sustainability of program- great interest from donors, SMEs, government, and corporations | Encourage cost-sharing model and recommend to corporation |

2.4 COUNTRY-SPECIFIC CONSIDERATIONS FOR LINKAGES PROGRAMS

The presence of numerous MNCs in Mozambique does not automatically guarantee the formation of meaningful business linkages programs. A number of country-specific factors that promote or inhibit the development of linkages programs were highlighted as follows:

2.4.1 THE PRIVATE SECTOR

The country's private sector remains weak and the economy is characterized by a large informal sector. ²¹There are a large number of obstacles, including of a regulatory nature that limit investment and the development of local SMEs (section 3.3). Additionally, the vast majority of Mozambicans remains dedicated to subsistence farming and has not made the transition to commercial agriculture, a crucial first step toward creating a far-reaching market economy.

2.4.2 EDUCATION

The government has put education at the centre of its poverty-reduction strategy with access to primary schooling improving significantly in recent years. However, access to secondary and tertiary education remains weak. Recent progress in education has been insufficient to create a pool of skilled workers to meet growing demand. A 2008 survey of enterprises revealed that the worker's level of education has increasingly become an obstacle to doing business in Mozambique²², especially for foreign and export oriented firms as 23 and 27 per cent of these respondents cited this issue as a major constraint, respectively.

2.4.3 INFRASTRUCTURE AND SKILLS

UNCTAD's IPR report ²³for Mozambique highlights weaknesses in physical infrastructure and low levels of human capital among major obstacles to Mozambique's development. Efforts to upgrade physical infrastructure are under way but the poor state of the road and railroad networks constrains economic growth by impeding the integration of regional markets. Furthermore, access to telecommunications and electricity is still limited in rural areas. The development of human capital is another major challenge based as highlighted in the preceding paragraph.

2.4.4 A WEAK MANUFACTURING SECTOR

Mozambique has a weak manufacturing sector rendering it difficult for local SMEs to maximize opportunities offered by the technologically advanced operations of the TNCs.

2.4.5 POLICY AND REGULATORY ENVIRONMENT

To address Mozambique's development challenges, the Government has adopted various multi-year strategy plans. The Action Plan for the Reduction of Absolute Poverty (PARPA) is one of the country's

²¹ Enterprise Surveys report

²² The World Bank survey presented in Mozambique's 2009 Investment Climate Assessment ranked the workforce education as the 9th greatest obstacle to doing business in 2008 whereas it came in 12th place in 2003

²³ Mozambique IPR report, 2011

key strategies which have guided economic policy for many years. Government has also defined a number of sectoral strategies (including for SME development) that together with PARPA guide Mozambique's economic policy. The first PARPA was implemented from 2000 – 2005. PARPA II which focused more and gave a higher priority to private sector development was launched for the 2006 – 2009 period. It sets out to improve the business climate to encourage domestic and foreign investment as one of its top priorities.²⁴

Government's 2010-2014 five-year plan recognizes the increasingly important role private investment plays in Mozambique's economic development and affirms that it will continue with its initiatives to attract private investment, both domestic and foreign. The plan seeks to attract investment that will help develop Mozambique's rural areas including in infrastructure, agribusiness, fisheries, forestry, tourism, mining and export-oriented manufacturing industries. To this end, it proposes as priority actions:

- conducting research and feasibility studies to evaluate investment opportunities in new areas of business with a focus on manufacturing;
- promoting business linkages between large corporations and SMEs particularly in agriculture, agro-industry and fishery; and
- expanding the special economic zones and industrial parks schemes in the country. Specific macroeconomic and sectoral indicators are used to set benchmark goals and

Despite all these good intentions and efforts, the general perception is that Mozambique's policies are biased towards mega projects and foreign companies. Small investors and SMEs are not given much attention. Mozambique needs to address more urgently the challenges confronting its business sector in general and its SMEs in particular. A strategy that looks beyond mega projects as engines of development is called for and the focus of government policies needs to be better balanced towards domestic investments and SMEs.

Mozambique has limited experience in mining when compared to countries such as Zambia and South Africa which have had many years of building relevant skills in this sector. The country should take lessons from countries in which business linkages initiatives have had some successes, especially South Africa, while ensuring that such policies are tailor-made to Mozambique's own development context. It is generally accepted that the South African Government's policies and regulations, including sector codes and industry charters, have laid a strong foundation for the facilitation of linkages programs.

