

## SUMMARY

# Annual Action Programme 2018 in favour of the Republic of Mozambique to be financed from the 11<sup>th</sup> European Development Fund

## 1. Identification

EDF allocation	11 <sup>th</sup> European Development Fund
Total cost	EUR 93 million of EU contribution
Basic act	Council Regulation (EU) 2015/323 of 2 March 2015

## 2. Country background

Mozambique is a country in transition, with an economy that could be transformed by the discovery of its natural resources. Between 2009 and 2012 major reserves of coal and natural gas were discovered in the country, placing Mozambique in the spotlight of foreign investment, at the same time large extensive programs of plantation and land concession were planned.

The challenge will be to translate such wealth into equitable and inclusive growth, also taking into account that currently more than half of Mozambique's population continues to live below the poverty line.

The country had achieved impressive economic growth over the past decade with annual growth rates averaging 7% (up to 2015). This trend was reverted drastically by end 2015, GDP growth is expected to decelerated to 3.0% in 2018, as the country suffered from external and internal shocks such as lower commodity prices, decreased inflows of FDI, and the hidden State-guaranteed debts (amounting to over USD 2 billion).

Following a long period of stability and relative prosperity, the political model has increasingly been challenged in recent years by the main opposition party (Renamo) accusing the party in power since 43 years (Frelimo) of failing to ensure an inclusive political system. However, positive recent steps on the peace process (i.e. agreement by both parties on constitutional review and progress on the issue of Disarmament, Demobilization and Reintegration -DDR) indicate a possibility of a peace agreement to be reached in a near future. The peace process and a stable political environment will be crucial for the country, including for transparent and democratic elections in October 2018 (municipal) and 2019 (presidential, legislative and provincial).

National poverty levels increased to 55-60% compared to 46.1% in 2014/5<sup>1</sup> and the country is witnessing a widening gap between urban and rural areas<sup>2</sup>. 80% of the Mozambican population depends still on the agricultural and fisheries sectors (approximately 75% of the active population) as the main source of food and income, mostly based on smallholders production systems<sup>3</sup>. Labour market projections (WB 2017) indicate that the informal sector, including smallholder's agriculture, will remain crucial, especially for the bottom 40% of the income distribution. The business environment remains challenging mainly due to the very limited access to finance, poor legal framework, weak public capacity, poor infrastructure networks and high levels of corruption, resulting in an unemployment rate of 24.4% (2016)<sup>4</sup>.

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<sup>1</sup> According to recent study published by UN WIDER in collaboration with Ministry of Economics and Finance.

<sup>2</sup> Between 2003 and 2015, the gap between urban and rural poverty doubled from 6.8 to 12.7 percentage points

<sup>3</sup> 99% of total farms

<sup>4</sup> 99% of total farms

Mozambique is one of the countries most affected by the impacts of weather-related loss events<sup>5</sup>, and biodiversity is rapidly declining. The country suffers mainly from hydrological disasters, aggravated by rapid deforestation, and rising sea levels which threaten Mozambique's coastal zone and cities. All actions within the sustainable growth and job creation priority will have a geographical concentration in the areas of Nampula and Zambézia (two of the poorest regions, characterised by a very limited private sector, biodiversity importance and high population density) as part of an integrated approach decided in the NIP in order to maximise synergies, economies of scale and impact.

### **3. Summary of the Action Programme**

The Annual Action Programme 2018 for the Republic of Mozambique will, in line with the National Indicative Programme (NIP), contribute to strengthen the Mozambican State in its core functions, which is to **i)** promote the deepening the transparency, accountability and the rule of law through support to governance reforms (consolidation of democracy and anti-corruption actions), as well as to support trade facilitation issues and aspects for improving the business environment; **ii)** support a sustainable and inclusive economic development model based on policies fostering economic stability and job creation, focusing on food and nutrition security, rural competitiveness and access to sustainable energy with an increased involvement of the private sector; **iii)** encourage investment relations with Europe, identifying opportunities under the EPA, aiming at a level playing field for European businesses and engaging in economic diplomacy.

#### **Priority Area I: Good Governance and Development**

The action "Supporting Trade and Development in Mozambique – *PROMOVE Comércio*", is in line with priority area 1 of the NIP, aimed to support trade facilitation issues (customs, trade safeguards, quality infrastructure) and aspects of improving the business environment agenda with a focus on accompanying the smooth implementation of the EU SADC Economic Partnership Agreement (EPA).

The present programme contributes to improve trade facilitation aspects of the Ease of Doing Business by reinforcing government capacity to implement trade facilitation reforms (EPA and WTO TFA), addresses Technical Barriers to Trade (TBT) quality infrastructure weaknesses and reinforces the knowledge and capacity of private sector stakeholders regarding EPA opportunities. The programme will focus on the following components: Component 1: Support implementation of EPA and WTO TFA trade facilitation reforms; Component 2: Improve market-driven Quality Infrastructure and relevant service; and Component 3: EPA Outreach and awareness raising to various private sector stakeholders.

The action's intervention would support the effective implementation of EPA provisions, which would allow importers to Mozambique to benefit from a reduced import duty on a wide of products from the EU; and would allow exporters from Mozambique to be able to apply the EPA rules of origin to add value more easily on exports to the EU. In addition, effective implementation of EPA and WTO TFA provisions would improve the ease of trading across borders in Mozambique, assuming continued Government commitment to implement the relevant trade facilitation commitments. The improved availability of QI services (including testing laboratory services and SME support) would provide the means for producers to improve the quality of their products. The improved awareness of EPA business opportunities promoted by the action has the potential to contribute to increasing EU-Mozambique-SADC trade, to increase investment, growth and employment creation, assuming no major shock impacts the economy.

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<sup>5</sup> Global Climate Risk Index (2017)

The present action supports the External Investment Plan (EIP) third pillar, aimed to address key constraints to the business and investment environment complementing the Sustainable Business for Africa (SB4A) dialogue.

The action will be implemented via project modality for a total amount of by EUR 12 million over the period of 60 months from the date of entry into force of the financing agreement. The Action will be implemented under a project approach, where indirect management modality will be proposed, with a mixture of implementing partners, namely the Government of Mozambique and UNIDO. This programme, financed from the NIP, will be complemented by funds from the Regional Indicative Programme for Eastern Africa, Southern Africa and the Indian Ocean (EA-SA-IOC RIP 2014 – 2020).

The present project links to the 11<sup>th</sup> EDF NIP project which addresses agriculture competitiveness and food security in two provinces (Nampula and Zambézia). The present project supports several trade facilitation reforms and specifically supports the increased availability of Quality Infrastructure services in those provinces, so as to enable producers in the targeted value chains to improve the quality of their products.

### **Priority Area II: Rural Development**

The action entitled "Biodiversity Actions for Mozambique -*PROMOVE Biodiversidade*" is in line with priority area 2 of the NIP. The **overall objective** of the Action is to contribute to sustainable, inclusive and broad-based economic growth, to poverty and vulnerability (against climate change impacts) reduction through the sustainable use of natural resources. **The specific objective** is to protect biodiversity and contribute to improve the livelihoods of rural communities through sustainable management of natural resources in 3 target areas of Mozambique: Ilhas Primeiras e Segundas (APAIPS) and its adjacent coastal areas, the Gile National Reserve (GNR) and the Inselberg of Mabu, in Nampula and Zambézia Provinces. These areas were selected for their biodiversity importance but also for their high/ population density i.e. where natural resources are suffering from important pressure from local communities. The ecosystems are namely coastal and marine, low land, miombo forest and Afromontane forest.

The main components of the action are: (1) Strengthening the governance framework of the institutions dealing with natural resources, (2) Implementing initiatives and strategies for the sustainable management of natural resources and biodiversity conservation in and around target areas; (3) Sustainably improving community livelihood living inside the biodiversity areas and in the buffer areas; and (4) Enhancing and disseminating applied research and targeted participatory studies on natural resources management to influence planning and policies at local and national level.

The action is in line with the set priorities of the Five-Year Government Plan (Plano Quinquenal do Governo, PQG) as the Government of Mozambique defines management of natural resources as one of the five pillars for national development. At provincial level, the Strategic Development Provincial Plans for Nampula (2010-2020) and Zambézia (2011-2020) consider biodiversity conservation as an important pillar for provincial development.

The action will be implemented via project modality for a total amount of by EUR 13 million over the period of 72 months from the date of entry into force of the financing agreement. A grant will be directed awarded to the Foundation for the Conservation of Biodiversity (BIOFUND) for components 2, 3, 4, given its factual monopoly as a Mozambican foundation in the support to Conservation Areas (CAs) and biodiversity related activities, and entrust the line Ministry, through its National Sustainable Development Fund (FNDS) (indirect management) for component 1.

The programme was identified and formulated through an initial biodiversity study (2016) led by a team of researchers, interviews with public authorities and civil society stakeholders, and

consultation seminars in the selected provinces (Zambézia and Nampula) and at national level. In 2017 extensive field work in all the geographical areas were followed by further public consultations.

## **Priority Area II: Rural Development**

The action entitled "Improving rural competitiveness in Nampula and Zambézia provinces - *PROMOVE Agribiz*" will specifically focus on supporting the development of small-scale, sustainable commercial agriculture. The **overall objective** of the action is to contribute to sustainable, inclusive and broad-based economic growth and poverty reduction in the context of national food and nutrition security and climate change. The **specific objectives** are i) to improve food and nutrition security and resilience of small-holders through climate-smart and nutrition-sensitive agriculture development in the provinces of Nampula and Zambézia; and ii) to enhance rural competitiveness through improved participation of smallholders and MSMEs in economic activities, economic diversification, value addition, improved access to rural services and improved rural investment climate in the provinces Nampula and Zambézia. The action will aim at improving small producers' productivity and resilience, enhance the provision of support services, including financial and rural extension services, as well as, foster commercial partnerships with enterprises and increase the availability of commercial operational services along selected value chains.

The action is in line with the set priorities of the Five-Year Government Plan (Plano Quinquenal do Governo, PQG) as this document highlights agriculture production and productivity increases, value addition and agriculture value chains as central elements for employment creation, development and industrialisation.

The action will be implemented via project modality for a total amount of by EUR 68 million over the period of 60 months from the date of entry into force of the financing agreement. This Action may be implemented in indirect management by different partners' organisation, namely by the Food and Agricultural Organisation of the United Nations (FAO), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, and the International Bank for Reconstruction and Development (World Bank). A grant will be directed awarded to the National Sustainable Development Fund -Fundo Nacional de Desenvolvimento Sustentável (FNDS).

### **4. Communication and visibility**

All communication and visibility activities will, in principle, be undertaken jointly by the Government of Mozambique and the EU. All activities carried out under this AAP will be compliant with and executed following the EU visibility guidelines for external actions and will be included in the information and communication annual report. Budgetary provisions, as appropriate, have been foreseen for strategic communication services to strengthen visibility and awareness of EU cooperation in Mozambique.

### **5. Cost and financing**

Supporting Trade and Development in Mozambique – <i>PROMOVE Comércio</i>	EUR 12 000 000
Biodiversity Actions for Mozambique - <i>PROMOVE Biodiversidade</i>	EUR 13 000 000
Improving rural competitiveness in Nampula and Zambézia provinces - <i>PROMOVE Agribiz</i>	EUR 68 000 000



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This action is funded by the European Union

## ANNEX 1

of the Commission Decision on the financing of the Annual Action Programme 2018 in favour of the Republic of Mozambique

### Action Document for Supporting Trade and Development in Mozambique

<b>1. Title/basic act/ CRIS number</b>	Supporting Trade and Development in Mozambique – "PROMOVE Comércio" CRIS Number: MZ/FED/2017/040-904 financed under 11 <sup>th</sup> European Development Fund			
<b>2. Zone benefiting from the action/ location</b>	Republic of Mozambique			
<b>3. Programming document</b>	National Indicative Programme (NIP) for Mozambique 2014-2020  Regional Indicative Programme (RIP) for Eastern Africa, Southern Africa and the Indian Ocean (EA-SA-IOC)(2014–2020			
<b>4. Sector of concentration/ thematic area</b>	NIP Sector 1: Good Governance and Development RIP Sector 2: Regional Economic Integration	DEV. Aid: YES		
<b>5. Amounts concerned</b>	Total estimated cost: EUR 12 050 000 Total amount of EDF contribution EUR 12 000 000 (NIP: EUR 6 000 000 and RIP EUR 6 000 000). This action is co-financed in joint co-financing by UNIDO for an amount of EUR 50 000.			
<b>6. Aid modality and implementation modalities</b>	Project Modality Indirect management with United Nations Industrial Development Organisation (UNIDO) Indirect management with the Republic of Mozambique			
<b>7 a) DAC code(s)</b>	33110 - Trade policy and administrative management 33120 - Trade facilitation			
<b>b) Main Delivery Channel</b>	41000 United Nations agency, fund or commission (UN) 52000 Other			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	X	<input type="checkbox"/>
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	X

	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	N/A			
<b>10. Sustainable Development Goals (SDGs)</b>	Goal 17: Revitalize the global partnership for sustained development Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all			

## SUMMARY

Recent trade commitments, namely the European Union – Southern African Development Community (EU–SADC) Economic Partnership Agreement (EPA) and the World Trade Organization's (WTO) Trade Facilitation Agreement (TFA), are powerful means to improve the business environment in Mozambique. They provide for a stable legal framework, with clear trade facilitation agendas to be implemented. The EPA offers Mozambique secured duty-free and quota-free access to the EU market, even when it will eventually become a middle income country, once revenues of the gas sector are secured. It is also a renewed opportunity for Mozambique to diversify its exports towards the EU market, once simplified rules of origin will be in use. By implementing the EPA, Mozambique will eliminate tariffs on about 74% of imports from the EU and align several trade related taxes, fees and procedures to EPA requirements. Lower tariffs on EU goods will contribute to cheaper importation of intermediate goods which are important for industrial and rural development.

Mozambique is one of the two Least Developed Countries (LDCs) among the SADC EPA group and it is the only country which is not part of SACU (Southern African and Customs Union); it therefore lacks experience in dealing with similar agreements.

The present programme contributes to improve trade facilitation aspects of the Ease of Doing Business by reinforcing government capacity to implement trade facilitation reforms (EPA and WTO TFA), addresses Technical Barriers to Trade (TBT) quality infrastructure weaknesses and reinforces the knowledge and capacity of private sector stakeholders regarding EPA opportunities. The programme will focus on the following components:

### *Component 1: Support implementation of EPA and WTO TFA trade facilitation reforms*

Support the government, through technical assistance and training, to effectively implement trade facilitation reforms, so that importers/exporters can effectively make use of the foreseen EPA benefits/provisions, and benefit from easier trade across borders.

### *Component 2: Improve market-driven Quality Infrastructure and relevant services*

This component will address key Quality Infrastructure (QI) weaknesses, enabling producers to improve the quality and competitiveness of their products and eventually meet international requirements of export markets. In particular, through a market-driven approach, it will support testing laboratories and the creation of calibration services, enabling them to provide internationally recognized testing services for the priority value chains in the provinces of Nampula and Zambézia linking with the upcoming 11<sup>th</sup> EDF Rural Development Programme.

### *Component 3: EPA Outreach and awareness raising to various private sector stakeholders*

Increase EPA awareness among private sector stakeholders and bring attention to EPA trade and investment opportunities. Through information events, training on EPA related aspects, studies and visibility events in the capital and in provinces, the component aims to increase knowledge and develop the capacity of business associations (Mozambican and EU), private sector, NSAs and trade and investment promotion agencies.

## **1 CONTEXT**

### **1.1 Sector/Country/Regional context/Thematic area**

Mozambique is one of ten countries with the lowest Human Development<sup>1</sup> and **among the ten poorest countries** in the world with an annual per capita gross domestic product (GDP) of USD 1,217. Over 46% of the population live below the national poverty line and the absolute number of poor has remained relatively constant (approx. 11.8 million people)<sup>2</sup>. A feminization of poverty is apparent, 63% of female headed households are poor, compared to 52% of male-headed households<sup>3</sup>. According to the 2016 Ministry of Gender Country Profile, the most relevant gender issues for poverty reduction relate to women's limited access to skills, opportunities, and to resources to overcome inequalities in education and employment.

Although promising **natural resource** discoveries (coal, minerals and gas) led to impressive economic growth averaging 7% annually over a decade until 2015, this trend has slowed. External factors such as droughts, floods, lower commodity prices and lower Foreign Direct Investment (FDI) contributed to this contraction. Internal factors aggravated the slowdown; including politico-military tension and particularly the discovery of undisclosed state-guaranteed loans representing 10% of GDP in 2016 (approx. USD 1.4 billion). The lack of fiscal transparency, evidence of poor governance and weak accountability caused a serious breach of trust in the national systems and led the IMF to discontinue its programmes. Lower investor confidence is apparent with FDI contraction since (20% fall in 2016). Nonetheless, considering the expected gas megaprojects from mid-2020s, Mozambique has the potential to become a middle income country.

Presently, economic diversification is weak, with a high dependence on primary sectors: mining, forestry, fisheries, natural energy. Manufacturing contributes minimally to GDP, 8% in 2016. Mozambique's exports of goods are mainly unprocessed or semi-processed basic or raw products (mining, agriculture and fisheries). The opportunities that value-chains could provide are not exploited. Real value addition and transformation have not really developed; value addition remains limited to primary steps only.

The high pace of population growth (3.5% per year) makes it challenging for Government to extend basic services to a population now estimated at 28.9 million habitants and projected to reach 40 million by 2030<sup>4</sup>. Literacy is very low (55.1%) with substantial disparity between illiteracy rates for men 30.1% and women 57.8% , characterised by the second lowest primary completion rate in the world (37%)<sup>5</sup> and one of lowest education attainment levels in Africa<sup>6</sup>.

Numerous constraints to competitiveness affect the business environment; from lack of adequate infrastructure (roads, electricity, and water) to low productivity and low skilled

<sup>1</sup> UNDP Human Development Report 2016: Mozambique occupies rank 181 out of 188 globally.

<sup>2</sup> Latest household survey: Fourth National Poverty Assessment "Poverty and Wellbeing in Mozambique, October 2016.

<sup>3</sup> Final report of Mozambique Household Survey 204/15, December 2015.

<sup>4</sup> Mozambique 2017 General Census of Population and Housing.

<sup>5</sup> National retention rate in grade 3 is 70%, in grade 5 is 50% and only 1 out of 3 children make it to grade 7.

<sup>6</sup> 2016 National Learning Assessment: learning results deteriorated with only 4.9% of the grade 3 students mastering basic literacy skills.

labour, low number of private sector companies, excessive cost of borrowing and finally a business environment marked by rent seeking behaviour, corruption and inefficiencies. Few companies are currently able to meet EU market's requirements, in terms of product quality, and international environmental and health and safety requirements. In-country services that could support private sector in improving quality for specific value chains and to reach export standards are presently very basic.

Business environment pace of reforms is slow and implementation challenging. Mozambique's international rankings are weak and decreasing for perceived levels of public sector corruption<sup>7</sup>. Progress in the Global Competitiveness and Doing Business rankings stagnated. Nonetheless, Mozambique recently entered into a number of commitments, such as the WTO's TFA and the EPA; these commitments provide a catalyst to improve the trade facilitation aspects of the business environment, to enhance business opportunities, job creation and growth.

The EU SADC EPA<sup>8</sup> provides a legal framework with clear trade facilitation objectives. It solidifies Mozambique's duty-free and quota-free access to the EU market, even once Mozambique graduates to a middle-income country. It also allows for more flexible rules of origin to facilitate value-addition in Mozambique. The access to the European market offers increased opportunities once local production capacity grows. For EU imports to Mozambique, tariffs on about 74% of imports from the EU will be gradually removed and several trade related taxes, fees and procedures clarified. Lower tariffs will contribute to more competitive goods such as equipment, chemical products and machinery, with potential to support rural and industrial development in Mozambique.

Mozambique is one of the two LDC countries among the SADC EPA group and it is the only country which is not part of SACU, thus having less experience in dealing with similar agreements. Government capacities are a challenge, compounded by a slow pace of reform implementation. In order to address such weaknesses and identify capacity gaps, a National EPA Implementation Plan (NEIP) was adopted by the Government of Mozambique in April 2018, detailing the necessary government actions to maximise private sector opportunities. Consultations took place with government, business associations and development partners. Areas requiring capacity building include: reinforcing government technical capacity, facilitating customs particularly on major regional trade routes, establishing trade safeguard capacity, supporting quality infrastructure services<sup>9</sup>, raising awareness of EPA opportunities.

### ***1.1.1 Public Policy Assessment and EU Policy Framework***

In order to guide Mozambique's overall approach to using trade as a tool for economic development and job creation, a myriad of strategies are relevant tackling various aspects and led by different institutions. The most directly relevant to the present action are the Industrial Policy and Strategy, the National Export Strategy and the Trade Policy and Strategy. Business associations, donors, civil society were/are consulted in the strategies elaboration process.

The **Trade Policy and Strategy (2017-2021)** updates the 1998 strategy; looks into updated Government trade policy commitments, such as the SADC EPA and as well as the African

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<sup>7</sup> Transparency International Corruption Perceptions Index, January 2017: Mozambique occupies position 142/176 in 2016 with a score of 27 (0 most corrupt - 100 least corrupt) - perception of corruption has increased to the level of 2011.

<sup>8</sup> With EPA application in Mozambique from 4th February 2018, the SADC EPA is the first EPA to enter into application in Africa for the entire group of partner countries (six SADC EPA countries are: South Africa, Swaziland, Lesotho, Mozambique, Namibia, and Botswana).

<sup>9</sup> Quality Infrastructure can be defined as the system comprising the organisations (public and private) together with the policies, relevant legal and regulatory framework, and practices needed to support and enhance the quality, safety and environmental soundness of goods, services and processes. Producers recur to Quality Infrastructure services to ensure that their products meet various quality requirements.



Growth and Opportunity Act (AGOA), and takes into account regional and multilateral developments. It identifies priority value chains and the constraints along the value chains.

The **Industrial Policy and Strategy 2016-2025** aims to: a) increase industrial production through attracting investment, b) increase labour-intensive industries and support to SMEs, c) increase exports and reduce imports, d) expand value chains and add value of industrial products through increased use of domestic materials. Seven priority industries were selected, including agro-industry which is supported by this action. Of its eight strategic development pillars, the present action contributes to the pillars related to quality infrastructure and certification, and to the simplification of customs. The strategy is relevant and identifies priority industries, however, it does not analyse which sectors could benefit from trade agreements. Capacity building to better identify EPA opportunities is required.

The **draft Second National Export Strategy** identifies priority sectors for export promotion, as well as needs analysis. The EPA was taken into consideration. The need to enhance national capacities to improve the quality of products is raised and to develop capacity to add value and identify specialised niche markets. This strategy also highlights the need to develop trade capacities for trade coordination and implementation.

The present project will support several EU Policy Frameworks. It supports the 2017 Communication on **Aid for Trade Strategy**<sup>10</sup>, by putting into practice the NEIP. It supports quality infrastructure, a key area of Aid for Trade, and it aims to strengthen key partners (e.g. business associations) for promoting economic opportunities. The 2017 **European Consensus on Development**<sup>11</sup> contributes to the attainment of the SDGs; the present action contributes to SDGs 17 and 8. It supports the Consensus' objectives regarding trade policy, to ensure that developing countries reap the benefit of inclusive growth for enhanced participation in regional integration and in the multilateral trading system. It supports the Aid for Trade implementation of the **2030 Agenda**, including support for EPA implementation to better address the trade and productive capacity needs of developing countries. It contributes to the **EU Gender Equality Policy 2016-2020**<sup>12</sup>, objective 15 "Equal access by women to financial services, productive resources including land, trade and entrepreneurship".

The present action supports the **External Investment Plan (EIP) third pillar**, aimed to address key constraints to the business and investment environment complementing the Sustainable Business for Africa (SB4A) dialogue.

The present action is in line within the **11<sup>th</sup> EDF National Indicative Programme (NIP)** first priority sector - Good Governance and Development – which aims to contribute to poverty alleviation, sustainable and inclusive growth and consolidation of democracy. It contributes to the relevant NIP expected results aimed at the improvement of the business environment.

### **1.1.2 Stakeholder analysis**

The **Ministry of Industry and Trade (MIC)** has leadership responsibility for elaborating and monitoring implementation of the business environment strategy and of trade policies. Trade policy implementation is the responsibility of sector ministries or specialised government bodies e.g. **Customs Authorities** and **Tax Authority**. Strengthening the Ministry's capacity

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<sup>10</sup> Communication from the Commission to the European Parliament, the Council, the European Economic And Social Committee and the Committee of the Regions "Achieving Prosperity through Trade and Investment, Updating the 2007 Joint EU Strategy on Aid for Trade" COM(2017) 667 final of 13.11.2017

<sup>11</sup> OJ C 210 of 30.6.2017

<sup>12</sup> Joint Staff Working Document: Gender Equality and Women's Empowerment: Transforming the Lives of Girls and Women through EU External Relations 2016-2020 SWD(2015)182 final of 21.9.2015

(personnel, training and specialised knowledge) for monitoring and guiding implementation, especially with a view of ensuring strikingly weak inter-ministerial coordination is key. It is an essential basis to accompany the smooth implementation of the EPA. Moreover, support for key implementing institutions such as Customs Authorities and Tax Authority is essential, to enable these government bodies to implement new reforms and modernise systems.

The **National Institute for Standardization and Quality (INNOQ)** is responsible for standardization, metrology and conformity assessment. It is also the national enquiry point for Technical Barriers to Trade (TBT). The enquiry point for Sanitary and Phytosanitary Standards (SPS) is in the Ministry of Agriculture. In recent years, with EU support, INNOQ made significant strides in developing its services. Capacity for several calibrations was developed, the number of accredited tests was increased, the number of standards in the country tripled. Shortcomings remain, as found by recent evaluations; at its current developmental stage, INNOQ misses what could be its major revenue source: no product certification body and no inspection capacity. Moreover, INNOQ's training unit is still in its infancy and the marketing unit – which would be key for raising awareness of government and private sector – lack the necessary capacity.

**Business associations** in general are active but are strikingly limited in resources, resulting in dispersed efforts and in limited capacity to enter into the details of the EPA. Business associations lack capacity to provide services to their members (e.g. identifying EPA trade and investment opportunities, market intelligence, knowledge of rules of origin). Limited capacity of the private sector to engage in a solid and constructive dialogue with Government is also apparent. The largest **Confederation of Economic Associations of Mozambique (CTA)** is long established and is systematically involved in public private dialogue but it does not represent all private sector; specifically micro, small and medium enterprises, youth business associations and women entrepreneur associations are underrepresented in dialogue forums, which limits their impact on policy. A **European Business Club** is active since three years and includes business associations from 8 EU Member States<sup>13</sup>, however, its recent creation and limited resources are real challenges, in order to expand its sphere of influence and capacity to actively promote potential investment opportunities. Last but not least, in Mozambique, where 80 % of the population work in the agriculture sector and 80 % of the economy is informal, the issue of the representation of such sectors is still pending.

### *1.1.3 Priority areas for support/problem analysis*

The priority areas for support are a result from several analyses. Most notably the EU-financed study for the NEIP identifies the following main constraints and opportunities to improve inclusive and sustainable growth:

- **Lack of Government capacity** for implementing and monitoring economic policies, specifically trade related policies. Policies and strategies appear to be developed in silos, with no or minimal inter-ministerial coordination. This results in overlapping and often contradicting policies. In addition, capacity to engage effectively on trade safeguards including monitoring capabilities and early warning systems are non-existent.
- **Limited capacity of the private sector** to engage in a solid, SME and gender inclusive constructive dialogue with Government; lack of resources, lack of specialised expertise, lack of specialised EPA knowledge or knowledge of EU market.
- **General lack of awareness of the EPA** amongst the business community and public institutions; capacity to identify practical trade and investment potential is lacking within

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<sup>13</sup> Business associations from EU Member States participate in the European Business Club, namely associations from France, Germany, Netherlands, Austria, Portugal, Spain, UK, and Italy. Swiss association is also a founding member.

both public and private sector, one example is the limited practical market intelligence as regards potential value chains. Government also lacks sector knowledge on how to identify and promote EPA opportunities, in particular regarding rules of origin.

- **Cumbersome customs and administrative procedures** is one of the main hurdles to economic activity. Lack of clarity and transparency when applying procedures, related delays in customs clearing and related opportunistic corruption are main hurdles undermining economic potential. Trade facilitation reform is part and parcel of several trade agreements, including the EPA and the WTO TFA. Mozambique solicited donor assistance to implement various customs reforms of the WTO TFA ratified in 2016. Customs reforms for trade facilitation are a cornerstone for the success of various trade agreements, trade facilitation provisions of the EPA were mapped against the WTO TFA provisions and clear overlaps and synergies exist between the two sets of reforms.
- **Quality infrastructure and laboratories capacities are basic, in need of upgrading or entirely inexistent.** Quality Infrastructure (QI) services are required to facilitate businesses to adhere to quality and standards requirements of local and export markets. Producing in sufficient quantity and quality are significant challenges in Mozambique, especially for small and medium size enterprises. Support to QI could support businesses to improve productive capacity (volume), productivity, resource efficiency and quality of products among other benefits. The absence of calibration equipment outside the capital city is a notable weakness. The absence of laboratories which can provide accredited tests critical to meet export requirements is notable, especially for sectors with export potential such as agriculture.

## 2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
<ul style="list-style-type: none"> <li>Limited political leadership for reforms, especially to tackle high-corruption</li> </ul>	High	<ul style="list-style-type: none"> <li>Continue advocacy for reforms throughout various policy dialogue forums</li> <li>The programme proposes to work with professional associations including youth business associations and women entrepreneur associations as well as civil society to increase the responsibility/accountability of each partner</li> </ul>
<ul style="list-style-type: none"> <li>Fragmented coordination (among the different reformers)</li> </ul>	High	<ul style="list-style-type: none"> <li>Capacity building foreseen to the Ministry of Industry and Trade to undertake its monitoring and coordination mandate to improve inter-ministerial overview and coordination</li> </ul>
<ul style="list-style-type: none"> <li>Human Resources capacity issues (high turn/over, lack of career management, etc.)</li> </ul>	High	<ul style="list-style-type: none"> <li>TA to work closely with stakeholders and provide on-the-job training and focus TA and capacity building on achieving tangible outputs for targeted reforms</li> </ul>
<ul style="list-style-type: none"> <li>Long delays for reforms to be institutionalised</li> </ul>	High	<ul style="list-style-type: none"> <li>Capacity building foreseen to key Government authorities to support implementation</li> </ul>
<ul style="list-style-type: none"> <li>Limited capabilities, resources and commitment on the part of the SMEs to participate in the project activities</li> </ul>	Low	<ul style="list-style-type: none"> <li>Sensitization of the enterprises on the benefits of quality upgrading and careful selection procedure for the SMEs who will receive technical assistance</li> </ul>
<b>Assumptions</b>		
<ul style="list-style-type: none"> <li>Election processes of 2018 and 2019 lead to a stable and fully operational public administration</li> <li>Macroeconomic stability is improved</li> <li>No major external shock impacts the economy</li> <li>Political engagement from Government of Mozambique to work with all the stakeholders to advance trade and development issues</li> <li>Good coordination amongst donors (through Private Sector and Trade working Groups)</li> </ul>		

### **3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES**

#### **3.1 Lessons learnt**

EU support to quality infrastructure through the *Competir com Qualidade* project was successfully implemented by UNIDO until June 2016. The main quality infrastructure body (INNOQ) started from a very low staff and equipment capacity and proved to have high absorption capacity. Several objectives were successfully implemented and the number of QI services offered increased substantially. Achievements included the establishment of a new metrology laboratory, capacity for several calibrations developed, and metrology function reached accreditation for mass, temperature, and volume. The number of accredited tests was increased and the number of standards in the country tripled. However, substantial needs persist in order to bring institutions to a level capable to support private sector in improving quality for specific products/sectors. Support for quality infrastructure linked to value chains at central and local levels is very much needed.

In addition, as part of EPA dissemination, several events were organised on the EPA opportunities and Implementation Plan through 2016-2018 and government and private sector showed great interest and participation. Several business associations and businesses (youth, women, SMEs, European, among more established business associations) participated and expressed interest in further specific topics (e.g. rules of origin, cumulation, identifying specific sectors of potential).

#### **3.2 Complementarity, synergy and donor coordination**

The present project links to the 11<sup>th</sup> EDF NIP project (in formulation) which addresses agriculture competitiveness and food security in two provinces (Nampula and Zambezia). The present project supports several trade facilitation reforms and specifically supports the increased availability of Quality Infrastructure services in those provinces, so as to enable producers in the targeted value chains to improve the quality of their products.

Within the Trade Related Facility 10<sup>th</sup> EDF RIP, EUR 2.6 million was approved in 2017 to support complementary aspects of the SADC Trade Protocol and EPA in Mozambique, focusing on:

- Supporting the development of an on-line system for e-certificate of origin
- Strengthening of the TBT national enquiry point and reviewing the national quality policy
- Developing veterinary and plant health strategies and strengthening the SPS enquiry point
- Enhancing private sector awareness of regional and international quality and standards market requirements
- Development of a legal framework on trade remedies
- Develop strategies for cotton-textile sector and forestry-wood sector value-chains.

The FAO-EU FLEGT (Forest Law Enforcement, Governance and Trade) on-going call for proposals for Mozambique aims to support the reduction of illegal logging and enhance trade in legal forest products.

Through regional support managed by the SADC Secretariat, a regional EPA implementation plan is being developed, as well as regional and national EPA communication strategies. A GIZ (*Gesellschaft für Internationale Zusammenarbeit*) regional programme is developing an EPA monitoring system and is supporting Export Promotion through outreach to potential exporters, B2B, matchmaking with EU importers, study tours, and trade fair participation for selected exporters. A UK regional programme is looking into possible support for EPA related implementation. Several donors are also active at national level in supporting specific doing business reforms (e.g. DFID (UK), Netherlands, Norway) which is complementary with the present trade facilitation targets. The EU Delegation is regularly associated with the various initiatives to ensure coordination.

USAID is the main donor supporting trade facilitation through its four-year SPEED+ programme. It provides technical assistance since 2016 for agriculture, trade, business enabling environment, energy, water and biodiversity. It supports several reforms of the WTO TFA and the AGOA strategy. Several trade reforms supported are also related to EPA, thus the present programme would directly complement and coordinate with the USAID project.

For donor coordination, the Private Sector Working Group, chaired by Norway, is the main forum for dialogue on business environment issues amongst donors, government, private sector operators and civil society. One of its subgroups, the Trade Sub-Committee, co-chaired by the EU and USAID, brings together government, donors and private sector operators and aims at integrating trade into national development policies, coordinating trade partners and seizing opportunities of trade. The EU Delegation also participates in the European Business Club meetings and hosts EU Trade Counsellors meetings.

### **3.3 Cross-cutting issues**

The SADC EPA reaffirms the commitment to sustainable development (EPA Article 7); to apply the agreement taking into account the human, cultural, economic, social, health and environmental best interests of their respective populations and of future generations. Moreover, the present project will encourage and provide conditions for producers to improve the quality of their products so as to reach export quality standards, which are stricter in terms of human health and safety, environmental impact than those in force in Mozambique.

Given the existing biases and inequalities of access to opportunities for women's and youth business associations, this programme addresses those through the following: 1) EPA outreach and capacity building activities (component 3) include a focus on support for women and youth business associations in particular; 2) for all training activities, a particular effort shall be made to ensure participation of women business associations and young business associations, as well as SMEs associations; 3) Activities supporting public-private dialogue on business environment shall endeavour to include particular gender, youth and SMEs business concerns as those are less prominent in public-private dialogue and policies. 4) Addressing the conformity assessment needs of industries with high shares of female employment; 5) Moreover project monitoring arrangements will make sure that indicators within the control of the project are disaggregated by gender.

On good governance, capacity building for business associations and non-state actors (NSA) will contribute to increased capacities, advocacy and accountability. Strengthening of platforms for interaction between the public and the private sector, will contribute to improved governance of business environment issues (including trade facilitation issues) affecting companies.

## **4 DESCRIPTION OF THE ACTION**

### **4.1 Objectives/results**

This programme is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of Goal 17: Revitalize the global partnership for sustained development, but also promotes progress towards Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. This does not imply a commitment by the country benefiting from this programme.

The **overall objective** is to improve trade and the business environment.

**Specific objective 1:** To improve Government coordination and implementation of the EPA and WTO TFA trade facilitation reforms

**Specific objective 2:** To increase sustainable market-driven Quality Infrastructure services to support the production of quality products

**Specific objective 3:** Promote EPA trade opportunities among investors

### **Expected results:**

The expected results are grouped into three main components closely reflecting the specific objectives.

#### **Component 1: Implementation of EPA and WTO TFA trade facilitation reforms**

- 1.1. Reinforced Ministry of Industry and Trade capacity for coordinating, monitoring and implementing obligations and provisions arising from the EPA and WTO TFA
- 1.2. Key Customs EPA commitments ready to be adopted and to be made publicly available<sup>14</sup>
- 1.3. Enhanced Government capacity to participate in trade policy decision-making discussed at the joint EU-SADC EPA states meetings
- 1.4. Enhanced government knowledge on the legal and institutional framework required to apply EPA trade defence/safeguards articles

#### **Component 2: Improved market-driven Quality Infrastructure and services**

- 2.1 Good governance and core quality infrastructure services at the institutional level (INNOQ) upgraded to ensure international recognition
- 2.2 Increased technical competences of the conformity assessment service providers (e.g. testing laboratories) and ensuring international recognition
- 2.3 Increased availability and quality of Business Development Services

#### **Component 3: EPA Outreach and awareness raising to various stakeholders**

- 3.1 Improved EPA awareness within private sector, NSA, trade promotion agencies
- 3.2 Enhanced capacity of business associations to promote EPA trade and business opportunities
- 3.3 Enhanced capacity of non-state actors for EPA monitoring and reforms advocacy in view to seizing EPA opportunities.

## **4.2 Main activities**

#### **Component 1: Implementation of EPA and WTO TFA trade facilitation reforms**

The component will tackle weaknesses in inter-ministerial coordination, as well as weaknesses in knowledge of relevant technical issues. A combination of TA advisory services and training for government officials will be provided to support the Ministry of Industry and Trade in its trade policy and implementation coordination role. The component will also include training and advice to other key government institutions, in particular Customs and the Tax Authority, to implement trade facilitation reforms. The NEIP and the WTO TFA detail the trade facilitation measures which Mozambique committed to. TA will support government functions such as:

- Regularly review adherence to obligations and commitments of the EPA and its Implementation Plan and address follow-up actions with all stakeholders

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<sup>14</sup> The work plan of customs measures is detailed in the EPA Implementation Plan, some examples of required measures are: EPA tariff reduction schedules adopted and published, use of export taxes clarified, rules of origin implemented, procedures, fees and charges clarified, follow-up on market access issues.