²⁴ IPR (UNCTAD, 2011), PARPA II calls to "improve the business and labor climate in Mozambique in order to: (i) encourage domestic and foreign investment; (ii) facilitate formalization of the economy; and (iii) contribute to creation of high-quality jobs".

4. BEST PRACTICE IN BUSINESS LINKAGES

4.1 QUALITIES OF *BEST PRACTICE* LINKAGES PROGRAMS

There is numerous literature documenting best practice lessons in business linkages. Emphasis has been generally placed on local spending as a key indicator underlying the benefits created for local economies. This, however, has considerable limitations since local *spend* statistics are usually reported at an aggregate level. Detailed analysis of the data in order to establish where and how this spending has occurred often highlights a lopsided impact of mining TNCs' presence on local economies.

Key features of Best practice in linkages projects from the global experience are summarized below:²⁵

- Program design must occur before implementation of the investment project. The earlier the design is made then the greater the lead-time to expand the range of potential investments and sectors. In particular, decisions taken at the project identification and planning stages have a disproportionate impact on the type of linkages developed.
- A clear business case is needed for a sustained and long-term commitment of the corporate investor. Real sustainability is therefore commercial in nature, not philanthropic. This is because SME linkage programs are costly, risky and time consuming for companies.
- Success (or lack thereof) is a function of synergies (or blockages) between the core business of the company and the broader developmental priorities of the government, especially between corporate strategy and infrastructure planning in operating areas for mining firms.
- A dedicated unit, or at the very least a contracted intermediary, is needed for facilitating integration into local supply chains, as this requires continual work tied to the day-by-day realities of the company's core business. This will serve to integrate linkage program objectives with business strategy.
- Clear responsibilities and leadership is required. This entails corporate leadership, vision and resources, including the use of company expertise and personnel such as the integration of line managers and procurement into the monitoring and evaluation of the linkage program.
- Extensive coaching is required for local SMEs to meet standards and become fully integrated into supply chain opportunities. Program design must therefore carefully consider significant interventions in skills and training, such as business incubators.
- Local SMEs must be commercially viable *ex ante* or offer convincing investment opportunities. The continual goal of the mining company is to reduce the dependence of the SME on its demand and to maintain its sights on a clear exit strategy. This includes time specific goals, targets and monitoring.
- Start with realistic and delineated boundaries that can then be scaled up. Clear communication and investment visibility is required as community expectations must be managed.

Anglo Zimele – Anglo American Group's enterprise development program – is a pioneer of best practice in this area (a case study is **attached as Annex A**).

²⁵ Jasper, Franz-Josef and Ishira Mehta (2007).

5. CONCLUSION AND RECOMMENDATIONS

5.1 CONCLUSION

Among the main conclusions of this review, the following stand out:

5.1.1 COUNTRY CONTEXT FOR LINKAGES PROGRAMS

- Recent huge investments made by multinationals mostly in Mozambique's extractive industries sector present a great opportunity to design and implement linkages programs. In principle, the majority of such mega projects have also shown interest and/or willingness to engage in linkages initiatives with local SMEs.
- Although it is still too early to determine the impact of some mega projects, there is a general perception of disappointment in the country, particularly regarding job creation and business linkages.²⁶
- The potential for developing linkages programs is to a great extent undermined by several factors which require urgent attention by government. They include the following:
 - ⇒ a weak private sector characterized by a large informal sector; and a vast majority of Mozambicans who remain dedicated to subsistence farming with limited capacity to become commercial farmers;
 - ⇒ limited human capital or a shortage of the type of skills needed in the constantly evolving market dictated largely by the requirements of new investments;
 - ⇒ weaknesses in physical infrastructure was cited among factors limiting local economies from accessing opportunities presented by mega projects;
 - ⇒ the country's weak manufacturing sector which renders it uncompetitive, given the proximity to well developed manufacturing firms from South Africa.
 - ⇒ It was highlighted that Mozambique does not have any policies targeted at promoting entrepreneurship and SME development in the country, including policies to promote access to finance by SMEs;
 - ⇒ Further, Government has little or no incentives to encourage corporations to invest in local business development, linkages, vocational training and entrepreneurship and the general

²⁶ 2011 Mozambique Investment Policy Review document by UNCTAD

perception is that the country's policies are biased towards mega projects and foreign companies at the expense of local businesses.