- Coordinate the implementation of the different aspects of the EPA and WTO TFA through support to the National Trade Facilitation Committee
- Establish trade facilitation contact points for different stakeholders, as a minimum including: Revenue authority (customs) & single window, Ministries of Fisheries, Agriculture & Forestry, Foreign Affairs, INNOQ, Private Sector Organisations
- Create a mechanism for dialogue involving all above mentioned stakeholders
- Support key government institutions to prepare Mozambique's participation to regional SADC EPA meetings (e.g. Joint Council, Trade and Development Committee, Special Committee on Customs and Trade Facilitation) which aim to advance trade facilitation reforms from a coordinated regional level
- Training for capacity building of government officials on relevant topics
- Support government to establish an Action Plan to build capacities to be able to apply EPA/WTO compliant trade safeguards
- TA for the achievement of 7 out of 10 WTO TFA category C provisions

TA will support the Customs and Tax Authority in particular, as a significant portion of reforms is customs related. E.g. Mozambique committed to progressively eliminate tariffs on about 74% of imports from the EU and to clarify several trade related taxes, fees, procedures with EPA requirements. For exports from Mozambique to the EU, the new rules of origin are a main novelty for which capacity building of government officials will be provided.

## **Component 2: Improved market-driven Quality Infrastructure and services**

The component addresses technical barriers to international trade. It aims to support access to Quality Infrastructure services, which can help producers, improve the quality and competitiveness of their products and meet quality requirements of export markets (including environmental and health and safety requirements).

The development of services such as testing, certification and calibration will be supported, focusing on services required along the priority value-chains of nuts and oil seeds (with particular focus on cashew and seeds value chains) and fruits and vegetables in line with the National Export Strategy. Cashew and seeds are also the priority value-chains of the EU Rural Development Programme, supporting rural competitiveness and agriculture in the provinces of Nampula and Zambezia. Other value chains might be also considered for assistance, to be further refined at the project inception phase e.g. shrimps and aquaculture could be a quick-win which requires heavy metal testing capabilities to be reinforced. Cashew is a strategic crop for the Government of Mozambique with sufficient private sector initiatives and has a major economic and social role in the targeted provinces as a lever for local job creation and growth. Cashew production is dominated by small farmers and has a large potential for increased in-country value addition, expansion of exports (including to the European market) and job creation. The seed value chain has a key role in the development of the agriculture sector in general and is particularly crucial for supporting an increase of smallholder farmers' productivity and transition to market integration and raising incomes.

The aim is for relevant QI institutions to become service providers for the private sector, with the particular focus on supporting key value chains. The services to be developed will benefit other sectors as well, as they are also useful for various products.

### a) Quality Infrastructure core institution strengthened (INNOQ)

Activities include:

- To promote good governance of QI, INNOQ will be assisted in finalizing an updated Quality Policy with a related Implementation Strategy
- Provide expertise to INNOQ to develop and adopt industry-driven national standards

- Provide legal advice, supporting INNOQ and MIC to improve technical regulations for priority value chains
- Provide TA, training and purchase of services to increase the scope and the regional reach of accredited certification required by private sector in the targeted value chains
- TA and training for INNOQ to adopt and implement marketing strategies to raise awareness on the usefulness of QI services, to reinforce the sustainability of INNOQ

#### b) Quality Infrastructure services (testing and calibration services)

##### Testing:

- TA, training and equipment to selected laboratories in Nampula, Zambezia and Maputo provinces to enable them to provide internationally recognized testing services for the priority value chains. Some of the accredited tests which are strongly required by value chains but are still not available in the country include aflatoxin<sup>15</sup>, heavy metals and pesticides residues testing. Those tests are critical for domestic health and exports facilitation. Such support will be provided with due consideration to ensuring economic sustainability and maintenance prospects. Support regarding environment certification would also be considered.
- TA in introducing business principles into their operations (e.g. through the development of the marketing and business plans).

##### Calibration:

- TA, training and equipment for calibration services to be permanently available in Nampula and Zambezia (where the producers are). In order to address the absence of calibration equipment outside the capital city, as referred in section 1.1.3 above. Such support will be provided with due consideration to ensuring economic sustainability and maintenance prospects.

#### c) Business Development Services, related to standards and quality

Support SMEs to identify key quality gaps in order to reach their export potential and provide TA to address shortcomings. Export potential entails meeting EU market compulsory quality requirements, buyers' common requirements and market requirements (e.g. fair trade, organic). This will act as a trigger for SMEs to understand the benefits of QI services and to start utilizing such services more pro-actively and strategically.

- TA for SME quality gap identification to reach their export potential.
- TA advisory services on the steps and sequencing needed by SMEs to address the gaps.
- TA and training to SMEs to address gaps in certain specific standards to upgrade the quality of their products. Upgrading services might include: on the job trainings for standards compliance, TA/training on EU market analysis and consumer analysis, training on required quality management systems, TA on labelling and packaging requirements, training on hygiene requirements, acquiring of services to assist SME in complying with quality requirements, mentoring between companies, TA on resource efficient technologies, eco-innovative processes and technologies, and TA on environmental certification.
- Train institutional business development service providers to improve their capacity to counsel companies on how to meet export requirements. Service providers such as MIC's Directorate of Private Sector Support, and its associated network of Single Windows, APIEX, and business associations could be targeted.

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<sup>15</sup> Aflatoxins are a class of toxic compounds produced by certain moulds, which can cause liver damage and cancer. Aflatoxins are commonly found in improperly stored staple commodities such as cassava, chili peppers, corn, cotton seed, millet, peanuts, rice, sesame seeds, sorghum, sunflower seeds, tree nuts, wheat, and a variety of spices.



### **Component 3: EPA Outreach and awareness raising to various stakeholders**

In line with the needs identified in the NEIP, the component aims to increase EPA awareness among private sector stakeholders and bring attention to EPA trade and investment opportunities. A combination of activities will be mobilised including EPA information events, training on EPA related aspects (e.g. rules of origin), studies, and visibility events in the capital and in provinces. The following activities are foreseen for knowledge and capacity development of business associations (Mozambican and EU), private sector, NSAs, and trade and investment promotion agencies:

#### General dissemination events

- General EPA dissemination events in the capital and in provinces, especially in provinces with main trade corridors and significant production
- Production of informative EPA communication and visibility material

#### Capacity building of business associations and trade promotion agencies

- Support business associations in marketing the EPA: Training of Trainers (ToT) for business associations' key staff on EPA specific aspects e.g. EPA rules of origin, procedures on how to export to the EU, how to deal with quality export requirement procedures
- Training business associations and trade promotion agencies on how to advocate the EPA to foreign missions, especially in preparation for missions to EU countries
- Training/information sessions to support business associations and private sector to understand technical requirements to export to the EU
- Support business associations to improve knowledge of EU market e.g. market intelligence studies, training and coaching on how to target the EU market
- Support business associations and trade promotion agencies to improve capabilities to identify reforms helping to seize the benefits of the EPA, and advocacy capacities to promote those with Government and donors

#### Studies on business environment dialogue and opportunities

- Studies on EPA business opportunities regarding specific sectors
- Studies on relevant business environment issues, with a view to contribute to informed public-private dialogue, prioritising issues relevant for sectors with trade potential

Specific targets shall be formulated to ensure that the activities include issues specifically related to gender and to youth employment and entrepreneurship, as those are less prominent in public-private dialogue and policies. For all training activities, a particular effort shall be made to ensure inclusion of women's business associations and young business associations, as well as SMEs associations. The activities' financial allocation shall specifically reserve a minimum financial allocation for supporting women's and youth business associations.

### **4.3 Intervention logic**

The action's intervention would support the effective implementation of EPA provisions, which would allow importers to Mozambique to benefit from a reduced import duty on a wide of products from the EU; and would allow exporters from Mozambique to be able to apply the EPA rules of origin to add value more easily on exports to the EU. In addition, effective implementation of EPA and WTO TFA provisions would improve the ease of trading across borders in Mozambique, assuming continued Government commitment to implement the relevant trade facilitation commitments.

The improved availability of QI services (including testing laboratory services and SME support) would provide the means for producers to improve the quality of their products. The hypothesis is that there is continued private sector demand for quality infrastructure services

and continued interest from producers to invest in improving the quality of their products to eventually meet EU market requirements.

The improved awareness of EPA business opportunities promoted by the action has the potential to contribute to increasing EU-Mozambique-SADC trade, to increase investment, growth and employment creation, assuming no major shock impacts the economy.

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

### **5.3 Implementation of the budget support component**

N/A

### **5.4 Implementation modalities for an action under project modality**

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation<sup>16</sup>.

#### ***5.4.1 Indirect management with an international organisation***

A part of this action may be implemented in indirect management with UNIDO. This implementation entails implementing all the activities related to component 2 on QI and implementing the activities for component 1 expected result 4 for creating conditions to build trade safeguard capacity. The entrusted entity would carry out the following budget-implementation tasks: procurement to provide technical assistance, advisory services, training and equipment. UNIDO's core mandate and thematic expertise is directly related to quality infrastructure. UNIDO aims to achieve inclusive and sustainable industrial development objectives, inter alia through the diverse contribution of the quality infrastructure system and the resulting international trade. Support to QI and industrial statistics is also part of UNIDO's proposed areas of intervention for its Country Programme 2016-2019. Moreover, UNIDO successfully implemented a Contribution Agreement to strengthen the main quality infrastructure bodies, under the 10<sup>th</sup> EDF *Competir Programme*. With the project's support, the capacity for several calibrations was developed and metrology function reached accreditation for mass, temperature, and volume. The number of accredited tests was increased and the number of standards in the country tripled as per final project evaluation. Moreover, EU visibility was adequately ensured. To implement activities of component 1 expected result 4, UNIDO will associate UNCTAD's expertise, through Inter-Agency Agreement (IAA) between UNIDO and UNCTAD, as the issues related to EPA and

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<sup>16</sup> [https://eeas.europa.eu/sites/eeas/files/restrictive\\_measures-2017-04-26-clean.pdf](https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf)

safeguards are directly linked to UNCTAD's mandate and UNCTAD has a record in implementation of similar projects in other countries.

#### **5.4.2 Indirect management with the Republic of Mozambique**

A part of this action with the objective of "improving Government coordination and implementation of the EPA and WTO TFA trade facilitation reforms" (Component 1, except Result 4) and "increasing awareness of EPA trade opportunities among various stakeholders" (Component 3) may be implemented in indirect management with the Republic of Mozambique according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement and grant procedures.

Payments are executed by the Commission.

The partner country shall apply the Commission's rules on procurement and grants. These rules will be laid down in the financing agreement concluded with the partner country.

### **5.5 Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

### **5.6 Indicative budget**

	<b>EU contribution (in EUR)</b>	<b>Indicative third party contribution (in EUR)</b>
5.4.2 Indirect management with the Republic of Mozambique: Component 1.1, 1.2, 1.3 and 3	4 300 000	0
5.4.1 Indirect management with UNIDO: Component 1.4 and 2	6 500 000	50 000
0 Evaluation, 5.10 Audit	200 000	0
0 Communication and visibility	300 000	0
Contingencies	700 000	0
<b>Total</b>	<b>12 000 000</b>	<b>50 000</b>

### **5.7 Organisational set-up and responsibilities**

A Steering Committee co-chaired by the National Authorising Officer, the Ministry of Industry and Trade and the EU Delegation, will assess the overall implementation of the programme and will approve the annual work plans, risk analysis and mitigation measures. Meetings will be organised yearly and when requested by one of the chairs. Representatives from the main stakeholders, including the Customs and Tax Authorities, the National Institute for Standardization and Quality, ministries, laboratories, business associations (Mozambican and EU), NSAs, trade & investment promotion agencies will be invited to attend the Steering Committee for the relevant matters of their responsibility.

A Technical Committee will be established in order to quarterly discuss implementation of technical issues: monitor programme implementation, decide how to manage challenges and share information. Other partners and donors could be invited to both groups as observers if considered necessary. The TA service provider will assist the organisation of both groups.

## **5.8 Performance monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the log frame. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **5.9 Evaluation**

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission. It will be carried out for accountability and learning purposes at various levels (including for policy revision) taking into account in particular the results of the action.

A mid-term evaluation could be carried out for problem solving and learning purposes.

The Commission shall inform the implementing partner at least 3 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded under a framework contract in 2023.

## **5.10 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded under a framework contract in the second half of the implementation period.

### **5.11 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations; indicatively one services contract for maximum duration of 24 months.

## APPENDIX - INDICATIVE LOGFRAME MATRIX<sup>17</sup>

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Improve trade and the business environment.	1. Real GDP growth rate 2. GDP per capita 3. Investment level in Mozambique 4. Volume of Agricultural production and productivity (including cashew production) 5. Mozambique's overall trade in goods volumes (imports/exports) 6. EU-Mozambique trade volumes (imports/exports)	1. Growth rate: 3.7% in 2017. 2. GDP/capita at PPP (current international \$): USD 1,217 in 2016. 3. Accumulated FDI inflows 2005-2016 (USD): 31 billion 4. TBC 5. 2017: Mozambique with world: EUR 5.2 billion imports, EUR 5 billion exports. 6. EU with MZ: EUR 1.7 billion imports, EUR 0.5 billion exports.	1. Increase per year 2. Increase per year 3. Increase per year 4. Annual growth of agriculture (and of cashew) production and productivity by 7%/year (Strategic Plan for Agriculture Development (PEDSA) 2011-2020) 5. Maintain and increase Mozambique-world trade 6. Maintain and increase EU-Mozambique trade	1. IMF 2. World Bank 3. Central Bank statistics / Government reports 4. Ministry of Agriculture reports/Central Bank statistics/ National Statistics Institute 5. Eurostat and Central Bank of Mozambique statistics 6. Eurostat and Central Bank of Mozambique statistics	

<sup>17</sup> Indicators aligned with the relevant programming document '\*' and indicators aligned to the EU Results Framework '\*\*'.

<p><b>Specific objective(s):</b> <b>Outcome(s)</b></p>	<p><b>Specific objective 1:</b> To improve Government coordination and implementation of the EPA and WTO TFA trade facilitation reforms</p> <p><b>Specific objective 2:</b> To increase sustainable market-driven Quality Infrastructure services to support the production of quality products</p> <p><b>Specific objective 3:</b> Promote EPA trade opportunities among investors</p>	<p>1.1 Capacity to trade across borders improved in Mozambique**</p> <p>1.2. Doing Business environment improved*+**</p> <p>2. 1 Number of quality schemes offered to economic operators**</p> <p>2.2 Number of quality certifications issued</p> <p>2.3 # of accreditation ready certification services available to priority value chains</p> <p>2.4 # of national standards and technical regulations developed following international best practice</p> <p>3. # of companies responding that they are aware of EPA trade opportunities</p>	<p>1.1 Logistics Performance Index (LPI) rank 84 of 160, LPI score 2.68 in 2016</p> <p>1.2. Distance to frontier (DTF) 53.03, Ease of doing business rank 137 of 190 countries, DTF trading across borders 67.25, in Doing Business 2017</p> <p>2.1-2.4. None</p> <p>3. No baseline</p>	<p>1.1 Improvement in the scores and rankings of LPI index</p> <p>1.2. Doing Business Indicators: Improvement in the Doing Business Index and in Distance to Frontier and specifically improving the component Distance to Frontier on trading across borders</p> <p>2.1-2.4. TBC</p> <p>3. Increased positive responses</p>	<p>1.1 Logistics Performance Index of the World Bank</p> <p>1.2. World Bank Doing Business Report</p> <p>2.1-2.4. Project reporting, INNOQ Annual report, surveys</p> <p>3. Project questionnaires/survey to private sector with range of questions on their level of awareness of EPA trade opportunities</p>	<p>Election processes of 2018 and 2019 lead to a stable and fully operational public administration</p> <p>Macroeconomic stability is improved</p> <p>No major shock impacts on the economy</p> <p>Government commitment to advance trade facilitation issues</p>
	<p><i>Component 1: Implementation of EPA and WTO TFA trade facilitation reforms</i></p> <p><b>Outputs for specific objective 1</b></p> <p>1. Reinforced Ministry of Industry and Trade capacity for coordinating, monitoring and implementing obligations and provisions arising from the EPA and WTO TFA</p> <p>2. Key Customs EPA commitments ready to be adopted and to be made publicly available</p> <p>3. Enhanced Government capacity to participate in trade policy decisions making at joint EU and SADC EPA states regional</p>	<p>1.1 Status of EPA Implementation Plan's measures undertaken (compulsory/ necessary/ ideal actions undertaken)</p> <p>1.2 TA provided for WTO TFA category C provisions: (i.e. supporting at least 7 of the 10 reform areas)</p> <p>1.3 # of government officials trained (of which #men/women) on EPA and WTO trade facilitation</p>	<p>1.1 Status of various actions are described in the EPA Implementation Plan (not quantitative)</p> <p>1.2. Targeted reform provisions not currently receiving TA or receiving TA for partial implementation</p> <p>1.3 No recent relevant training recorded</p>	<p>1.1 Targets in the EPA Implementation Plan on track</p> <p>1.2 Provisions: 1.3, 3.1, 6.1, 6.2, 7.8, 10.4, 10.5 implemented. E.g. EPA relevant information ready to be included in Trade Portal and Single Window; advance ruling procedures formulated; trade related fees and</p>	<p>1.1 Project reports, and EPA Implementation Plan follow-up reports</p> <p>1.2 Project reports and Mozambique reports on WTO TFA Implementation</p>	<p>Government and stakeholders' commitment.</p> <p>Sufficient Human Resource capacity available at the Government institutions</p>

	<p>meetings</p> <p>4. Enhanced government knowledge on the legal and institutional framework required to apply EPA trade defence/safeguards articles</p>	<p>measures to be implemented</p> <p>2. EPA customs measures ready to be implemented</p> <p>3. # of SADC EPA meetings for which Government officials benefited from TA support to prepare relevant topics/position papers</p> <p>4. # government officials trained on the legal and institutional structure, required statistics, inventory of safeguards and existing legal framework (of which #men/women)</p> <p>Status of an Action Plan with clear vision and sequencing of activities, on how trade safeguard capacity can be developed in Mozambique</p>	<p>2. No EPA customs measures in effective application yet in Mozambique</p> <p>3. No related TA support currently provided</p> <p>4. Non-existent national structures, procedures, capacity, no Action Plan exists for developing trade safeguard capacity</p>	<p>charges reviewed are EPA consistent and ready for publication; procedures for Expedited Shipments on postal services formulated.</p> <p>1.3 TBC in project inception</p> <p>2. Targets are defined in the EPA and its Implementation Plan e.g. EPA tariff reduction schedules ready to be put in application for imports and to be published in the Single Window, use of export taxes clarified, rules of origin ready to be implemented, procedures, fees and charges clarified.</p> <p>3. TBC</p> <p>4. TA and training for government officials, recommendations on legal and institutional structure and other requirements established and</p> <p>Action Plan for developing trade</p>	<p>1.3 Project reports</p> <p>2. Project reports and EPA Implementation Plan follow-up reports</p> <p>3. Project reports</p> <p>4. Project reports</p>	
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				safeguards capacity established (identifying various needs (e.g. statistics), steps, timeframe to be provided)		
	<p><i>Component 2: Improved market-driven Quality Infrastructure and services</i></p> <p><b>Outputs for specific objective 2</b></p> <p>5. Good governance and quality infrastructure services at the institutional level (INNOQ) upgraded to ensure international recognition</p> <p>6. Increased technical competences of the conformity assessment service providers (e.g. laboratories) and ensuring international recognition</p> <p>7. Increased availability and quality of Business Development Services</p>	<p>1..# of accreditation ready certification services available</p> <p>2. # of national standards and technical regulations developed following international best practice thanks to support from this Action</p> <p>3. Status of the Quality Policy</p> <p>4. Status of the training department</p> <p>5. Status of Business Strategy and Plan and Marketing Plan</p> <p>6. # People informed by this Action about on the quality services offered for the actors of the priority value chains</p> <p>7. # of accreditation ready metrology services available to priority value chains</p> <p>8. # of accreditation ready testing and inspection services available</p> <p>9. # of SMEs benefitting from coaching and mentoring support (of which: SMEs owned by male/female entrepreneurs)</p>	<p>1. 1 (ISO 9001)</p> <p>2. tbc at the inception phase</p> <p>3. Outdated Quality Policy</p> <p>4. Training Department not active</p> <p>5. Strategy and Plans in need of updating</p> <p>6. 0</p> <p>7. 3 (tbc)</p> <p>8. Testing: tbc at the inception phase, Inspection: 0</p> <p>9. 0 with the support of this action</p> <p>10. 0 with the support of this Action</p> <p>11. and 12. tbc at the inception phase</p> <p>13. tbc at the inception phase</p>	<p>1. +2 additional scopes (tbc)</p> <p>2. +5 (tbc)</p> <p>3. New Quality Policy together with Implementation Plan developed</p> <p>4. Training department operational</p> <p>5. New strategic documents developed</p> <p>6. 2 events per year with strong private sector presence (tbc)</p> <p>7. +4 new scopes or old ones extended (tbc)</p> <p>8. Testing: +6 new scopes or old ones extended, Inspection: 1</p> <p>9. tbc at the inception phase</p> <p>10. Target: tbc at the inception phase</p>	<p>Project reports,</p> <p>Report from quality infrastructure institutions local, regional and international</p> <p>Beneficiaries Annual Reports</p>	<p>INNOQ continues to be supported by the Government.</p> <p>INNOQ is committed and demand driven.</p> <p>Sufficient Human Resource capacity available at the beneficiary institutions</p> <p>Continued private sector demand for quality infrastructure services</p> <p>Interest from producers to invest in improving the quality of their products to meet EU export market requirements</p>

		<p>10. # of business development support service providers strengthened with the support of this action (of which: # male/female participants)</p> <p>11. # of institutional trainers/coaches (of which # male/female) empowered through this action for SME upgrading support</p> <p>12. # Companies using various QI services supported by this action, of which # in priority value chains/provinces geographic distribution (# of male/female owned SMEs)</p> <p>13. # of lab testing/calibration services internationally recognised with the support of this action</p>		<p>11. Minimum of 10 institutional trainers/coaches on the ground</p> <p>12. and 13. tbc at the inception phase</p>		
	<p><i>Component 3: EPA Outreach and awareness raising to various stakeholders</i></p> <p><b>Outputs for specific objective 3</b></p> <p>8. Improved EPA awareness within private sector, NSA, trade promotion agencies</p> <p>9. Enhanced capacity of business associations to promote EPA trade and business opportunities</p> <p>10. Enhanced capacity of non-state actors for EPA monitoring and reforms advocacy in view to seizing EPA opportunities</p>	<p>1. # of persons attending dissemination events (disaggregated by # attending events in provinces, events co-organised with/for women's business associations, youth business associations or SME associations)</p> <p>2. EPA communication material developed</p> <p>3. # business associations' key staff trained (male/female) / topic (topics: trade, business environment, EPA), of which from women's associations, youth</p>	<p>1. At least 6 EPA general dissemination events were organised in 2017 targeting private sector, of which two events took place in provinces and the rest in the capital. One event was co-organised with a young entrepreneurs' organisation.</p> <p>2. One Mozambique targeted EPA information pamphlet disseminated in English and</p>	<p>Targets for indicators 1-4 TBC in project implementation</p>	<p>1. Project reports</p> <p>2. Project reports</p> <p>3. Project reports</p> <p>4. Project reports</p>	<p>Continued interest from various stakeholders regarding trade with the EU</p>

		<p>associations or SME associations</p> <p>4. # studies (/topic (topics: trade, business environment, EPA)) undertaken on EPA business opportunities and on relevant business environment issues. Of which including consideration of gender issues, youth issues and SME issues</p>	<p>Portuguese in 2017</p> <p>3 .&amp; 4. 0 with the support of this action</p>			
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# EN

This action is funded by the European Union

## ANNEX 2

of the Commission Decision on the financing of the Annual Action Programme 2018 in favour of the Republic of Mozambique

### Action Document for "Biodiversity Actions for Mozambique under 11<sup>th</sup> EDF - PROMOVE Biodiversidade"

#### INFORMATION FOR POTENTIAL GRANT APPLICANTS

##### WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 110(2) of the Financial Regulation, applicable to the EDF by virtue of Article 37 of the Regulation (EU) 2015/323 in the following sections concerning grants awarded directly without a call for proposals: 5.4.2

<b>1. Title/basic act/ CRIS number</b>	Biodiversity Actions for Mozambique under 11 <sup>th</sup> EDF - <i>PROMOVE Biodiversidade</i> CRIS number: MZ/FED/040-054 financed under the 11 <sup>th</sup> European Development Fund			
<b>2. Zone benefiting from the action/ location</b>	Republic of Mozambique: national level; while components 2 and 3 will concentrate in the provinces of Zambézia and Nampula.			
<b>3. Programming document</b>	National Indicative Programme (NIP) for Mozambique 2014-2020			
<b>4. Sector of concentration/ thematic area</b>	Sector 2: Rural development	DEV. Aid: YES		
<b>5. Amounts concerned</b>	Total estimated cost: EUR 13 000 000 Total amount of EDF contribution EUR 13 000 000			
<b>6. Aid modality and implementation modalities</b>	Project Modality Direct management – grants directly awarded to Foundation for the Conservation of Biodiversity (BIOFUND) Indirect management with the Republic of Mozambique			
<b>7 a) DAC codes</b>	Main DAC code: 41000 – Environnement Sub-code 1: 41030 – Biodiversity			
<b>b) Main Delivery Channel</b>	International and /or developing country, based NGOs-21000 and or 23000: Recipient Government-12000			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	x	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	x
	Gender equality (including Women In Development)	x	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development	x	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	x	<input type="checkbox"/>	<input type="checkbox"/>

	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	<input type="checkbox"/>		x
	Combat desertification	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	x	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	x	
<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	EU Biodiversity for Life+ Initiative (EUBLI)			
<b>10. Sustainable Development Goals (SDGs)</b>	<p>Main Goal: 15, Life on Land: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.</p> <p>Secondary Goals: 1. End poverty in all its forms everywhere, 13. Take urgent action to combat climate change and its impacts and 14 Life below water.</p>			

## SUMMARY

The overall objective of the programme is to contribute to sustainable, inclusive and broad-based economic growth, to poverty and vulnerability (against climate change impacts) reduction through the sustainable use of natural resources. The specific objective is to protect biodiversity and contribute to improve the livelihoods of rural communities through sustainable management of natural resources in 3 target areas of Mozambique: *Ilhas Primeiras e Segundas* (APAIPS) and its adjacent coastal areas, the *Gile National Reserve* (GNR) and the *inselberg* of Mabu, in Nampula and Zambézia Provinces. These areas were selected for their biodiversity importance but also for their high/ population density i.e. where natural resources are suffering from important pressure from local communities. The ecosystems are namely coastal and marine, lowland, miombo forest and Afromontane forest.

The main components of the action are: (1) strengthening the governance framework of the institutions dealing with natural resources; (2) implementing initiatives and strategies for the sustainable management of natural resources and biodiversity conservation in and around target areas; (3) sustainably improving community livelihood living inside the biodiversity areas and in the buffer areas; and (4) enhancing and disseminating applied research and targeted participatory studies on natural resources management to influence planning and policies at local and national level.

It is proposed to implement the action through a direct management grant to the BIOFUND foundation for components 2, 3, 4, given its factual monopoly as a Mozambican foundation in the support to Conservation Areas (CAs) and biodiversity related activities, and entrust the line Ministry, through its National Sustainable Development Fund (FNDS) (indirect management) for component 1.

The programme was identified and formulated through an initial biodiversity study (2016) led by a team of researchers, interviews with public authorities and civil society stakeholders, and consultation seminars in the selected provinces (Zambézia and Nampula) and at national level. In 2017 extensive field work in all the geographical areas were followed by further public consultations.

# 1 CONTEXT

## 1.1 Sector/Country/Regional context/Thematic area

This Action uses the EU's biodiversity definition<sup>1</sup>, which emphasizes the link between biodiversity and resilient ecosystems to support livelihoods, enhance food and nutrition security, enable access to water and to health as well as the link to governance and security, and its significant contribution to climate change mitigation and adaptation. In this perspective, contributing to the preservation of biodiversity impacts positively on the fulfilment of social and economic rights of current and future generations, and more directly so to the benefit of rural, poor communities.

Mozambique is rich in biodiversity, with a total land area of about 786 000 km<sup>2</sup>, and about 13 000 km<sup>2</sup> of freshwater and wetland ecosystems, including a network of rivers, deltas, lakes, lagoons and marshes. Important and extensive marine ecosystems include sea grasses and coral reefs. In coastal areas, mangroves are the most important ecosystem, providing reproduction ground for fisheries resources, coastal protection, carbon sequestration and source of building materials and biomass energy for poor adjacent communities. The country has over 6 000 plant species and 4 200 species of animals. A high number (est. 250 plant species) of these species are endemic, being mountainous areas recognized as hotspots of biodiversity and endemism<sup>2</sup>.

After a study on regional disparities in the realm of rural development, it was agreed with the authorities to concentrate 11<sup>th</sup> EDF rural development related interventions in the provinces of Nampula and Zambézia. Zambézia province is among the most biologically diverse regions in the country, with ecosystems ranging from large Afromontane forests rich in species diversity and endemism (e.g. Namuli, Mabu, Chipirone), to the second largest mangrove forest of Mozambique<sup>3</sup>, to large areas of sub-humid miombo forests, coastal forests and diverse and abundant marine resources due to its location at the Sofala bank, the most productive area for fisheries. Freshwater ecosystems and estuaries (mainly the Zambeze, Licungo and Ligonha rivers) also cover large areas of the province. On the contrary, Nampula province is amongst the nation's poorest biodiverse regions, with ecosystems restricted to lowland miombo forests, mangroves, coastal forests, marine and freshwater ecosystems.

### 1.1.1 Public Policy Assessment and EU Policy Framework

There is a wide variety of legal instruments regulating activities related to biodiversity conservation in Mozambique, which reveals the Government of Mozambique's recognition of the importance of biodiversity and its impact on sustainable development.

The Constitution of the Republic of Mozambique (2004) states that all citizens have the **right of living in a balanced environment and have the obligation to protect it from degradation**. Accordingly, the State has adopted policies and laws to protect the environment and encourage sustainable use of natural resources. The most relevant for this EU action are: **Conservation of Biodiversity Law** (5/2017), **Environmental Policy** (Resolution No 5/95) and **Environmental Law** (Law No 20/97), **Forests and Wildlife Strategy and Development Policy** (Resolution No 10/97), **Forests and Wildlife Law** (Law No 10/99) and its **Regulation** (Decree No 12/2002), **Conservation Policy and Implementation Strategy** (Resolution No 63/2009), **Conservation Areas Law** (Law No 16/2004), **Fisheries Law** (Law 3/90), **Mining Law** (Law 20/2014) and its **regulations** (Decree 26/2004), **Regulation on Coastal and Marine Pollution** (Decree 45/2006) and **Regulation for Environmental Impact Assessment** (Decree no 54/2015 of 31 December).

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<sup>1</sup> Biodiversity is the variety of all living organisms, their habitats and their interactions (DEVCO).

<sup>2</sup> MITADER (2015). *Quinto Relatório Nacional sobre o Estado da Biodiversidade em Moçambique*. Maputo.

<sup>3</sup> After Sofala Province.

The Government defined management of natural resources as one of the five pillars for national development in its **Five-year Plan - PQG (2015–2019)**. At provincial level, the **Strategic Development Provincial Plans for Nampula (2010-2020) and Zambezia (2011-2020)** consider biodiversity conservation as an important pillar for provincial development.

Mozambique is party to the Convention on Biological Diversity (CBD) and to the Nagoya Protocol. In this context, Mozambique approved the National Biodiversity Strategy and Action Plan (NBSAP) for the period 2015–2035, whose vision is *"In 2035, the ecological, socio-economic and cultural value of biodiversity in Mozambique will contribute directly to improving the quality of life of Mozambicans, derived from its integrated management, conservation and fair and equitable utilization"*.

The revised Conservation on Biodiversity Law- foresees the involvement of communities in the conservation and management of biodiversity of natural resources. This provides an important entry point for women's involvement in communal decision making.

Recognizing the important linkages between gender, management of natural resources and climate change, in 2010 the Council of Ministers approved the *Gender, Environment and Climate Change Strategy and Action Plan*. The strategy's mission is to promote gender equality and equity and to improve participation of women and the poorest communities in the preservation of natural resources, environmental management and Climate Change, through their empowerment. This document is in line with the Country Gender's Strategy (under revision by the Ministry of Gender, Children and Social Action - MGCAS) much geared towards the empowerment and participation of women in rural settings. The 2015 Gender Country Profile endorsed by the MGCAS (produced with EU support) clearly showed how women represent the overwhelming majority of the rural agricultural workforce.

Globally, the **EU Agenda for Change**<sup>4</sup> recognizes inclusive and sustainable growth as crucial to long-term poverty reduction. It notes that development is not sustainable if it damages the environment, biodiversity and natural resources and increases vulnerability to natural disasters. The EU **Biodiversity Strategy to 2020**<sup>5</sup> reflects the EU's commitment to the protection and sustainable management of biodiversity through strengthened governance, restoring ecosystems and sustainable agriculture, forestry and fisheries as well as averting global biodiversity loss. The EU actively promotes sustainable forest management and biodiversity conservation through the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan and the Biodiversity for Life Flagship Initiative (B4Life). The recent **EU Strategic Approach to wildlife conservation in Africa** and the **EU Action Plan against wildlife trafficking** (2016) as well as the Larger than Elephants publication identify key landscapes for conservation and promotes active participation of the communities in the management of communal wildlife areas.

The proposed programme is an integral part of the 11<sup>th</sup> EDF National Indicative Programme (NIP) Rural development overall objective "to foster sustainable, inclusive and broad based growth and reduce poverty in the target areas of Mozambique and vulnerability against climate change impacts". The NIP clearly identifies environmental aspects as a "rural development major bottlenecks".

### *1.1.2 Stakeholder analysis*

The Ministry of Environment, Land and Rural Development (MITADER) is the key public institution in biodiversity conservation since it coordinates all environmental activity, through its national and provincial departments and district offices, via the District Services on

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<sup>4</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Increasing the impact of EU Development Policy: an Agenda for Change COM(2011)637 final of 13.10.2011.

<sup>5</sup> Communication from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions "Our life insurance, our natural capital: an EU biodiversity strategy to 2020" COM(2011) 244 final of 3.5.2011.

Planning and Infrastructures (SDPI) and is the focal point for all environmental conventions ratified by Mozambique. The National Administration of Conservation Areas (ANAC)<sup>6</sup> is a public body under the jurisdiction of MITADER and is endowed with legal personality, administrative autonomy and equity. ANAC's mandate is to generate a greater dynamism in the management of conservation areas (CAs), by promoting biodiversity conservation initiatives, the sustainable use of protected areas for poverty reduction, establishing partnerships for their development and monitoring conservation activities in CAs. More recently, MITADER also created the National Sustainable Development Fund (FNDS) in order to operationalize support to the Government programmes in the forest, environment and agriculture sectors.

The Foundation for Biodiversity Conservation (BIOFUND)<sup>7</sup> is a Mozambican private institution whose mission is to support the conservation and sustainable management of natural resources and aquatic and terrestrial biodiversity, including the consolidation of the national CAs system, through fund raising. Its Strategic Plan<sup>8</sup> establishes guidelines for its CAs financing<sup>9</sup>. BIOFUND is currently financed by KfW (German Government-owned Development Bank), AFD (French Development Agency), UNDP and the World Bank through an endowment fund and by *Sinking Funds*<sup>10</sup>. In the future BIOFUND also envisages working with funds from carbon credits and Biodiversity offsets. So far, BIOFUND has supported the Government of Mozambique by funding the management operational costs of 10 out of the 19 CAs in the country.

International non-governmental organisations (NGOs) (e.g. IUCN, WWF, WCS, IGF<sup>11</sup>, etc.) represent an important ally in mobilizing resources for biodiversity conservation in the country. All conservation areas where protection efforts are actively ongoing are actually co-managed, under different forms, by international NGOs and public authorities<sup>12</sup>. National NGOs (*Justiça Ambiental*, *AMA*, *Centro Terra Viva*, *Fundação Joaquim Chissano*, *Lupa*, among others) represent strong partners for good governance, advocacy, activity implementation and training, especially at local level. Some of these national CSOs are able to advocate and play a role in the national and local policy making process related to natural resources. The EU Programme PAANE II<sup>13</sup> foresees a dedicated envelope to support both their advocacy role as well as their work to make communities, right-holders, participate in the decision making process related to natural resources management. Local NGOs often establish strong partnerships with international NGOs as well as with the private sector to preserve natural resources and develop economic activities that can benefit the poorest communities.

Rural communities, quasi exclusively composed of subsistence farmers, fishermen and small-scale informal entrepreneurs living below the poverty line, hold customary rights over land and other resources and rely on these for subsistence and income generation. Therefore, rural communities surrounding high biodiversity spots are key players in the conservation of biological diversity. Conservation efforts focus on reconciling the economic needs of the

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<sup>6</sup> Created in 2011.

<sup>7</sup> Created in 2011. All the structure of BIOFUND is publicly audited and its board well identified, all information can be found in the Annex and here: <http://www.biofund.org.mz/sobre-nos/orgaos-sociais/>

<sup>8</sup> *Plano Estratégico do Biofund*. 2012.

<sup>9</sup> (i) in the first 5 years it should support the national parks and national reserves; (ii) provide funds fundamentally to support operational costs in CAs; (iii) should not fund costs and salaries to staff allocated to CAs, which must be covered by the State budget.

<sup>10</sup> Contribution by donors to the financial sustainability of CAs.

<sup>11</sup> International Union for Conservation of Nature, World Wildlife Fund, Wildlife Conservation Society, *Fondation Internationale pour la Gestion de la Faune*.

<sup>12</sup> For instance, the *Wildlife Conservation Society* (WCS) is co-managing the Niassa NR with ANAC; *Carr Foundation* is co-managing Gorongosa NP also with ANAC; IGF is the partner of ANAC in the management of GNR, WWF is an important partner of the Quirimbas NP; the consortium *WWF-CARE* is engaged in leveraging the Environmental Protection Areas of *Ilhas Primeiras e Segundas* (APAIPS) and *Peace Parks Foundation* (PPF) is supporting the management of Limpopo NP, Zinave NP and Maputo Special Reserve.

<sup>13</sup> *Programme d'appui aux acteurs non étatiques*.



poorest communities with the sustainable exploration of natural resources. According to the related legislation, consultative councils for the management of natural resources, comprising community leaders, should be set up, to facilitate the dialogue between the communities and local authorities. In practice, the functioning and management capacity of these councils vary among communities, although in the surroundings of CAs managed by NGOs, the latter usually support their functioning.

During the formulation phase, communities' needs and natural resource use patterns were further analysed by the team of researcher in the targeted areas, by sex, age, and disabilities, following a rights-based approach (RBA) methodology to identify the right holders, through a second round of consultations with international and local NGOs, traditional authorities, natural resource management committees, representatives of women and youth groups, associations, elderly, persons with disabilities, groups of economic interests (e.g. fishermen, peasants, woodcrafters, etc.).

Research and academic institutions are essential in the production and dissemination of knowledge on biodiversity and in higher education and training of human resources. Eduardo Mondlane university (Maputo), one of the most experienced training and research institution in the country has often been creating partnerships with other universities such as the Zambeze university, Pedagogical university (Zambézia province) and Luúrio university (Nampula province), and these universities have often partnered with international and national NGOs and research institutes to conduct research on the dynamics of natural resources and its sustainable use by communities.

### 1.1.3 Priority areas for support/problem analysis

In Nampula and Zambézia provinces, biodiversity features can be broadly grouped into three categories: 1) marine and coastal ecosystems, 2) terrestrial lowland forest ecosystems (predominantly miombo forests) and 3) Afromontane forest ecosystems in the *inselbergs*. These two provinces are amongst the most populated in the country. Therefore, dependency of poor rural and urban populations on natural resources for livelihood represents a major concern for biodiversity conservation.