⇒ Lastly, institutional weakness in key Government agencies such as the CPI which is mandated to oversee the development of local enterprises and industry in relation to foreign investment is cause for concern. CPI has little or no influence on the type of CSI packages developed by investors. It is not involved in early negotiations with investors in the extractive industries – a task carried out by MIREM. Coupled by its lack of human capacity, progress is greatly hampered by its lack of political 'clout'.

5.1.2 BUILDING ON MOZLINK'S PIONEERING WORK

There is general consensus that IFC's Mozlink program has laid a good foundation for future linkages programs in Mozambique. But lessons the program must inform the design of future linkages program in Mozambique. The following conclusions are worth taking note of:

- Mozal's senior management team had expressed a higher level of commitment during the SMEELP and Mozlink I projects, when compared to the commitment of senior management during Mozlink II. This may underscore the negative effect of having a multiple partner program, especially where corporations involved are from different industry sectors. Management's commitment can significantly influence the form (demand or supply-driven) taken by a program. In the same vein, Mozlink which began as a demand-led program slowly lost this momentum during the later phase.
- Setting clear program objectives and ensuring they are communicated to all stakeholders, especially SMEs at program design stage is an important step towards managing stakeholder expectations. It is also a key ingredient of an effective and impactful program.
- The business development services, mentorship and technical support were beneficial, with technical support from corporations the most impactful – especially Mozal's HSEC training, however, the time allocated to all sessions was deemed inadequate.
- Access to finance was and remains challenging for SMEs. It was noted that this aspect of the program was not given due attention as there was little interaction between the program and commercial banks.
- The coordination among linkages programs is non-existent, missing an opportunity to leverage resources and share experiences.
- The sustainability plan for Mozlink III is in the process of being finalized between IFC and CPI. An MOU has been signed by the two parties. However, questions were raised around the appropriateness of CPI to manage the program. The general perception is that the program has lost some momentum as only two of the four corporations, Mozal and Sasol, have signed cooperation agreements. Coca cola and SABMiller are yet to do so.

5.2 RECOMMENDATIONS

Taking into account the conclusions above, the recommendations are as follows:

- Government should invest in improving and strengthening the private sector, including taking deliberate efforts to promote the growth of SMEs. Government should also invest in improving the physical infrastructure and skills (human capital) demanded by corporations. This implies collecting data and information on skills needs among corporations, and then setting up relevant vocational training institutions, or building the capacity of universities and colleges to include such courses in their curricula. Mozambique needs to use this investment boom to build skills that are relevant in the respective industries especially the extractives sector.
 - This requires adopting a long-term view mindset as benefits may only be visible after five or more years.
- The need to invest in the country's manufacturing sector is urgent and is an important step towards building the competitiveness of local SMEs.
- The country should take advantage of its proximity to South Africa by encouraging Joint Ventures (JVs) between more established South African companies and local SMEs. JVs also offer an opportunity for skills and technology transfer.
- In addition, there is an opportunity for other stakeholders, especially donors, to work jointly with corporations in designing and supporting implementation of linkages programs. A good example is RTCM which is looking for a partner to support the implementation of their planned linkages program.
- Given CPI's role in promoting business linkages in Mozambique, concerted effort is needed to build the agency's capacity to manage linkages programs. This may entail exposing key staff to practical applications of best practice models (e.g. study tours to visit successful programs), as well as building their technical skills via training. Building their capacity in negotiation skills to improve their engagement with investors should also be prioritized.
 - There is an opportunity for donors and development partners to support CPI with above capacity building needs.
- Adopting a demand-driven approach in designing linkages programs is important since it encourages joint planning and attracts the commitment of corporations. Understanding the needs of corporations would enhance chances of selecting right SMEs, or offering the right intervention packages once a gap analysis is completed.
- Stakeholders should develop realistic expectations on the benefits and impact of linkages programs. This is necessary to avoid disappointments. In particular, more attention should be given to SMEs who are more prone to join linkages programs in order to access contracts/business. SMEs should be encouraged to develop a long-term view mindset with regard to linkages. While contracts are necessary, focus should also be on improving their capacity (management and technical, etc) to meet

requirements of corporations on the program and to position them better to access contracts from other corporations.

- Whereas positive feedback was obtained on benefits of business development services, mentorship and technical support, time allocated to the sessions should be increased to achieve more impact. Provision of technical services by corporations' staff is a costly exercise. Therefore, an opportunity exists for donors to initially fund training of independent consultants to offer these services.
- Improved access to finance for SMEs is necessary for their growth. Corporations should consider adopting the Anglo Zimele social venture capital Model. Alternatively, partnerships with development partners and donors should be considered to leverage resources and share risks. Other models such as Vale's Inove program in Brazil should be considered as alternatives.
- Improving coordination among linkages programs should be given some attention and is necessary to reduce duplication of efforts; promote leveraging of resources and sharing of experiences, resulting in maximization of the impact of the programs.
- Future linkages programs should ensure sustainability plans are included at the design stage as this would insure a smooth transition of the program at the exit stage; and the design should take into account or consider all the main lessons and issues from the independent evaluation of Mozlink II²⁷, while paying attention to recommendations made in various reports including this one.
- Finally, the government should continue to implement reforms aimed at improving the country's investment in general, to maintain the momentum of attracting FDI. While doing this, government should also prioritize development of policies and regulations which primarily focus on the development of local SMEs. Developing regulations to deal with specific challenges facing SMEs, such as lack of access to finance, is critical to improve the growth of SMEs. Finally, Mozambique should adopt proactive policies to maximize linkages between mining companies and the rest of the economy.

As a general rule, expectations should remain realistic, as creating strong backward or forward linkages with export-oriented mining companies has proved difficult in most countries, especially since coal is not a resource that can be subject to local transformation,²⁸ but synergies should be developed wherever possible. In particular, there is strong potential for synergies in infrastructure development (e.g. transport and electricity). Proactive linkages and outsourcing programs should also be encouraged. The most important opportunities should be to involve local businesses and communities in the provision of relatively low value-added services in the short term, while progressively building towards the establishment of a more elaborate network of engineering and mining-related services.

²⁷ E&Y Independent Evaluation of Mozlink II report

²⁸ UNCTAD's Investment Review policy report for Mozambique, 2011.

ANNEX A: BIBLIOGRAPHY

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ANNEX B: ANGLO ZIMELE – A CASE STUDY OF BEST PRACTICE

Hi-Quip Hydraulics, which supplies and maintains hydraulic hoses and fittings, was supported by Zimele



Anglo Zimele is Anglo American’s enterprise development and investment initiative fund which creates and develops commercially viable and sustainable small and medium enterprises (SMEs) by providing empowerment opportunities for historically disadvantaged South Africans (HDSA). Over the past 20 years, the initiative has become a catalyst for emerging black business, with the knock-on effect being sustainable job creation and socio-economic development in predominantly rural and peri-urban mining communities.

Anglo Zimele operates five Funds as follows:

- ⇒ **THE SUPPLY CHAIN FUND** focuses on procurement and business development opportunities for black-owned and managed SMEs within Anglo American Group’s supply chain.
- ⇒ **THE ANGLO AMERICAN KHULA MINING FUND** manages mining-related investments as a joint initiative with Khula Enterprise Finance Limited, a government-owned entity that promotes SME development.
- ⇒ **THE COMMUNITY FUND** supports entrepreneurs and small businesses in the communities in which we operate. This is achieved by means of loan finance and hands-on guidance and support from our network of Small Business Hubs.
- ⇒ **THE GREEN FUND** targets investment opportunities that specifically play a role in mitigating environmental risks and improving the long term environmental welfare of communities. Initiatives that receive funding from the Green Fund could contribute to sustainable development by many means such as reducing carbon emissions, energy and water consumption, or improving waste and emissions management.
- ⇒ **OLWAZINI Fund** is meant for micro businesses – training

THE DIFFERENCE - While there are numerous linkages programs in many countries around the globe, few have received the attention accorded to the Zimele project. A downfall of most linkages models, especially those implemented in sub-Saharan Africa is that they fail to deal with lack of SME bankability in the region. Like most LDCs, SMEs in Mozambique are structurally excluded by commercial banks. Factors such as lack of collateral, limited or unreliable formal credit histories, and excessive interest rates work against local SMEs. Micro Finance Institutions (MFIs) also tend to focus on micro businesses further diminishing funding availability for SMEs. This implies that the importance of integrating an Access to finance (A2F) component in linkages models, such as Mozlink, cannot be overemphasized.