The main biodiversity areas are the *Gile National Reserve (GNR)*, *Environmental Protection Areas of Primeiras e Segundas Islands (APAIPS)*, *Mount Namuli and Mount Mabu*. **GNR** covers an area of 4 396 km<sup>2</sup><sup>14</sup> in the districts of Pebane and Gile, in the northeast of Zambezia province. It represents one of the last remnants of intact miombo woodlands in the country and thus is a priority area for the conservation of terrestrial biodiversity, including important plant and animal species. **APAIPS** covers an area of approximately 10 409 km<sup>2</sup>, across Nampula and Zambézia Provinces. It comprises an archipelago of 10 islands, making up one of Africa's largest protected marine zone. The key reason for the establishment of this CA is the occurrence of an extensive coral reef complex rich in species diversity of both soft and hard corals. The APAIPS ensures the integrity of the linkage between different coastal and marine ecosystems and habitats, namely: mangrove forests in the system of estuaries, sea grasses, coral reefs, sand banks. The **Namuli Mountain** (2 419 m) in Gurué district, Zambézia province, is a bird and plant hotspot in terms of diversity and endemism, and an *Alliance for Zero Extinction (AZE)* site. There are many threats to biodiversity conservation in the Namuli area above 1 500 m, the major ones are agriculture cultivation inside the forest, widespread and frequent wildfires, logging, and the impacts of domestic livestock. At formulation stage, after consultations and more detailed visit of this area, it became apparent that the level of degradation and extension of population/activity in this site are such that this action, with the current resources, would not be able to have a significant impact in reverting biodiversity loss in the area. Lastly, **Mabu Mountain** (1 700 m) is a granitic *inselberg* located in Lugela district, Zambézia province. Bayliss et al. (2014) estimated that Mabu is covered by 7 880 ha

<sup>14</sup> 2 861 km<sup>2</sup> of core area and 1 535 km<sup>2</sup> of buffer zone.

of moist forests, but also woodland, agricultural land, rock and bare ground. The greatest threat to forest biodiversity on Mount Mabu is from the encroachment of "slash and burn" agriculture and bush meat hunting. Logging activities are increasing in the surrounding woodlands and neighbouring mountains.

These sites share similar challenges; hence the following were identified as **common priority areas for support**:

- (1) Governance framework of Institutions dealing with natural resources management:** National legislation needs to be compliant with international standards, such as CITES, and needs to be enforced on the ground to avoid further loss and degradation of biodiversity. For it to happen, local and national institutions need to be reinforced in their knowledge/awareness, capacities and equipment so that they can play a crucial role in the country's conservation policies, lead the sourcing and management of new partnerships, monitor existing activities of both partners and state entities in the Conservation Areas, contribute to the discussions of scientific evidence on natural resources management and can respond to international commitments (ex. CITES). National Institutions also need to be particularly reinforced to prepare them to appropriately deal with community conservation Areas that are not oriented for sport-hunting, as this will be the case of Mount Mabu.
- (2) Sustainable management and funding of Natural Resources and biodiversity conservation in and around target areas:** Legislation protecting biodiversity is often little known by local authorities and even less by communities. The involvement of communities to natural resource management, although foreseen by law, is seldom taking place and effective. Local enforcers, especially rangers, are direly understaffed and poorly equipped to be able to patrol vast areas. GNR and APAIPS have been co-managed for more than 5 years with the support of partners (the NGO IGF for GNR and WWF-CARE for APAIPS), while the local NGO *Justiça Ambiental* has been working in Mabu to establish a community management model. GNR and APAIPS have approved management plans (although in APAIPS authorities are still in the process of setting up a formal management structure) but, just as in Mount Mabu, ongoing initiatives need further support to achieve conservation and community development objectives. The funding base in all Conservation Areas is however weak, with donor funding providing between 80-90% of resources expended.
- (3) Sustainable community livelihoods inside the biodiversity areas and in the buffer areas:** Communities have currently weak user rights over natural resources, due to lack of information, poor alphabetization, and poor functioning of consultative community structures. According to the identification study, community members (especially women, a disparity existing in relation to their degree of knowledge and access to income generating activities, and young generations) need to be informed and empowered on sustainable management of natural resources, to be active actors of environmental sustainability, explore potential alternative economic activities and connect communities with private sector and public authorities. Currently communities don't always understand the gains from preserving the resources and tend to deplete them (deforestation for staple crops, uncontrolled wood collection, excessive poaching of wildlife and overfishing) to cope with their immediate food and economic security needs.
- 4) Applied research and targeted participatory studies on natural resources management, and its dissemination, to influence planning and policies at local and national level:** Applied research, innovative approaches and targeted participatory studies are key elements to inform the stakeholders on the status of biodiversity and opportunities to preserve and manage resources. Overall there is a need for more research and science-based information to properly influence the management plans of hotspots of biodiversity or CAs, to monitor the biodiversity status as well as to respond to community needs for alternative livelihoods. Network and information sharing between different universities, state institutions, NGOs and research centres are also highly needed to optimize the limited resources and synergize experiences.

## 2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
1) Political instability	Medium	Coordinate actions with government institutions, if localized, possibility to shift activities among the 3 targeted areas.
2) Financial crises and scarce financial resources allocated by the Government to support biodiversity conservation and its sustainable use	Medium-High	Leverage effect increases support by development partners, private sectors and by the different co-management models existent in the country.
3) Climate related natural disasters with impact on natural resources and income for communities	High	Climate change adaptation plans for local communities (prepared under GCCA and GCCA+ actions), including diversification of sources of income. Contingency plans prepared with communities.
4) High and increasing poaching from local and international organized crime syndicates	High	Strengthening of coordination among stakeholders (including the private sector) in the combat to poaching and trafficking of natural resources, increased advocacy for the mobilization of public authorities to fight the phenomenon. The programme foresees to support with capacity building and equipment staff on the ground combating poaching.
5) High level of corruption and capacity constraints of CAs managed by co-management in the natural resource management sector	Medium	Policy dialogue and awareness raising campaigns targeting government officials and members of parliament. Work with other donors on supporting the judiciary system. Synergies with the EU-Mozambique anti-corruption programme.
6) Limited knowledge and capacity of local communities and their institutions to manage natural resources and for entrepreneurship	Medium	Support to community (to lessen dependency on public financial resources) and advocacy for better private sector development as well as more science-based, informed policy dialogue with public authorities.
7) Discrimination and increased marginalization of poor and vulnerable groups at the community level	Low	Improve communities' organizational and management skills as well as negotiation skills for establishment of partnerships. Actively involve a wide representation of local communities in the implementation of the Action, including for the identification of economic opportunities; use of RBA by implementers of the Action.
<b>Assumptions</b> <ul style="list-style-type: none"> <li>Continuing political commitment to sustainable natural resource management and protection of biodiversity.</li> <li>Access to the proposed areas remains unaffected by the political situation.</li> <li>Experienced implementation actors are identified for each selected site.</li> <li>Private sector willingness to engage in partnerships with local communities and vice versa.</li> <li>Existing biodiversity conservation actions in the selected sites.</li> <li>Communities have own institutions (associations, committees, etc.) and are engaged in biodiversity conservation programme.</li> </ul>		

### 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES (max. 1½ pages)

#### 3.1 Lessons learnt

In the past years, Mozambique has benefitted from significant support for biodiversity from different donors such as USAID, UNDP, World Bank, AFD and GIZ (*Gesellschaft für Internationale Zusammenarbeit*). The identification study analysed some of the lessons learnt from these different programmes<sup>15</sup>. Main observations can be summed up as follows:

- 1) **Community engagement and tangible benefits to the communities** are essential for biodiversity conservation. CAs have high costs for local communities due to restrictions in the use of natural resources for subsistence and, in some cases, due to human-wildlife conflicts. Therefore, the provision of benefits to local communities in the form of revenue sharing or the transfer of technology to improve productivity in the main income generating activities<sup>16</sup> creates positive attitude and community support to conservation.
- 2) **Integrated landscape management** is key to address economic, social and ecological challenges inside and in the surroundings of conservation areas. Threats to biodiversity within CAs generally come from the surrounding landscape. Therefore, a holistic and flexible approach to community development, which addresses the linkages and relationships between land uses and stakeholders (including local governments, communities, private sector, small-scale land holders, and large-scale private land owners), should be considered.
- 3) **Strong partnerships** among the government, NGOs, private sector and communities are an important and efficient management model for CAs, strengthening their financial and technical capacities.
- 4) **Alternative revenue options** such as biodiversity offsets, payment for ecosystem services (PES), trust fund revenues and initiatives for the Reduction of Emissions from Deforestation and Forest Degradation (REDD+) should be explored. Previous conservation projects have given strong emphasis on the development of ecotourism as the sole source of revenue for sustainable financing of CAs management actions and community development. However, due to remoteness, difficult access and inadequate facilities for ecotourism in selected areas, the revenue generated has been insignificant.
- 5) **Deficient implementation of gender approaches** has exacerbated cultural practices of excluding women from decision-making processes in natural resource management. High levels of illiteracy have often led to exclusion of women from skill development opportunities, which contributed to the prevalence of gender imbalances in the access to natural resources.

#### 3.2 Complementarity, synergy and donor coordination

The action is designed to "fill the gaps" and optimise complementarities with on-going actions, especially with the programmes supported by the World Bank (MozBio project in the GNR, Landscape programme and Forest Investment Program (FIP) programme), with the IGF project and the EU-funded project in the GNR (ending in December 2019), WWF-CARE alliance at APAIPS, and Justiça Ambiental, Alliance Earth/BOM in Mount Mabu.

Potential synergies are also foreseen between this action and other prospective EU 11<sup>th</sup> EDF rural development and civil society programmes (PAANE II), as well as with the future support to Climate Resilience from the Global Climate Change Alliance + (GCCA+), targeting the same provinces (but not necessarily the same districts).

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<sup>15</sup> Transfrontier Conservation Areas (TFCA, 1996-2014); United States Agency for International Development USAID Programme (2008 – 2014); French Development Agency (AFD) support to Limpopo, four main projects by the World Bank and GiZ and more recently the mid-term review of MozBio.

<sup>16</sup> For instance agriculture, fisheries and forestry.

At regional level, synergies will be established with i) the EU funded intra-ACP programme BIOPAMA<sup>17</sup> implemented by IUCN in Southern Africa; ii) the "Regional Wildlife Conservation Programme in Eastern, Southern and Horn of Africa"<sup>18</sup> aiming to strengthen Transfrontier Conservation Area (TFCA) management and to improve law enforcement on wildlife crime; iii) the Minimising the Illegal Killing of Elephants and other Endangered Species (MIKES), in particular its data components and sources such as population surveys, law enforcement monitoring from ground patrol activities, site-level information, secondary data sources and intelligence information, etc.

In order to facilitate coordination, an informal group on biodiversity, chaired by the EU, gathers donors regularly. A conservation group is regularly called by and presided by ANAC, composed of civil society organisations (CSOs), donors and authorities active in the sector.

### 3.3 Cross-cutting issues

Both men and women, adult and young as well as people with disabilities play important roles in the sustainable use of biological resources. However, women tend to be excluded from biodiversity related income-generating activities (in particular bush meat or commercial charcoal) and decision making. Therefore, the action will promote **gender equality, by empowering and favouring the engagement of women and vulnerable groups in all activities without any discrimination**, following the **rights-based approach**. Awareness campaigns will be also conducted in local languages and by oral means to ensure that the message reaches all segments of the population, including the illiterate. The action intends to empower these community groups to actively participate in collective decision-making, building upon existing initiatives such as the WWF-CARE Alliance action that has over the years increased women and youth participation in natural resources management.

By its nature, the action will have a significant positive **environmental** impact by contributing to the protection, restoration, sustainable use of natural resources and thereby reduction of biodiversity loss (Rio marker for biodiversity). **Sustainable management of natural resources is both a mitigation and adaptation strategy to Climate change**. Through the prevention of uncontrolled fires and prevention of deforestation, the Action will contribute to the Rio marker on climate change mitigation and through diversification of livelihoods derived from sustainable natural resource management and promotion of ecosystem-based adaptation (e.g. mangrove restoration to increase resilience of fisheries and for coastal protection), the action will contribute to the Rio markers on climate change adaptation.

## 4 DESCRIPTION OF THE ACTION

### 4.1 Objectives/results and options

The overall objective of this programme is to contribute to sustainable, inclusive and broad-based economic growth, to poverty and vulnerability (against climate change impacts) reduction through the sustainable use of natural resources.

The specific objective is to **protect biodiversity and contribute to improve the livelihoods of rural communities through sustainable management of natural resources in target areas of Mozambique**.

The target areas are the *Área de Protecção Ambiental do Arquipélago das Ilhas Primeiras e Segundas* (APAIPS) and its adjacent coastal areas, the *Gile National Reserve* (GNR) and its buffer zone, and in the *inselberg* of Mabu, in Nampula and Zambézia Provinces.

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<sup>17</sup> Biodiversity and Protected Areas Management.

<sup>18</sup> (EA-SA-IO 11<sup>th</sup> EDF regional envelope).

The target groups are the rural communities living in the target areas of the programme, and relevant local and national authorities. The final beneficiaries of the action will be the population of the targeted rural communities in Zambézia and Nampula. The action intends to address the priority areas for support (identified in 1.1.3) to achieve the following results:

**Result Component 1: Governance framework of the institutions dealing with natural resources management is strengthened**

- R1.1. Compliance with and application of the international normative and regulatory framework on environment and natural resources is enhanced. This includes the strengthening of institutional capacity to make science-based decisions for the sustainable international trade of wildlife and flora products and enhanced coordination among actors;
- R1.2. Relevant institutions and other stakeholders at province and district levels are strengthened for the sustainable management of natural resources. These include the district services of planning and infrastructure, district services of economic activities, institutions of the judiciary system;
- R1.3. Formalisation of co-management models of conservation areas is enhanced and consolidated at national level and in particular in the target protected areas.

**Result Component 2: Initiatives and strategies for the sustainable management of natural resources and biodiversity conservation in and around target areas are implemented**

- R2.1: Management structures, plans and basic infrastructures are in place and functioning in the target areas, including biodiversity management;
- R2.2: Ecosystem services are identified, provided and sustainably managed in the target areas, with the active participatory involvement of communities;
- R2.3. Sustainable financing mechanisms are developed or strengthened and providing long-term support in target areas.

**Result Component 3: Sustainable livelihoods of communities living inside the biodiversity areas or in the buffer zones are improved**

- R3.1: Communities are informed and empowered for a fair and effective participation in the sustainable management of natural resources;
- R3.2: Sustainable and diversified natural resource-based livelihoods and production technologies are developed in collaboration with communities (with particular attention to women and more vulnerable groups), public authorities and where possible private sector.

**Result Component 4: Applied research and targeted participatory studies on natural resources management to influence planning and policies at local and national level are enhanced and disseminated**

- R4.1: Applied research is conducted and results are widely disseminated, targeting different audiences, including informing planning and policy making, and through reinforced networks and information-sharing channels;
- R4.2: Country's capacities to track and monitor the international targets and indicators related to biodiversity, natural resources and environment are enhanced.

## **4.2 Main activities**

**Result Component 1: main activities include:**

- R1.1: Develop scientific capacity of ANAC to plan and coordinate research and disseminate research results that support decisions making for biodiversity conservation; Support the CITES<sup>19</sup> unit of ANAC for evidence-based decisions regarding sustainable international trade of wild flora and fauna species and compliance with other obligations linked to the Convention;

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<sup>19</sup> Convention on International Trade in Endangered Species of Wild Fauna and Flora.

- R1.2: Capacity building packages on natural resource management to different stakeholders at local level<sup>20</sup> and institutions of the judiciary system; Support the engagement of trained local government<sup>21</sup> staff in environmental awareness campaigns and in activities of dissemination of sustainable production technologies implemented by service providers such as NGOs; Provide assistance to initiatives of dissemination of environmental legislation;
- R1.3: Support the creation and consolidation of a CAs co-management unit at ANAC; Support policy dialogue on co-management models for CAs; Assist ANAC in the monitoring of activities for the CAs of the programme; Support the development of guidelines and technical orientation documents on Community Conservation Areas in Mozambique, including clarifying the role of the different actors (state and non-state), model management plans and financial models for this category of Protected Areas (PAs).

**Result Component 2:** main activities include:

- R2.1: Support to the establishment of the management system, law enforcement, patrolling and operational infrastructures (housing, offices, etc.) in the three geographical areas; Support the process of establishment of community CAs in Mount Mabu;
- R2.2: Support the protection of key ecosystem services, such as springs, watershed and mangrove forests; Strengthen existing community-based organisations and CAs for environmental awareness campaigns to communities and law enforcement, with engagement of women and vulnerable groups;
- R2.3 Exploration of potential sustainable financing options based on payments for different ecosystem services<sup>22</sup> and environmental protection, reinforcement of existing sustainable financing mechanisms, such as advocacy to increase government funding, increasing the management capacity and augmenting the capital stock of the national trust fund and optimising tourism revenue generation

**Result Component 3:** Main activities include:

- R3.1: Support to establishment and operationalisation of the Natural Resource Community Management Committees; Empower community-based organisations for active participation in the co-management of the Gile Nacional Reserve, Mount Mabu and APAIPS by providing training on relevant issues and supporting their attendance to relevant meetings;
- R3.2: Development and support to community-based, nature-based economic activities (value chains of non-timber products<sup>23</sup> and marine environments) to provide employment and economic benefits; Support diversification of livelihood sources and strengthen women's associations for specific livelihoods activities and income savings; Encourage voluntary relocation to less sensitive environmental areas through the provision of new economic opportunities in target areas; Disseminate sustainable and improved technology for the most important livelihood activities, including activities for the elderly, persons with disabilities and children-headed households.

**Result Component 4:** main activities include:

- R4.1: Support to public institutes, civil society and research institutes/universities for research on concrete support to the sustainable use of biodiversity for the improvement of life standards of local communities in the selected areas as well as research informing CAs and natural resource management decisions; Support to dissemination of key findings at all levels from local communities, to central and local authorities and public, including through meetings, set-up of networks and other permanent forums of wide participation

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<sup>20</sup> Including SDAE and SPDI.

<sup>21</sup> SDAE and SPDI.

<sup>22</sup> For example Carbon and biodiversity offsets.

<sup>23</sup> This will include honey, natural based cosmetics such as the example already existing in Mabu with BOM (Bio-Oleos de Miombo), eco-tourism activities and others.

(e.g. seminars, donors conservation group, ministerial meetings and seminars, liaison with ANAC, etc.);

- R4.2: Support to public institutes, civil society and research institutes/universities to provide baseline information, set-up/consolidate and use databases on trends on natural resources management, land use planning, provision of ecosystems services, according to international standards.

#### **4.1 Intervention Logic**

Deficient law enforcement, weak coordination among the stakeholders, low capacity of the main Conservation Institution (ANAC<sup>24</sup>) and of district government institutions and limited engagement of local communities are bottlenecks for a conducive legal, policy and institutional framework for biodiversity conservation.

The action will contribute to addressing these challenges through its activities (coordination with government institutions and engagement of local communities, improved dissemination of legislation and law enforcement on the ground, strengthened co-management mechanisms and creation of scientific capacity within ANAC for the coordination of research and for evidence-based decisions). The support to district government institutions will contribute to the implementation of government priorities outlined in district economic and social plan (PESOD). This component will be complemented by other larger programmes<sup>25</sup>.

Improved governance, policy dialogue, and better engagement of local communities in biodiversity management will be effective if concrete conservation actions are implemented in the field. Yet, all the biodiversity areas considered for support are underfunded, with most lacking the minimum financial and human resources to implement their management plans. For this reason, the action intends to strengthen community's institutions engaged in natural resources management and to further support conservation actions already in course in all selected sites, by improving operational infrastructures where needed and ecosystems management and their services, and by supporting the implementation of management plans, restoring degraded ecosystems and promoting awareness raising for communities. Promoting links between academic and research institutions, CAs management, communities and decision-makers can lead to experimental innovative approaches and enhanced compliance of the Country with international biodiversity-related commitments.