The incorporation of an A2F component (development finance) in Anglo Zimele's model is a key departure from other models. This involves providing *social venture capital* - both debt and equity - to finance commercially viable SMEs within and beyond the mining supply chain. In addition, business development support and training is offered to SMEs. Similar to conventional or standard VCFs, Fund Managers sit on the boards of the SMEs to guide their management. And the fund has a clear exit strategy. Anglo Zimele has 31 SME hubs attached to Anglo's business units in mining sites across South Africa. The hubs provide networking services for SME beneficiaries as well as business development support in the key areas of financial management and accounting, law, corporate governance, management and marketing.

KEY SUCCESS FACTORS – In 2008, IFC and Anglo Zimele prepared a report to highlight the uniqueness of the Anglo Zimele program.²⁹ The following were highlighted as success factors of the model:

- ⇒ **Equity stake by fund** – The fact that the investment fund takes the risk of taking an equity stake in the SME is a major departure from the traditional approaches adopted in other models, creating an incentive for the fund to take more interest in the day to day operations of companies it invests in.
- ⇒ **Unsecured loans** – The model provides flexible financing mechanisms for SMEs in the form of unsecured loans, when deemed appropriate.
- ⇒ **Co-sharing of risks** – By encouraging the entrepreneur to have a stake in the company, risks are co-shared.
- ⇒ **Flexibility** – The model is not rigid, i.e. debt-equity ratios are flexible and can be designed to suit the investment.
- ⇒ **Hand-holding/incubator approach** – An integral part of the model is provision of business development support and transfer of technical skills.

Anglo Zimele's financial performance

According to the joint IFC-Zimele report³⁰, between 2004 and 2007, the Fund had successfully invested in over 150 companies. A snapshot of its financial performance during this period is shown below:

²⁹ Ishira Mehta (IFC) led the preparation of the report entitled 'The Anglo Zimele Model – A Corporate Risk Capital Facility Experience

³⁰ Ishira Mehta (IFC) led the preparation of the report entitled 'The Anglo Zimele Model – A Corporate Risk Capital Facility Experience

Total investment: USD 3.2 million

Anglo Zimele Financial Performance 2004-2007 (ended Dec 31)

| <i>Description</i> | <i>2004</i> | <i>2005</i> | <i>2006</i> | <i>2007 (est.)</i> |
|--|-------------|-------------|-------------|--------------------|
| <i>Income</i> | 2,744 | 1,256 | 898 | 2,021 |
| <i>Overheads & Direct Expenses</i> | -1,030 | -802 | -854 | -1,727 |
| <i>Net Profit</i> | 1,714 | 454 | 44 | 294 |

A snapshot at key performance indicators of the Anglo Zimele Funding Model

| | Total | Supply Chain Fund | Anglo American Khula Mining Fund | Community Fund | Olwazini Fund |
|--|--------------|--------------------------|---|-----------------------|----------------------|
| Number of transactions | 1,408 | 44 | 20 | 1,272 | 72 |
| People employed | 19,560 | 7,648 | 1,014 | 10,675 | 223 |
| Turnover-ZAR millions | 2,404 | 1,047 | 491 | 847 | 19 |
| Funding-ZAR millions | 548 | 103 | 164 | 280 | 0.62 |
| Female entrepreneurs supported | 36% | 25% | 35% | 36% | 42% |
| Youth supported | 48% | 11% | 25% | 49% | 50% |
| Companies | 1,035 | 44 | 20 | 900 | 71 |
| Repeat transactions with same companies | 373 | 0 | 0 | 372 | 1 |
| Total | 1,408 | 44 | 20 | 1,272 | 72 |
| Average loan repayment rate | | 86% | 90% | 73% | 89% |
| Cost per job ZAR | 28,016 | 13,467 | 161,735 | 22,229 | 2,780 |

ANNEX C: WORKPLAN

OCTOBER 7 to 31st, 2012

| COMPONENT | ACTIVITIES | DELIVERABLE(S) | 07 to 13 OCT | 14 OCT to Nov 15 | STATUS |
|--|---|--|----------------------------|------------------|---|
| PRE MISSION PREPARATION & ADMIN | Review TORs and provide input | TORs reviewed, input provided by consultant | | | |
| | Conclude all admin/contracting processes – Nathan Associates Inc. | | | | |
| | Liaise with COP (BH) and other contacts in Mozambique to obtain leads for interviews Compile a list of potential interview contacts | List of potential interviewees obtained | | | |
| | Research/Literature review (partially) | Relevant documents searched and reviewed | | | Ongoing |
| MISSION TO MOZAMBIQUE | Arrival in Maputo | | Sun, 7 Oct | | |
| | Admin and related issues Inception meeting with COP, SPEED Review and prep data collection 'guidelines' for various audiences | Consensus reached on assignment objectives and methodology Data collection guidelines prepared | Monday 9 th Oct | | |
| | Field Work 1 | | | | |
| | 1. MOZLINK III – Interview and consultation with Program Manager/PM, Mr. Wilson Chafinya | PM consulted on program and relevant materials obtained Further contacts/leads obtained for further follow up | | | Input is ongoing |
| | 2. UNICEF, UNIDO – Meeting with Ms L. Kurbiel, Mr. Jaime Comiche to consult on UNIDO's program (SPX) and share experiences on linkages programs | Consultation held and relevant information obtained | | | Awaiting further SPX program information from UNIDO |
| | 3. Meeting with Irene Visser, Independent consultant/former IFC PM for MOZLINK III | Consultation on key linkages issues conducted Data and more leads affirmed or provided | | | |
| | 4. Quick recap of days activities, Peter Mwanza/PMw & Brigit Helms/BH | BH updated on progress and plans | | | |
| | | | | | |

| COMPONENT | ACTIVITIES | DELIVERABLE(S) | 07 to 13 OCT | 14 OCT to Nov 15 | STATUS | |
|-----------|--|---|---------------------------------|--------------------------------|--|-------------------|
| | 5. ICC - Meeting with Ms Henriqueta Hunguana re: ICC's role in linkages and experiences from various phases of the current Mozlink III program | Initial discussion held | Tuesday, 9 th Oct | | Follow on meeting planned for Wednesday 9 Oct | |
| | 6. Investment Promotion Centre, Ms Sara Taibo: Head of Business Linkages | Consultation held. List of SMEs and further leads/contacts obtained. | | | Done. Email follow up done but awaiting more information, reports, etc | |
| | 7. SASOL, initial telephone conversation with Mr. Dino Cangy, Community Affairs Manager | | | | Full telephone interview planned for Friday at 8.30am | |
| | Review & Update Workplan | | | | | |
| | 8. IPEME, Institute for the Promotion of Small and Medium Enterprises, Ms Madina A. R. Ismail and others TBC | Information on the IPEME program and key issues on business linkages discussed. | Wednesday, 10 th Oct | | Scheduled meeting | |
| | IFC, Follow up meeting with Mr. Wilson Chafinya | Relevant reports and more leads obtained. Mozlink SME database obtained. | | | Scheduled meeting | |
| | 9. WB, Meeting with Mr. Mazen Bouri, WB PACDE TTL to obtain information on program and get leads for interviews with Program staff | Meeting held and relevant information on the WB Growth Poles initiative & PACDE Program obtained. | | | Scheduled meeting | |
| | 10. SME1 , Mr. Fletch, Maputo Plant Hire, Telephone interview | Meeting held, relevant information obtained | | | Scheduled meeting | |
| | 11. SME 2 , Meeting with Mr. Matusse, SOCLIMA | Meeting held, relevant information obtained | | | Scheduled meeting | |
| | 12. ICC, Follow up meeting with Ms Henriqueta Hunguana | Relevant information/reports obtained. | | | Scheduled meeting | |
| | 13. Rio Tinto, Meeting with Emmy Bosten | Information on RT program obtained Experience shared | | | Scheduled meeting | |
| | 14. SME 3 , Papelaria, meeting with Ms Khatija Bibi | Meeting held, relevant information obtained | | Thursday, 11 th Oct | | |
| | 15. SNV, Meeting with Ms D'bora Carvalho | Information on SNV program and input into linkages programs obtained. | | | | Scheduled meeting |