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is **72 months** from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

### **5.3 Implementation of the budget support component**

N/A

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<sup>24</sup> National Administration for Conservation Areas.

<sup>25</sup> MOZBIO and MOZFIP programs funded by the World Bank.



## 5.4 Implementation modalities

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation<sup>26</sup>.

### 5.4.1 *Grant: direct award to the Foundation for the Conservation of Biodiversity – BIOFUND (direct management)*

#### (a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The grant will have the following objectives, with their related expected results:

- (R2): Support the implementation of initiatives and strategy strategies for the sustainable management of natural resources and biodiversity conservation in and around target areas;
- (R3): Improve sustainable livelihoods of communities living inside the biodiversity areas or in the buffer zones;
- (R4): Enhance and disseminate applied research and targeted participatory studies on natural resources management to influence planning and policies at local and national level.

To achieve these objectives, BIOFUND will, through its system of calls for proposals for CAs and buffer zones, help reinforce the capacities of CAs' administrations and other relevant actors, including communities, provide links between the target areas, public institutions, civil society and academia that can contribute with research and/or studies for the target area, ensure complementarity with other programmes. BIOFUND will provide proper monitoring tools for the 3 results and ensure appropriate communication and visibility.

#### (b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to BIOFUND.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because the beneficiary is in a legal or factual monopoly situation (Art. 190(1)(c) RAP). BIOFUND is the only Mozambican foundation (that is, the only entity in Mozambique with important autonomous financial resources, generated through the permanent endowment funds) to, at the same time, manage and redistribute funds in the biodiversity sector, engage in educational and advocacy activities, and being recognized as an influential interlocutor by MITADER and other relevant public authorities. The unique, in the Mozambican landscape, ability of BIOFUND to self-generate important financial resources is an essential assets for the sustainability of the action, especially considering the limited possibility from the public budget to fund the sector. BIOFUND grant's main purpose will be to financially support third parties in order to help achieving the objectives of the action (no thresholds apply), and will be tasked with selecting, informing, monitoring and accompanying the sub-grantees.

#### (c) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

#### (d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 100 %.

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<sup>26</sup> [https://eeas.europa.eu/sites/eeas/files/restrictive\\_measures-2017-04-26-clean.pdf](https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf)

If full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to conclude the grant agreement

First trimester of 2019.

*5.4.2 Indirect management with the partner country*

A part of this action with the objective of (R1) strengthening the governance framework of the Institutions dealing with natural resources management may be implemented in indirect management with the Republic of Mozambique according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts above EUR 100 000 (or lower, based on a risk assessment) and may apply ex post control for procurement contracts up to that threshold. The Commission will control ex ante the grant procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the partner country for ordinary operating costs, direct labour and contracts below EUR 300 000 for procurement and grants.

The financial contribution covers, for an amount of EUR 20 000 the ordinary operating costs incurred under the programme estimates.

Where managing the imprest component of the programme estimate, the partner country shall apply the positively assessed procurement and grant rules of its own implementing body. These rules will be laid down in the financing agreement concluded with the partner country. In case the outcome of the assessment is negative, the partner country shall apply the Commission's procurement and grant rules.

**5.5 Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

In accordance with Article 22(1)(a) of Annex IV to the ACP-EU Partnership Agreement, the Commission decides that natural and legal persons from the following countries having traditional economic, trade or geographical links with neighbouring partner countries shall be eligible for participating in procurement and grant award procedures: South Africa, Brazil. The supplies originating there shall also be eligible.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

## 5.6 Indicative budget

	<b>EU contribution (in EUR)</b>
<b>5.1.1 Grant: direct award to the Foundation for the Conservation of Biodiversity –BIOFUND (direct management)</b>	<b>10 200 000</b>
<i>Result Component 2: Initiatives and strategies for the sustainable management of natural resources and biodiversity conservation in and around target areas are implemented (indicative amount)</i>	6 000 000
<i>Result Component 3: Sustainable livelihoods of communities living inside the biodiversity areas or in the buffer zones are improved (indicative amount)</i>	3 500 000
<i>Result Component 4: Applied research and targeted participatory studies on natural resources management to influence planning and policies at local and national level are enhanced and disseminated. (indicative amount)</i>	700 000
<b>5.1.2. Indirect management with the partner country</b>	<b>2 200 000</b>
<i>Result Component 1: Governance framework of the Institutions dealing with natural resources management is strengthened</i>	2 200 000
<b>5.9 - Evaluation and 5.10 - Audits</b>	<b>200 000</b>
<b>5.11 - Communication and visibility (incl. media coverage)</b>	<b>150 000</b>
<b>Contingencies</b>	<b>250 000</b>
<b>Total</b>	<b>13 000 000</b>

## 5.7 Organisational set-up and responsibilities

A National Steering Committee (NSC) shall be set up to supervise, provide strategic guidance and ensure conformity with Government policy. The NSC will be composed with high representatives from the Ministry of Land, Environment and Rural development (MITADER), from the National Sustainable Development Fund (FNDS), National Administration of Conservation Areas (ANAC), the Foundation for Biodiversity (BIOFUND), representatives from the Provincial Government, and other implementing partners, as well as, the National Authorising Officer (NAO) and the EU Delegation. Other stakeholders might be invited in order to improve coordination of the interventions.

At operational level, a Programme Technical Committee will be formed to supervise project activities, ensure coordination and establish dialogue with the stakeholders. It will comprise a representative of the National Administration of the Conservation Areas both at central and provincial level (Administrators of the Conservation Areas) or relevant Provincial authorities, representatives from BIOFUND and implementing partners.

At provincial level there will be technical Committees to integrate all relevant structures at provincial level, research institutions, supported civil society including community-based organisations from target communities and possibly main donors in the sector with activities in the same geographical area (or any other partner involved in the action) to enhance coordination and to provide recommendations to the Programme Technical Committee. The representation and participation of local communities at the technical committees will allow them to claim for transparency in decision-making, equality, non-discrimination against the poor and against people with disabilities and to ensure that the implementation of the action does not infringe upon economic, social, cultural and other rights of the community.

BIOFUND and FNDS/ANAC, as the first implementers of the action, will hold regular working meetings with the EU Delegation and the NAO to report on implementation progress, and discuss future planning of activities, including visibility actions.

### **5.8 Performance monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

### **5.9 Evaluation**

Having regard to the importance of the action, a mid-term and a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for problem solving, learning purposes, in particular with respect to implementation capacity of the local administrations as well as CSOs to implement the action.

The final evaluation will be carried out for accountability and learning purposes at various levels including for policy revision, taking into account in particular a possible continued EU engagement in the sector.

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded in 2022 and 2025.

### **5.10 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, two contracts for audit services shall be concluded in 2020 (after the first complete year of implementation) and in 2025.

### **5.11 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Most of the visibility and communication initiatives will be implemented by implementing actors through the budget available in their respective contracts. Some other communication activities, in particular events organization and management of social media will either be directly contracted by the EU or by BIOFUND, according to the joint BIOFUND-EU-NAO-MITADER/FNDS visibility and communication plan established at the beginning of the programme in line with the Communication and Visibility Manual for European Union External Action. This will include one service contract for 68 months.

## **6 PRE-CONDITIONS**

N/A

## APPENDIX - INDICATIVE LOGFRAME MATRIX<sup>27</sup>

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
<b>Overall objective: Impact</b>	To contribute to sustainable, inclusive and broad-based economic growth, to poverty and vulnerability (against climate change) reduction through correct use of Natural Resources.	<ul style="list-style-type: none"> <li>Real GDP growth rate** PQG; END; SDG</li> <li>Proportion of population (disaggregate by sex and age) living below \$1.25 (PPP) per day** ESAN; SDG</li> </ul>	<ul style="list-style-type: none"> <li>7.5% (2017, forecast)</li> <li>National: 46.1% Nampula: 57.1% Zambézia: 56.5% (2015)</li> </ul>	No government-defined targets available	<b>Sources:</b> <ul style="list-style-type: none"> <li>Baseline, Endline.</li> <li>Country statistics (INE, IOF);</li> <li>Country Reports (SDGs; Economic progress reports);</li> </ul>	<ul style="list-style-type: none"> <li>Political and macro-economic stability maintained</li> <li>Country's development policies and strategies continue consider poverty reduction, rural development, environment, natural resources and biodiversity as national priorities</li> </ul>
<b>Specific objective(s): Outcomes</b>	To protect biodiversity and contribute to improve the livelihoods of rural communities through sustainable management of natural resources in target areas of Mozambique.	<ul style="list-style-type: none"> <li>Number of hectares of protected areas managed, with EU support**</li> <li>Progress towards national targets established in accordance with the Aichi Biodiversity Targets of the strategic Plan for Biodiversity 2011-2020 SDG and to the Gender, Environment and Climate Change Action Plan</li> <li>Official development assistance and public expenditure on conservation and sustainable use of biodiversity and ecosystems SDG</li> <li>Change in annual average income of family farmers, when compared to control groups NIP; PNDRS; SDG</li> </ul>	Baseline assessment at inception	To be defined together with the government counterparts	<b>Sources:</b> <ul style="list-style-type: none"> <li>Baseline, Endline</li> <li>Project M&amp;E data/reports;</li> <li>Country statistics and sectoral policy/program progress reports</li> <li>TAF Energy Country Fiche</li> </ul> <b>Means:</b> <ul style="list-style-type: none"> <li>Quantitative/ qualitative data analysis; Surveys.</li> </ul>	<ul style="list-style-type: none"> <li>Government remains committed with the protection and conservation of national ecosystems and biodiversity</li> <li>Existence of synergies and complementarities among different stakeholders (Government, development partners, private sector, civil society) within the environmental sector</li> <li>Stable security conditions (armed conflict) in the geographical targeted areas</li> <li>Absence of external shocks (economic, exchange rate volatility, natural disasters) affecting local economies in the geographical targeted areas</li> </ul>

<sup>27</sup> Indicators aligned with the relevant programming document '\*' and indicators aligned to the EU Results Framework '\*\*'.

Outputs	COMPONENT 1 – Governance framework of the institutions dealing with natural resources management is strengthened					
	<b>R1.1 - Compliance with the international normative and regulatory framework on environment and natural resources is enhanced</b>					
	<b>R1.2 - Relevant institutions and other stakeholders at province and district levels are strengthened for the sustainable management of natural resources</b>	<p>Number tailor-made capacity building packages carried out, both at central and decentralized levels and targeting public institutions and other relevant stakeholders</p> <p>Number of people (disaggregated by sex and social status) benefiting from the tailor-made capacity building packages provided</p>	<p>• 0</p> <p>• 0</p>	<p>• At least 10, both at central and provincial levels</p> <p>• At least 300 (&gt;50% women, elderly, persons with disabilities, youth).</p>	<p><b>Sources:</b></p> <ul style="list-style-type: none"> <li>• Baseline, Endline</li> <li>• Project M&amp;E data/reports;</li> <li>• Provincial data and statistics</li> <li>• Presence lists, minutes of meetings; Reports</li> </ul> <p><b>Means:</b></p> <p>Quantitative/qualitative data analysis; Surveys; Documental analysis; Quality assessments</p>	<ul style="list-style-type: none"> <li>• Government partners, stakeholders and local communities take active part and ownership of project's activities.</li> <li>• Sound and effective project M&amp;E system in place</li> </ul>
	<b>R1.3 - Formalisation of co-management models of conservation areas is enhanced and consolidated at national level, and in particular in the target protected areas</b>	<ul style="list-style-type: none"> <li>• Number of co-management plans defined and/or reviewed in the targeted protected areas</li> <li>• Number of coordination sessions/meetings regularly convened per year</li> <li>• Level of financial sustainability in the targeted protected/conservation areas.</li> <li>• Biodiversity finance needs and gaps assessment conducted and resource mobilization strategy defined, in compliance with the BIOFIN methodological framework</li> </ul>	<p>• 0</p> <p>• 0</p> <p>• 5%</p> <p>• 0</p>	<p>• 1 GNR and 1 APAIPS</p> <p>• At least 2/year in both GNR and APAIPS</p> <p>• At least 80%</p> <p>• Assessment conducted by the end of year 2 and resource mobilization strategy defined by the end of the action</p>	<p><b>Sources:</b></p> <ul style="list-style-type: none"> <li>• Baseline, Endline</li> <li>• Project M&amp;E data/reports;</li> <li>• Provincial data and statistics</li> <li>• Presence lists, minutes; Reports</li> </ul> <p><b>Means:</b></p> <p>Quantitative/qualitative data analysis; Surveys; Questionnaires; Documental analysis; Quality assessments</p>	<ul style="list-style-type: none"> <li>• Strong mobilization and sensitization of target groups and beneficiaries before project start and during inception phase</li> <li>• Local population and target groups willing to change behaviours, and to adopt and retain new knowledges, attitudes and practices regarding the sustainable management of natural resources</li> </ul>



# EN

This action is funded by the European Union

## ANNEX 3

of the Commission Decision on the financing of the Annual Action Programme 2018 in favour of the Republic of Mozambique

### **Action Document for "Improving rural competitiveness in Nampula and Zambézia provinces, Mozambique- PROMOVE Agribiz"**

#### **INFORMATION FOR POTENTIAL GRANT APPLICANTS**

##### **WORK PROGRAMME FOR GRANTS**

This document constitutes the work programme for grants in the sense of Article 110(2) of the Financial Regulation, applicable to the EDF by virtue of Article 37 of the Regulation (EU) 2015/323 in the following section concerning grants awarded directly without a call for proposals: 5.4.1

<b>1. Title/basic act/ CRIS number</b>	PROMOVE-Agribiz - Improving rural competitiveness in Nampula and Zambezia provinces. CRIS Number: MZ/FED/039-900 financed under 11 <sup>th</sup> European Development Fund
<b>2. Zone benefiting from the action/ location</b>	Mozambique The action shall be carried out at the following location: provinces of Nampula and Zambézia
<b>3. Programming document</b>	National Indicative Programme (NIP) for Mozambique 2014-2020
<b>4. Sector of concentration</b>	Sector 2: Rural development
<b>5. Amounts concerned</b>	Total estimated cost: EUR 69 900 000 Total amount of EDF contribution: EUR 68 000 000 This action is co-financed in joint co-financing by: Food and Agriculture Organisation of the UN (FAO) for an amount of EUR 200 000 (to be confirmed) German Federal Ministry for Economic Cooperation and Development (BMZ) for an amount of EUR 1 700 000 (to be confirmed)
<b>6. Aid modality and implementation modalities</b>	Project modality Indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Indirect management with the Food and Agriculture Organisation of the UN (FAO) Indirect management with the International Bank for Reconstruction and Development (World Bank) Direct management – Grant direct award to the National Sustainable Development Fund (FNDS) Direct management – Procurement



<b>7 a) DAC codes</b> <b>b) Main Delivery Channel</b>	a) Main code: 311 Agriculture, 43040 Rural Development; Sub-codes: 25010 Business support services and Institutions, 32120 small and medium-sized enterprise (SME) development, 32161 Agro-industries. b) GIZ – 13000; FAO – 41301 World Bank – 44001; Recipient Government – 12000			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	NA			
<b>10. Sustainable Development Goals (SDGs)</b>	<u>Main SDGs:</u> 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture; 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. <u>Secondary SDGs:</u> 1. End poverty in all its forms everywhere, 5. Achieve gender equality and empower all women and girls, 12. Ensure sustainable consumption and production patterns, 13. Take urgent action to combat climate change and its impacts.			

## SUMMARY

The majority of the Mozambican population depends on low-productivity and low-returns agriculture as the main source of food and income. Value addition and transformation of agricultural products has not yet taken off to provide a market. As a result, Mozambique is currently not exploiting the opportunities that value-chains could present, both locally and regionally. One of the most important priorities for supporting food security, poverty reduction and jobs creation would be to increase agricultural productivity while improving links with markets. This needs to be accompanied by policies and interventions to foster non-agriculture household businesses in rural areas, better linkages of smallholders with external private sector investment, as well as mainstreaming of sustainable management of natural resources in the agricultural and other economic sectors.

PROMOVE-Agribiz is part of a comprehensive approach to rural development in the provinces of Nampula and Zambezia that includes support to energy, rural roads, biodiversity and nutrition. PROMOVE-Agribiz will specifically focus on supporting the development of small-scale, sustainable commercial agriculture. The action will aim at improving small producers' productivity and resilience, enhancing the provision of support services, including financial and rural extension services, as well as fostering commercial partnerships with enterprises and increasing the availability of commercial operational services along value chains. Cashew and quality seeds value chains will receive specific support in the frame of the priorities identified in the Jobs and Growth

compact for Mozambique. PROMOVE-Agribiz will also include a solid impact evaluation component for generating evidence for policy making. PROMOVE-Agribiz is aligned to the overall Mozambique national development policy as well as to the specific national strategies for rural development and agriculture.

## 1 CONTEXT

### 1.1 Sector/Country/Regional context/Thematic area

Although Mozambique's record economic growth since the late 90s has resulted in a substantial reduction of poverty levels at national level, these gains have only been moderate in rural areas and have in fact resulted in widening geographical inequalities.

Almost 70 % of the population lives in rural areas, of which 50.1 % live in poverty. Between 2003 and 2015, the gap between rural and urban poor doubled from 6.8 to 12.7 percentage points. Widening inequalities persist also between regions. Provinces in the Centre and North (including Zambezia and Nampula) have poverty rates of nearly 40 points higher than the Province of Maputo (56.5 %, 57.1 % and 18.9 % respectively) while in 2003 this gap was below 7 %. There is also an increasing feminisation of poverty. 63 % of female headed households are poor, compared to 52 % of male-headed households. Socio-cultural factors contribute greatly to the discrimination and exclusion of women and girls from social, political and economic life. Women are the main labour force in the informal and low paid agricultural sectors.

Nutrition and food security indicators have barely improved in the country in the last decade, reflected in critical child stunting rates of 43 % in 2013 (compared to 48 % in 2003) resulting in an estimated loss of 11 % of the country's gross domestic product (GDP)<sup>1</sup>. The provinces of Nampula and Zambezia have the highest rates of child stunting in the country (55 % and 45 % respectively), representing almost 50 % of the total caseload of stunting in Mozambique, as well as, highest rates of anaemia in both children (79 % and 73 %) and women (52 % and 62 %)<sup>2</sup>.

While 75 % of the population still depends on agriculture and fisheries as the main source of food and income, these sectors only contribute to 25 % of the national GDP<sup>3</sup>. Agriculture productivity is very low and has remained stagnant for the last decade. This can be traced to a persistent low rate of technology adoption, lack of market integration, as well as poor infrastructure, resulting on high transaction costs and low returns. In addition, value addition and transformation of agricultural raw production has not taken off. Factors include a deficient climate for business and investment<sup>4</sup>, poor local infrastructure implying prohibitively high transportation costs, limited access to energy, as well as low production, not market-orientated and not reaching the economy of scale necessary to attract investment.

Mozambique is highly vulnerable to climate change<sup>5</sup>. Although overall rainfall is projected to increase during the rainy season, longer dry periods as well as delayed rainy seasons are expected, in addition to more frequent extreme weather events. These will directly impact on the food availability of rural households as well as their ability to produce competitively<sup>6</sup>. The two target provinces of Nampula and Zambezia have been severely affected by floods as well as droughts during the past years. Low lying rice production areas of Zambezia are increasingly suffering from saltwater intrusion.

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<sup>1</sup> COHA, Cost of Hunger Africa / Mozambique, results endorsed in May 2017.

<sup>2</sup> Instituto Nacional de Estatística Ministério da Saúde, Moçambique. Inquérito Demográfico e de Saúde, 2011.

<sup>3</sup> 2016, Agriculture value added (% of GDP). Source: World Bank.

<sup>4</sup> In 2018 Mozambique ranks 138 out of 190 countries in the doing business index compared to 121 in 2016

<sup>5</sup> Mozambique is ranked 160 out of 181 countries in the 2018 University of Notre Dame Global Adaptation Index. Mozambique is classified amongst other 7 countries as Extreme Risk in the 2010 Natural Disasters Economic Loss Index.

<sup>6</sup> National Climate change adaption and mitigation strategy 2012; The World Bank Group 2010: Economics of Adaption to Climate change; IFPRI 2014: Southern Africa Agriculture and Climate change: A comprehensive analysis – Mozambique; USAID 2017: Impact of climate change on selected value chains in Mozambique.

### 1.1.1 Public Policy Assessment and EU Policy Framework

The overall Government policy for development is reflected in the National Development Strategy 2015-2035 (ENDE, *Estratégia Nacional De Desenvolvimento*) that provides a framework for the preparation and operational medium term plans such as the Government's Five-year Plan (*Plano Quinquenal do Governo*- 2015-2019). The Plan highlights agriculture production and productivity increases, value addition and agriculture value chains as central elements for employment creation, development and industrialisation.

The current overarching strategy for agriculture is the *Plano Estratégico de Desenvolvimento do Sector Agrário* (PEDSA) 2011-2020, whose general objective is "to contribute towards the food security and income of agricultural producers in a competitive and sustainable way, guaranteeing social and gender equity". The PEDSA reflects directives and priorities set out in the Comprehensive Africa Agriculture Development Programme (CAADP). The Agricultural investment plan for 2012-2017 (*Plano Nacional de Investimento no Sector Agrário*, PNISA, to be extended to 2019) establishes the framework for public and private investment in the sector with the overall goals of improving agricultural growth and food security and nutritional status<sup>7</sup>. The Plan for Agrarian Development 2015-2019 (*Plano Operacional de Desenvolvimento Agrário*, PODA) is the operational instrument for the PEDSA and PNISA, identifying 15 "strategic products" (including cashew, horticulture and food crops) to be developed along 6 corridors (including Nacala and the Zambezi Valley, that cross respectively Nampula and Zambezia, among other provinces). More recently, in 2016, the Ministry of Land, Environment and Rural Development (MITADER) has defined a National Programme for Sustainable Rural Development that stresses the importance of the agri-food, energy and tourism sectors.

The national commitment to address malnutrition and food insecurity is reflected in the inclusion of stunting reduction targets in the Government's Five-Year Plan (35 % of under five children by 2020), further supported by specific policy frameworks such as the National Strategy for Food Security and Nutrition (ESAN II, 2008-2015) and the National Multi-Sectoral Plan of Action for the Reduction of Chronic Malnutrition (PAMRDC, 2010-2020)<sup>8</sup>.

For aspects of business and private sector development, the main framework is the National Business Environment Strategy 2013-17 (EMAN II<sup>9</sup>) which has a strong focus on simplifying enterprises licensing procedures and increasing their competitiveness.

This action is consistent with the Agenda for Change<sup>10</sup> and aligned with the Growth and Jobs Compact and the EU Communication on support to private sector (2014)<sup>11</sup> promoting inclusive and sustainable economic growth, employment and skills development, cooperation of value chain, as well as climate mitigation and adaptation. The action is also in line with the EU Framework for "Gender Equality and Women's Empowerment: Transforming the Lives of Girls and Women through EU External Relations 2016-2020"<sup>12</sup> (GAPII) approved in 2015, especially with the objective 15 "Equal access by women to financial services, productive resources including land,

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<sup>7</sup> PNISA include the objectives: (i) to reach an average growth of the agricultural sector of 7 percent per year in the next 10 years; (ii) to reduce chronic malnutrition in children under 5 years of age from 44 percent in 2008 to 30 percent in 2015 and 20 percent in 2020 (revised to 35% by 2020 as per *Boletim da República* in 2015), and (iii) to halve the proportion of people suffering from hunger by 2015. Food security and nutrition goals coincide with those of the national action plan for the reduction of the chronic malnutrition (*Plano de Acção Multi-sectorial para a Redução da Desnutrição Crónica*, PAMRDC).

<sup>8</sup> In addition, the Government of Mozambique has joined the Scaling Up Nutrition (SUN) Movement since 2010.

<sup>9</sup> EMAN III currently in formulation.

<sup>10</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Increasing the impact of EU Development Policy: an Agenda for Change COM(2011)637 final of 13.10.2011

<sup>11</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries COM(2014)263 final of 13.5.2014.

<sup>12</sup> SWD(2015)182 final of 21.9.2015.

trade and entrepreneurship", as well as, the 2013 Commission's Communication on Enhancing Maternal and Child Nutrition and the Action Plan on Nutrition<sup>13</sup>.

### 1.1.2 Stakeholder analysis

The target groups will be agricultural producers, predominantly smallholders and emerging farmers, private sector entities relevant as value chain enablers providing related services and products, as well as, relevant public institutions. The final beneficiaries of the action will be the population of the targeted communities of the two focal provinces of Zambezia and Nampula.

**Smallholder farmers** account for the vast majority of the agriculture sector's production, with some 3.2 million smallholder farmers with an average of 1.1 ha/family<sup>14</sup> that generate 95 % of the country's total production. Only a small percentage of smallholders are organised in producer groups: 3.1 % of small and medium producers in Nampula and 1.1 % in Zambezia are members of an agricultural association (2.8% being the national average)<sup>15</sup>. On national level, Associations are represented in the National Union of peasants (*União Nacional de camponeses*, UNAC), with provincial and district outreach supporting family farming<sup>16</sup>.

**Women** represent 62 % of the labour force in the agriculture sector, which employs the vast majority of women labour force in the country (83 %)<sup>17</sup>. Despite this predominance, women occupy the lower echelons in the value chains, making up the majority of the sectors' unskilled labour and normally do not market the production having mainly access to informal markets. Growth potential outside the informal sector is limited by basic and financial literacy<sup>18</sup>.

The informal sector and **micro and small enterprises** dominate the local economy in the rural setting. Micro, Small and Medium Enterprises (MSMEs) are the major source for job creation and income (especially amongst the poor and women) and are key for the provision of operational (commercial) services and financial services in rural areas.

The rural development agenda is being promoted by various **Ministries**. Historically, the Ministry of Agriculture and Food Security (MASA) leads the implementation of agriculture programmes. Aspects of trade and private sector promotion are supported by the Ministry of Industry and Commerce (MIC). The Ministry of Land, Environment and Rural Development (MITADER), established in 2015, takes the lead on land administration and environment (including forestry) and the overall coordination of sustainable rural development between the relevant Ministries. Although coordination mechanisms exist, inter-ministerial coordination remains weak and sectorial policies and programmes prevail.

The National Sustainable Development Fund (FNDS), created in 2016 and supervised by the MITADER, is the mandated public entity to manage and coordinate multilateral funds in the Rural Development Sector. Since the beginning of the decentralisation process in 2008, functions and resources are increasingly transferred to the provinces and districts.

**Research and development institutions** include the National Institute for Agricultural Investigation (IIAM) which is strongly represented in the targeted provinces, historically supported

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<sup>13</sup> COM(2013)141 final of 12.3.2013

<sup>14</sup> MASA/DPCI, Inquérito Agrário Integrado, IAI 2015: 1.1ha in Nampula and 1.3ha in Zambezia

<sup>15</sup> MASA/DPCI: Inquérito Agrário Integrado (IAI) 2015. Of significance in Nampula and Zambézia is the agriculture enterprise IKURU (meaning Strength/Força), expanding since its creation in 2003 and presently covering more than 20,000 small and medium scale farmers organized in 29 Associations (integrated as shareholders), providing services in procurement, processing, packaging and commercialization to their member's produce (IKURU own source).

<sup>16</sup> While UNAC structures in Nampula are being consolidated, the provincial representation of the Union of Zambézia is being revitalized. The National Federation of Agricultural Associations of Mozambique (*Federação Nacional das Associações Agrárias de Moçambique*, FENAGRI) created in 2013, has been less active and visible over past years, concentrating on professional training and national advocacy.

<sup>17</sup> While only a minority of small and medium size agriculture explorations are headed by women: 21.3% in Nampula province, 28.7% in Zambezia province (MASA/DPCI *Inquérito Agrário Integrado* 2015).

<sup>18</sup> For example, the literacy rates in Nampula in 2009 were 41.2%, with 58.6% in male and 23.9% in female population.

by various CGIAR research centres. Active institutions in the sector also include the University Eduardo Mondlane and various agricultural and polytechnic institutes located in different provinces.

The country has a number of well-established Civil Society Organisations (CSOs) and Non-Governmental Organisations (NGOs) – some organised in provincial platforms as in Nampula<sup>19</sup> - which are engaged in policy development, as well as in the provision of services and promotion of agriculture and agri-business at grassroots level.

### **1.1.3 Priority areas for support/problem analysis**

Smallholder production, with its structurally low agricultural productivity, is largely not competitive to be undertaken commercially. Although national agriculture production has increased for several staple and cash crops over the past decades, increases are attributed to the extension of cultivated areas across the country. Unstable rainfall patterns and unsecure land rights foster shifting cultivation contrary to medium and long-term investments into land (agro-forestry, irrigation, use of improved inputs). Agriculture is undertaken as means of subsistence also due to the lack of alternative options. Emerging farmers face multiple difficulties as limited access to inputs, insufficient productive infrastructure, scarcity or absence of extension services<sup>20</sup> (technical, market and price information), restricted access to finance and often a lack of required business skills. For most crops, productivity only reaches a fraction of its potential, which is estimated at around one third of neighbouring countries.

On the other hand, there seems to be an increasing potential for agriculture-led development in country. Mozambique, besides its high agriculture production potential, still imports significant quantities of agricultural commodities including staple crops<sup>21</sup>, meat products, poultry and horticulture. An increasingly urban population is resulting in an increased demand and preference for processed and quality foods. There is also potential for increasing agricultural exports, especially for cashew and selected products.

Nevertheless, neither the agricultural nor the processing sectors are sufficiently developed to capture this potential. Value addition and transformation of agricultural raw production has not taken off. Factors include a deficient climate for business and investment, poor local infrastructure, implying prohibitively high transportation costs, limited access to energy and very limited financial inclusion, as well as low production not reaching the economy of scale necessary to attract investment.

Faced with a rapidly growing rural population, one of the most important priorities for supporting food security, chronic undernutrition, poverty reduction and jobs creation would be to increase agricultural productivity while improving links with markets. This needs to be accompanied by policies and interventions to foster non-agriculture household businesses in rural areas, better linkages of smallholders with external private sector investment, as well as mainstreaming of sustainable management of natural resources in the agricultural and other economic sectors (as highlighted in the Jobs and Growth Compact). Complementary approaches and policies will be also key to guarantee positive nutrition outcomes, including fostering the diversification of food production, marketing and consumption.

The targeted provinces cover a variety of agro-ecological zones with overall favourable production conditions. Agriculture in the two provinces is characterised by small-scale farming with agriculture production and productivity determinants (e.g. use of organic and chemical fertiliser, animal

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<sup>19</sup> The Nampula Civil Society platform, Plataforma provincial das orgões da sociedade civil, has 6 thematic groups, including one for agriculture and natural resources.

<sup>20</sup> As per the MASA/DPCI *Inquérito Agário Integrado* 2015, only 4.4% of the farmers in Nampula province and 1.9% in Zambezia receive extension services (national average 4.3%).

<sup>21</sup> Total annual cereal import requirements average 0.89 million tons (0.14 million of maize, 0.39 of rice and 0.36 of wheat).

traction or irrigation<sup>22</sup>) below the national average; although significant differences exist between the more dynamic highland with emerging commercial agriculture activities and private sector presence, and the less productive and accessible coastal areas. Off-farm activities are mostly related to collecting firewood or other forestry products and seasonal farm labour.

## 2 RISKS AND ASSUMPTIONS

Risks	Risk level H/M/L	Mitigating measures
External shocks as floods and draughts displace population and reduce agricultural production; emergency/crisis response consumes stakeholders and implementers capacities to engage in the programme	H	Establish linkages with other programmes (social cash transfers, cash for work/ public works, etc.) that can mitigate impacts. Promote soil and water conservation, and irrigation development to mitigate minor draughts.
Macro-economic situation and doing business index worsen	M	Support measures for improvement of enabling environment within the programme.
Insufficient number of businesses interested or able to contribute to development partnerships	M	Monitoring of overall economic development and adjustment of percentage of the private sector contribution, if required.
Commercialisation of agriculture results in increased gender inequality including increases in women workload and women's reduced time for essential child care and participation in decisions about household income	M	Promote women access to productive assets and services. Gender analysis during inception and continuous monitoring of impacts on gender during implementation.
Political instability and problematic security situation limiting circulation within the target provinces not allowing to reach communities/target groups	L	Action implementation in partnership/ delegated to CSOs with local representation and community outreach.
<b>Assumptions</b>		
<ul style="list-style-type: none"> <li>▪ The central and provincial governments remain committed and enabled (staffing, operational costs) to implement the provincial development strategies and work within its multi-sectorial coordination mechanism.</li> <li>▪ Strong relationship built with provincial administration and adequate level of participation and contribution from all concerned stakeholders.</li> <li>▪ Overall economic development supports improvements in the targeted sectors and permits positive development of overall business and investment climate.</li> <li>▪ Willingness of public and private partners to cooperate in support of partnerships with private sector investments and development</li> </ul>		

## 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

### 3.1 Lessons learnt

The mid-term evaluations of the 10<sup>th</sup> EDF funded "Accelerate Progress towards Millennium Development Goal 1.C" (MDG1c) and Local Economic Development Programme (ProDEL)

<sup>22</sup> Anuário de Estatísticas Agrárias 2012-14: use of organic and chemical fertilizer (National: 3/ 4.6, Nampula: 0.3/1.8, Zambézia 0.5/0.1), animal traction (National: 9.5, Nampula: 0.7, Zambézia 0.1) or irrigation (National: 8.1, Nampula: 5.9, Zambézia 1.9).

underlined the **weaknesses of the decentralised government** to fulfil its mandate, thus the impracticality to implement through public systems and the need to create space for private sector provision as well as civil society. In addition, these programmes demonstrate the risk of failing to realise the potential of a **multi-sectoral approach** if not carefully coordinated and targeted thus the need for a defined scope of action and a solid coordination set-up.

Experience also shows that **beneficiary identification and targeting** from the onset of the programmes strongly determines success. The identification of lead farmers/community leaders that are innovative and recognised within their community fosters the adoption of new technologies. Similarly, the identification of emerging farmers and entrepreneurs with growth potential as well as firms with their supply clusters can drive the development of value chains and result in employment and income generation.

Rather general one-fits-all approaches have shown little return. Agro-ecological conditions, options for access to inputs and related production costs, as well as access to markets vary widely, even within the same province. To ensure adequate flexibility and establish **solid generation of evidence** is essential.

Increased agricultural production, diversification and access to alternative income do not automatically result in better **nutrition outcomes**. An appropriate design with an explicit nutrition focus and clear impact pathways, complementary measures (e.g. nutrition education) and adequate analysis and monitoring are essential for an effective nutrition sensitive approach.

Experiences show that **linking farmers to markets**<sup>23</sup> through arrangements that offer predictable and reliable market access including for the provision of inputs and extension services have resulted in significant production and productivity increases.

Programmes often underestimate that competitiveness of firms is often compromised by **inadequate basic business skills** (e.g. accounting, financial management, record keeping). Access to quality technical know-how and support services is limited especially in rural areas.

**Rural infrastructures are key for competitiveness**<sup>24</sup>: poor road conditions in the rural areas constrain the entire agriculture value chains due to the resulting high transport costs and lack of seasonal access. This is further constrained by the lack of storage facilities to allow the conservation of the produce during these periods.

Need for **innovative agriculture finance**<sup>25</sup>: while the upper market segment of large to medium enterprises seems fully serviced, the middle and especially the lower segment are mainly attended by informal practices due to prohibitive interest rates. For the lowest segment, community savings and loans are essential financial access instruments for productive investment, but also for risk mitigation to external shocks and unforeseen needs. Innovative models of agriculture finance have proved to be successful, including arrangements within contract farming, agro-dealer loans and warehouse receipts.

### 3.2 Complementarity, synergy and donor coordination

PROMOVE-Agribiz is part of a comprehensive package of 11<sup>th</sup> EDF funded programmes under the rural development focal sector each addressing different priority areas (transport, energy, nutrition and biodiversity) working in close coordination as an integrated rural development approach. A

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<sup>23</sup> EUD Contract farming study 2015. USAID SPEED-Programme 2016. Costs of Compliance: Principal Constraints to Investment in Mozambique.

<sup>24</sup> This is indicated among others in the mid term review of the Nampula Provincial Development strategy phase 1 of 2010-15 and the provincial Agribusiness sub-programme for phase 2.

<sup>25</sup> Lessons learned based on: DFID 2015: Credit lines 2015. Analysis of Credit Lines and Guarantee Facilities. Promoting Access to Finance in Mozambique. AFD Feasibility study on an access to finance project for small scale farmers and rural agro SMSEs in the agricultural sector in Mozambique. USAID 2016: Costs of Compliance. Principal Constraints to Investment in Mozambique. Project experience reported by: AGRA, African Enterprise Challenge Fund (AECF) and DANIDA support to GAPI.

common monitoring and evaluation system will be established for these to be financed under this action. Synergies will also be created with the 11<sup>th</sup> EDF Trade and Development Programme<sup>26</sup> as well as the Global Climate Change Alliance + (GCCA+) Programme in Mozambique<sup>27</sup>.

PROMOVE-Agribiz will build on the 10<sup>th</sup> EDF funded Programmes Accelerate progress towards MDG1C in Mozambique (implemented by FAO, IFAD, WFP) and the Local Economic Development Programme (ProDEL). The action will also build on the experience and approach of the Sustainable Economic Development Programme ProEcon (BMZ/GIZ), currently implemented in other provinces.<sup>28</sup>

Important programmes implemented in the targeted provinces for which the action will develop complementarities include: SUSTENTA (World Bank), the support to the Nacala corridor PROSAVANA (JICA and Brazilian Cooperation Agency), Feed the Future Programmes (USAID) in seeds, value chains and climate smart agriculture, Innovation for Agribusiness- INOVAGRO (Swiss Cooperation) and the planned IFAD programme to support value chains (PROCAVA). Several projects and interventions exist implemented by National and International NGOs, Producer Associations, and Research Institutes.

Development partners active in the agricultural sector are organised in a donor working group (AGRED) with currently 14 institutions represented. Project support is the common modality with multiple programmes, strategies and approaches often with limited coordination and harmonisation amongst them. The EU Delegation is further active in working groups for private sector development, decentralisation, rural finance, and land among others.

### 3.3 Cross-cutting issues

**Environment and climate change:** PROMOVE-Agribiz will promote sustainable, climate-smart agriculture practices, including Carbon sequestration, addressing aspects such as soil cover, organic fertilizer use and reducing land degradation. Agricultural intensification is expected to reduce the pressure on land and expansion of agriculture cultivation to sensitive or marginal lands prone to erosion. Promotion of pest and disease control will focus on integrated management techniques and include environmental safeguards. Climate resilient practices and technologies, including water harvesting and storage, as well as post-harvest conservation techniques will be promoted to reduce the vulnerability of rural livelihoods. Ecological sustainability and eco-efficiency of private sector investments will be stimulated.

**Gender equality:** PROMOVE-Agribiz will have a special emphasis on enhancing women access to productive assets and services (improved inputs, land, financial and rural extension services), women entrepreneurship (including the promotion of women led businesses and business women as role models), as well as, ensuring women active participation in decision making processes. Special attention will be given to the impact on the workload amongst household members and on the management of income resulting on the adoption of technologies or improved market access. More detailed gender analysis will be conducted during inception, and special attention will be given to gender in the evidence-based and applied research component (Component 4).