| COMPONENT | ACTIVITIES | DELIVERABLE(S) | 07 to 13 OCT | 14 OCT to Nov 15 | STATUS | |
|--|---|---|--|------------------|--------|--|
| | 16. SME 4 , Santa Verde, Mr. Andrew Wright Greathead | Meeting held, relevant information obtained | <div style="display: flex; align-items: center; justify-content: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Friday, 12th Oct</div> </div> | | | |
| | 17. Attend the ACIS BusinessLink Expo, meet and informal chats with any TNCs, SMEs, etc | Attended event, informal talk with TNCs – NCONDEZI & KENMARE | | | | |
| | 18. MOZAL, Meeting with Ms Esmilda Dombo (Local Supplier Development) and Mr. Fernando Acendino | Meeting held and relevant information obtained. | | | | |
| | 19. SASOL, Telephone discussion with Mr. Dino Cangy, Community Affairs Manager, to obtain input from SASOL's linkages program and related experience | Input obtained. Relevant information collected via email or as advised. | | | | To follow up and obtain more information |
| | 20. SME 5, Protecna, Mr. Geraldo Murta | To obtain relevant information and experience with Mozlink program | | | | |
| | 21. ACIS, Meeting with Carrie Davies to obtain relevant information on their experience with linkages programs (BusinessLink) | BusinessLink's input obtained. | | | | Scheduled meeting |
| | 22. ANADARKO, Meeting with Barclay Collins, Brigit Helms, Mr. Alcido Mousse | Meeting held and relevant information obtained | | | | Scheduled meeting |
| | Discuss general findings and report format with BH | | | | | Done informally |
| | Trip back to South Africa | | | | | |
| BENCHMARKING CONSULTATION, SOUTH AFRICA | Field work 2 – Plan and set up interviews | | | | | |
| | 23. ANGLO ZIMELE Project, Meeting with Lia Vangelatos, Chief Investment Officer | Information collected for benchmarking purposes | | | | |
| | 24. SAIBL/Microsoft's Equity Equivalent Program, Mr. John James, | Information collected for benchmarking purposes | | | | |
| FURTHER LITERATURE REVIEW AND DATA ANALYSIS | Review literature collected during the mission to Mozambique Review Literature from South Africa and other relevant projects (eg. Newmont Linkages in Ghana) | Literature reviewed and key lessons extracted. | | | | |

| COMPONENT | ACTIVITIES | DELIVERABLE(S) | 07 to 13 OCT | 14 OCT to Nov 15 | STATUS |
|---|---|---|--------------|------------------|--------|
| DRAFT REPORT & CLIENT INPUT | Prepare draft report and submit to obtain client's input. Report discussed | Draft report prepared, submitted to client. | | By 24th | |
| REPORT RECEIVED WITH CLIENT INPUT | Submit draft report to obtain client's input | Draft report submitted and client's input obtained. | | By 28th | |
| FINAL REPORT & PP PRESENTATION | Prepare Final report and MS Power Point presentation | Final report and Power Point presentation submitted to client | | 10 Nov 2012 | |

ANNEX D: INTERVIEW LIST

- Adelino Novais (UNIDO consultant)
- Alcido Mause, Anadarko
- Andrew Wright Greathead
- Barclay Collins, Anadarko
- Carla Cuambe, Food and Agriculture Organization (FAO)
- Carrie Davies, BusinessLink
- Dino Cangy, Sasol. By telephone.
- D'bora Carvalho, SNV
- Emmy Bosten, Rio Tinto
- Esmilda Dombo, Mozal
- Fernando Acendino, Mozal
- Fletch, Maputo Plant Hire
- Geraldo Murta, Protecna
- Henriqueta Hunguana, International Capital Corporation (ICC)

- Ibrahim Commercial, Papelaria
- Irene Visser, Former IFC Program Manager
- Jaime Comiche, United Nations Industrial Development Organization (UNIDO)
- John James, DAI/ECIAfrica, South Africa
- Khatija Bibi, Papelaria
- Lisa Kurbiel, United Nations Children Fund (UNICEF)
- Madina A. R. Ismail, Institute for the Promotion of Small and Medium Enterprises (IPEMA)
- Matusse, Soclima
- Mazen Bouri, World Bank
- Santiago Rodriguez Goicoechea, Genesis Analysis
- Sarah Taibo, Investment Promotion Centre, CPI
- Thilasoni Chikwanda, IFC. South Africa
- Wilson Chafinya, International Finance Corporation (IFC). Mozambique

ANNEX E: INTERVIEW GUIDE

(GENERAL)

1. Name of Organization _____
2. Contact Person: _____
3. Describe the nature of your involvement, role or interest in Business Linkages in general:
4. Have you made any financial contribution towards business linkages efforts?
5. If YES, state the name of the program and or area of support _____
6. What benefits have you gained in participating/supporting the program?

7. What is your experience with business linkages projects in Mozambique?

8. Do you have any experience from other countries? State the countries...

9. Are you aware of any successful business linkages in Mozambique? In your view, why do you think the program/s was/were successful?

10. Do you think the government has put adequate policies/legislation to facilitate the development of SMEs, especially to take advantage of recent investments in mining and oil and Gas?

11. Please state the relevant policies, laws, etc

12. Lessons from Mozambique and other countries? What do you think an ideal linkages program should be?

(SMES INTERVIEW GUIDE)

Name of SME _____

1. Contact Person:
2. How and where did you hear about the Program?
3. How did you join the program?
4. When you joined what were your expectations from the program?
5. Did the program fulfill your expectations? How well did the program fulfill those expectations?
6. What training / mentoring did you receive from the program?
7. This training was relevant to your business situation.

| | | | | |
|--------------------------|-----------------|------------------|--------------|-----------------------|
| Strongly disagree | Disagree | Undecided | Agree | Strongly agree |
|--------------------------|-----------------|------------------|--------------|-----------------------|

8. As a result of this training / mentoring your ability to meet industry procurement requirements has increased.

| | | | | |
|--------------------------|-----------------|------------------|--------------|-----------------------|
| Strongly disagree | Disagree | Undecided | Agree | Strongly agree |
|--------------------------|-----------------|------------------|--------------|-----------------------|

9. As a result of this training / mentoring your business is in a better situation than it would have been without the training / mentoring.

| | | | | |
|--------------------------|-----------------|------------------|--------------|-----------------------|
| Strongly disagree | Disagree | Undecided | Agree | Strongly agree |
|--------------------------|-----------------|------------------|--------------|-----------------------|

10. The knowledge / skills acquired by participating in this program will be applied even after the program winds up

| | | | | |
|--------------------------|-----------------|------------------|--------------|-----------------------|
| Strongly disagree | Disagree | Undecided | Agree | Strongly agree |
|--------------------------|-----------------|------------------|--------------|-----------------------|

11. What was your total turnover in each of the last three years?

| | | |
|---------|---------|------------|
| 2007/08 | 2008/09 | 2009/10/11 |
|---------|---------|------------|

12. What activities did you undertake as a result of your participation in the program to diversify your markets?

13. As a result your participation in the program you have increased the diversity of your markets.

| | | | | |
|--------------------------|-----------------|------------------|--------------|-----------------------|
| Strongly disagree | Disagree | Undecided | Agree | Strongly agree |
|--------------------------|-----------------|------------------|--------------|-----------------------|

14. This increased diversity can be maintained and improved upon even after the program ends.

| | | | | |
|--------------------------|-----------------|------------------|--------------|-----------------------|
| Strongly disagree | Disagree | Undecided | Agree | Strongly agree |
|--------------------------|-----------------|------------------|--------------|-----------------------|

15. What financing facilities have you been able to access as a result of your participation in the program?

16. As a result your participation in the program you have increased access to financial facilities.

| | | | | |
|--------------------------|-----------------|------------------|--------------|-----------------------|
| Strongly disagree | Disagree | Undecided | Agree | Strongly agree |
|--------------------------|-----------------|------------------|--------------|-----------------------|

17. As a result your participation in the program you are better able to access increased access to financial facilities even after the program ends.

| | | | | |
|--------------------------|-----------------|------------------|--------------|-----------------------|
| Strongly disagree | Disagree | Undecided | Agree | Strongly agree |
|--------------------------|-----------------|------------------|--------------|-----------------------|

18. As a result of the consultancy services received through the program you are better able to manage the affairs of your business.

| Strongly disagree | Disagree | Undecided | Agree | Strongly agree |
|--------------------------|-----------------|------------------|--------------|-----------------------|
|--------------------------|-----------------|------------------|--------------|-----------------------|

19. How could the program have served you better?

20. Any other relevant issues relating to the program