**Nutrition, health, and literacy:** Agriculture and value chain development will be nutrition sensitive (promotion of nutritious foods, diversification of production and diets, nutrition education

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<sup>26</sup> For example, the creation of private sector stakeholder awareness on quality standards and certification, improved quality infrastructures and services.

<sup>27</sup> For example in extension services capacity development on sustainable/climate smart agriculture techniques and technologies, water harvesting and productive water use.

<sup>28</sup> The programme will build, among others, on successful approaches of FAO under the MDG1 for fostering crop diversification at community level through extension and increase of agro inputs availability. Opportunities for cooperation with the private sector in the generation of more and new nutritious foods exist in the province and these will be actively pursued. Criteria for selecting value chains (additional to the already selected value chains of cashew and seeds) and private sector support under a market development approach will also include diversification and innovation.



and ensuring sufficient time for child care). Interventions targeting improvements on food quality and safety will directly impact public health and nutrition (e.g. improved food safety practices at production, harvesting and post-harvesting stages of the value chain). An emphasis will also be given to adult basic and financial literacy.

**Human rights:** The action follows a rights-based approach addressing the right to food, right to work, right to decent conditions of work, right to decent living conditions, and right to equality between men and women. The action will ensure that human rights are respected within the framework of its activities and that these do not lead to any impairment of human rights or the further marginalisation of community members or groups.

**Good Governance:** Support to Non-state Actors and Local Authorities will contribute to increased capacities, advocacy and accountability in the sector. Establishment or strengthening of platforms for interaction between the public and the private sector, such as for the selected value chains, will contribute to improved governance of value chains.

## **4 DESCRIPTION OF THE ACTION**

### **4.1 Objectives/results**

The overall objective of the action is to contribute to sustainable, inclusive and broad-based economic growth and poverty reduction in the context of national food and nutrition security and climate change.

The Specific Objectives are:

1. To improve food and nutrition security and resilience of small-holders through climate-smart and nutrition-sensitive agriculture development in the provinces of Nampula and Zambezia.
2. To enhance rural competitiveness through improved participation of smallholders and MSMEs in economic activities, economic diversification, value addition, improved access to rural services and improved rural investment climate in the provinces Nampula and Zambezia.

The **expected results** are structured around the following five key components:

#### **Result Component 1: Enabling Environment for Agri-Food Value Chain Development**

This component will contain results pertaining to both production and commercialisation policies and institutions.

R1.1 Regulatory framework and governance improved in selected value chains;

R1.2 Improved availability of financial and support services and increased access by MSMEs and smallholder farmers, especially women farmers.

#### **Result Component 2: Market-Driven Sustainable Agriculture and Resilience**

This component aims at enhancing production systems sustainability in its most comprehensive sense – environmental, social and economic.

R2.1 Increased productivity based on sustainable and climate-smart agricultural practices;

R2.2 Increased volume and value of production for markets;

R2.3 Improved nutrition and food safety knowledge and practises at community level.

#### **Result Component 3: Competitive Agri-Food Value Chains and Inclusive Rural Markets**

This component aims to foster the adoption of competitive business models by MSMEs and increase the provision of operational services along agricultural value chains (among others in the cashew sector).

R3.1 Smallholders and MSMEs integrated in rural markets and selected value chains through regular business linkages;

R3.2 Private enterprises adopt viable and competitive business models;

R3.3 Increased provision of operational services along selected value chain.

#### **Result Component 4: Generating Evidence for Policy Dialogue**

This component aims to promote evidence-based policy-making in Mozambique's agricultural and rural development sector and has a strong applied research and innovation focus. This will be based on analysing the efficiency and effectiveness of proposed approaches as well as identifying opportunities of policy reforms and upscaling of successful interventions while ensuring long-term sustainability and ownership of the course of change.

R4.1 Increased availability of Impact Evaluation products for agriculture and rural development evidence-based policy;

R4.2 National capacities for Impact Evaluation development and implementation; and evidence-based policy strengthened.

#### **Result Component 5: Monitoring, Evaluation and Coordination**

This component aims at ensuring the monitoring and evaluation of all the Programmes under the 11<sup>th</sup> EDF Rural Development Focal sector building on national capacities.

R5.1 Institutional capacity of Provincial and targeted District Administrations for planning and monitoring strengthened;

R5.2 Monitoring and Evaluation system for the EU Rural Development Focal Sector operational providing reliable and timely information.

This programme is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture and Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, but also promotes progress towards Goals 1 (end poverty), 5 (gender equality), and 13 (climate action). This does not imply a commitment by the Republic of Mozambique benefiting from this programme.

### **4.2 Main activities**

Main activities will include the following:

#### **Under Result Component 1: Enabling Environment for Agri-Food Value Chain Development**

- Strengthen value chain dialogue in particular in seeds sector and cashew (including support to provincial stakeholder platforms meetings, stakeholder mappings, joint thematic studies and analysis).
- Develop a National Seed Policy and develop institutional capacity for its implementation.
- Initiate a dialogue on National Inputs Policy and Food Safety.
- Create mixed public-private sector technical advisory services for producers, especially for women farmers.
- Public awareness raising on food-safety and its impacts on public health and nutrition, as well as climate change impact mitigation, responsible agricultural practices and impacts on productivity.
- Develop additional financial services by establishing agent banking systems.
- Strengthen savings groups and link them to formal financial institutions.

#### **Under Result Component 2: Market-Driven Sustainable Agriculture and Resilience**

- Improve local producer's knowledge and ability to implement Good Agricultural Practices, climate-smart agricultural practices, as well as enhance sustainable use and management of

natural resources (including diversification of production and production of nutritious foods, establish networks of demo-plots, farmer field schools, trainings).

- Improve local producers' capacity for collective action and engagement in long-term agricultural trade relationships (including facilitation of farmer groups, coaching, training).
- Improve local producers, consumers and food-handlers understanding of food quality (including nutritious foods) and safety issues and links to public health and nutrition (including awareness campaigns).
- Adaptation, enhancement and expansion of the e-voucher system as inputs (including seeds) subsidy tool.

### **Under Result Component 3: Competitive Agri-Food Value Chains and Inclusive Rural Markets**

- Develop and replicate support and linkage models, such as contract farming arrangements.
- Implement Information and communication technology (ICT) solutions in business linkages (including awareness raising and piloting of information and communication technologies for inclusion of MSMEs in value chains, logistics, warehousing, and others).
- Assist processors, traders and service providers to develop new business models (identify new business ideas; assist market research, product design, marketing strategies and distribution networks; support agri-businesses to introduce/enhance their quality management and traceability systems, among others).
- Support business development of MSMEs (including MSME training and coaching to improve management capacity, internal organisation and communication, formalisation of cooperatives).
- Support private service provision and technical operational services.

### **Under Result Component 4: Generating Evidence for Policy Dialogue**

- Development of a programme of evaluations to i) provide guidance during design and implementation of the programme to strengthen the interventions and enhance impact, ii) generate evidence on the impact of the programme, iii) develop policy recommendations for the sector more broadly based on rigorous evidence.
- Set up of innovative systems for data collection, analysis and dissemination through publications and workshops.
- Provision of formal trainings tailored and delivered to governments, donor agencies, and other partners.
- Establishment of fellowship programme for national researchers, internships for junior positions and organisation of summer schools.

### **Under Result Component 5: Monitoring, Evaluation and Coordination**

- Development and operationalisation of a Monitoring and Evaluation system.
- Formal trainings.
- Coordination meetings.

## **4.3 Intervention logic**

The action's intervention logic is based on two interrelated premises: (1) enhanced agriculture production and productivity results in increased and diverse food availability, surplus production and reduction of unit costs, and (2) the increased competitiveness of businesses (further supported by an improved business environment) creates markets for surplus production, increased availability of services and value addition, resulting in income generation and employment opportunities.

The intervention logic comprises a multi-level and multi-stakeholder approach at three levels:

Firstly, evidence-based policy development including public and private stakeholders' better engagement in policy-making in the selected sectors (especially seeds and cashew) will lead to an improved regulatory framework with the potential to positively foster the development of smallholders and MSMEs.

Secondly, the promotion of sustainable models for financial, operational and support services as well as linkages between actors along the value chains (especially between smallholders and enterprises) will contribute to the creation of value added (for example, a higher degree of processing, certification of products). It should also contribute to the diversification of products and markets potentially creating jobs and increasing the income of smallholders and MSMEs.

Finally, smallholders' and MSMEs' adoption of better practices, technology and improved business models would lead to higher productivity, capital formation and quality products. This combined with the improved availability and access to financial services and an improved policy and regulatory environment will increase their competitiveness.

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

### **5.3 Implementation of the budget component**

N/A

### **5.4 Implementation modalities for an action under project modality**

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation .

#### **5.4.1 Grant: direct award to the National Sustainable Development Fund -Fundo Nacional de Desenvolvimento Sustentável (FNDS)**

##### **(a) Objectives of the grant, fields of intervention, priorities of the year and expected results**

The grant will have the following objectives, with their related expected results:

Result Component 5: Monitoring, Evaluation and Coordination. This includes:

(R5.1) Institutional capacity of Provincial and targeted District Administrations for planning and monitoring strengthened and (R5.2) Monitoring and Evaluation system for the EU Rural Development Focal Sector operational providing reliable and timely information.

To achieve these objectives, the FNDS will strengthen the capacities of Provincial and District administrations for monitoring, evaluation, and the coordination between public institutions, implementing agencies, civil society and other Action stakeholders, and ensure complementarities with other programmes. The FNDS will provide monitoring tools for all the Programmes of the 11<sup>th</sup> EDF Rural Development Focal Sector.

##### **(b) Justification of a direct grant**

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the FNDS.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because the beneficiary is in a legal or factual monopoly situation (Art. 190(1)(c) RAP). The FNDS, technically supervised by the MITADER, is the mandated public entity to manage and coordinate multilateral funds in the Rural Development Sector.

##### **(c) Essential selection and award criteria**

The essential selection criteria are the financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

##### **(d) Maximum rate of co-financing**

The maximum possible rate of co-financing for this grant is 100 %.

If full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

##### **(e) Indicative trimester to conclude the grant agreement**

1<sup>st</sup> trimester after signature of the Financing Agreement.

#### **5.4.2 Procurement (direct management)**

The Action will include a provision for Technical Assistance to allow a flexible response to needs for studies or other types of support that appear during implementation of the programme.

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical Facility	Services	5	Up to year 3

#### **5.4.3 Indirect management with a Member State agency**

A part of this action may be implemented in indirect management with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). This implementation entails Component 1 and Component 3 as described in Section 4 (Description of the Action). GIZ will lead activities under Component 1 related to strengthening the value chain dialogue and policy development on cashew and possibly other value chain as well as improving the availability of and access to formal financial services for smallholders and MSMEs. GIZ will lead all activities under Component 3. GIZ will also closely collaborate with FAO under Component 1 and Components 2 and the International Bank for Reconstruction and Development (World Bank) under Component 4. This implementation is justified because:

- GIZ has been supporting the Government of Mozambique in private sector development for many years, including support to institutional capacity building and national strategies development.
- More specifically, under the Sustainable Economic Development Programme ProEcon, GIZ is supporting rural enterprises in several provinces with the approach proposed in this Action. GIZ is also implementing a regional project in the cashew sector (ComCashew) which includes interventions in Mozambique which will allow strong synergies.
- GIZ currently has its own implementation capacities that allow provincial presence and outreach in the rural areas.

The entrusted entity would carry out the following budget-implementation tasks: procurement and grant award procedures, and awarding, signing and executing the resulting procurement and grant contracts, notably accepting deliverables, carrying out payments and recovering the funds unduly paid. GIZ will remain always accountable towards the EU in respect of the implementation of this part of the action.

#### **5.4.4 Indirect management with an international organisation**

A part of this action may be implemented in indirect management with the Food and Agricultural Organisation of the United Nations (FAO). This implementation entails Component 1 and Component 2 as described in Section 4 (Description of the Action). FAO will lead activities under Component 1 related to agricultural policy dialogue and institutional and community capacity building. FAO will lead all activities under Component 2. FAO is also to closely collaborate with GIZ under Component 1 and Components 3 and the International Bank for Reconstruction and Development (World Bank) under Component 4. This implementation is justified because:

- FAO has specific technical experience in agriculture development throughout the region, as well as a long year active presence in Mozambique. FAO has the ability to access and mobilise highly specified technical expertise on a wide variety of subjects.
- More specifically, FAO has been implementing for many years actions in Mozambique related to smallholder development. Of particular relevance for this action is FAO's unique experience in the design and implementation of smart subsidies for agro-inputs under the 10<sup>th</sup> EDF funded MDG1c-Initiative, agriculture extension and the seed sector reform.
- FAO already maintains operational structures and working relationships with provincial and local Governments, Civil Society and selected private entities in the target provinces.

The entrusted entity would carry out the following budget-implementation tasks: procurement and grant award procedures, and awarding, signing and executing the resulting procurement and grant contracts, notably accepting deliverables, carrying out payments and recovering the funds unduly paid. FAO will remain always accountable towards the EU in respect of the implementation of this part of the action.

#### **5.4.5 Indirect management with an international organisation**

A part of this action may be implemented in indirect management with the International Bank for Reconstruction and Development (World Bank) under the i2i Multi-donor Trust Fund. Implementation will be conducted by the World Bank's Development Impact Evaluation Unit (DIME) and will cover Component 4 as described in Section 4 (Description of the Action). This implementation is justified because:

- DIME has the technical expertise to carry out high quality Impact Evaluations with a vast experience in conducting them in the context of large scale development interventions with a focus on enhancing policy dialogue and local capacity building.
- More specifically, DIME has been working in the agricultural sector in Mozambique for nearly a decade with a similar approach.
- DIME has a global Rural Development community of practice from which this action can leverage learning from a multitude of projects and countries while contributing to the global knowledge agenda by translating findings into policy evidence.

The entrusted entity would carry out the following budget-implementation tasks: procurement and grant award procedures, and awarding, signing and executing the resulting procurement and grant contracts, notably accepting deliverables, carrying out payments and recovering the funds unduly paid. DIME will remain always accountable towards the EU in respect of the implementation of this part of the action.

#### **5.5 Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.

#### **5.6 Indicative budget**

	<b>EU contribution (EUR)</b>	<b>Indicative third party contribution (EUR)</b>
<b>5.4.1 Grant: direct award to FNDS (Component 5)</b>	4 000 000	
<b>5.4.2 Procurement-Direct management (Technical Assistance)</b>	3 900 000	
<b>5.4.3 Indirect management with GIZ (Components 1 and 3)</b>	20 000 000	1 700 000*
<b>5.4.4 Indirect management with FAO (Components 1 and 2)</b>	29 000 000	200 000*
<b>5.4.5 Indirect management with WB (Component 4)</b>	5 000 000	
<b>5.9 Evaluation and 5.10 Audit</b>	500 000	
<b>5.11 Communication and Visibility</b>	600 000	
<b>Contingencies</b>	5 000 000	
<b>Total</b>	<b>68 000 000</b>	<b>1 900 000</b>

\* To be confirmed

## **5.7 Organisational set-up and responsibilities**

A National Steering Committee (NSC) shall be set up to supervise, provide strategic guidance and ensure overall conformity with Government policy. The NSC will be composed of high level representatives from the Ministry of Land, Environment and Rural Development (MITADER), the Ministry of Agriculture and Food Security (MASA) and the Ministry of Industry and Commerce (MIC), as well as, representatives from Provincial Governments, the National Authorising Officer (NAO), the implementing parties and the EU. Other stakeholders and donors may be invited in order to improve coordination and complementarity of interventions.

At operational level, a Programme Technical Committee will be formed to supervise project activities, ensure coordination and establish dialogue with the stakeholders. It will comprise National Directors of the relevant Departments and the Provincial Directors of MASA, MITADER and MIC, representatives from implementing agencies, and the EU. The Programme Technical Committee will play a key role in reviewing and recommending aspects of policy reform promote strategic coordination with other programmes and the harmonisation of interventions within provinces and district to ensure that synergies and complementarities are maximised.

The provinces will establish Technical Provincial Committees with the main purpose of supervising, monitoring and coordinating the implementation of activities.

The NSC and Technical Committees specific working mechanisms and memberships will be outlined in the contractual modalities chosen for implementation.

## **5.8 Performance monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **5.9 Evaluation**

Having regard to the importance of the action, mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for problem solving, learning purposes, in particular with respect to steer and correct the implementation of the programme when required.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision).

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of



the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract after three years of implementation and at the end of the implementation.

#### **5.10 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, four contracts for audit services may be concluded, tentatively before the end of the implementation period of the program.

#### **5.11 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific communication and visibility plan of the action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the action and the appropriate contractual obligations.

Visibility will be contracted by way of procurement under direct management. One service contract is foreseen during the 2<sup>nd</sup> Trimester after signature of the Financing Agreement.

## APPENDIX INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)<sup>i</sup>

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: <i>Impact</i>	To contribute to sustainable, inclusive and broad-based economic growth and to poverty reduction in the context of national food and nutrition security (FNS) and climate change.	<ul style="list-style-type: none"> <li>Real GDP annual growth rate** : * PQG; END; SDG</li> <li>Proportion of population living below \$1.25 (PPP) per day** : * ESAN; SDG</li> <li>Change (%) in the prevalence of stunting amongst children under five years of age ** : * PQG; PAMRDC; SDG</li> <li>Doing Business Ranking</li> </ul>	<ul style="list-style-type: none"> <li>3.8 % (2016)</li> <li>National: 46.1%</li> <li>Nampula: 57.1%</li> <li>Zambézia: 56.5% (2015)</li> <li>National: 42.6%</li> <li>Nampula: 55.3%</li> <li>Zambezia: 45.2% (DHS, 2011)</li> <li>Rank 138 (2018)</li> </ul>	<ul style="list-style-type: none"> <li>% increase /decrease of the baseline value (to be determined at inception)</li> </ul>	<b>Sources:</b> <ul style="list-style-type: none"> <li>Baseline, Endline.</li> <li>Country statistics (INE, IOF);</li> <li>Country Reports (SDGs; Economic progress reports);</li> <li>IFPRI/GHI Index</li> </ul>	
Specific objective(s): <i>Outcomes</i>	<p>SO 1. To improve food nutrition security, and <u>resilience</u><sup>ii</sup> of small-holders through climate-smart<sup>ii</sup> and nutrition-sensitive<sup>iii</sup> agriculture development in the Provinces of Nampula and Zambézia.</p> <p>SO2. To <u>enhance rural competitiveness</u> through improved participation of smallholders and MSMEs in economic activities, economic diversification, value addition, improved access to rural services and improved rural investment climate in the provinces Nampula and Zambezia.</p>	<ul style="list-style-type: none"> <li>Prevalence of food insecurity in geographically targeted areas** : * SDG; PQG, PMARD, ESAN</li> <li>Change (%) of women that consume food from five or more of the ten food groups (MDD-W) amongst programme beneficiaries</li> <li>Change in annual average income of smallholder farmers (disaggregated by sex), when compared to control groups *NIP; PNDRS; SDG</li> <li>Change of MSMEs competitiveness and economic activity (measured by increases in turnover, production volume, reduction in unit costs, expansion of product range, development of new markets)</li> <li>Increased value added in selected value chains (Increase of agro-processing (ton); increase value addition (MTN) of local agricultural production)</li> <li>Employment/decent jobs created as a result of EU support (disaggregated by gender)* PQG</li> </ul>	Baseline survey on randomized sample in geographically targeted areas at inception, disaggregation according to sex and age	<ul style="list-style-type: none"> <li>% increase /decrease of the baseline value (to be determined at inception)</li> </ul>	<b>Sources:</b> <ul style="list-style-type: none"> <li>Baseline, Endline</li> <li>Project M&amp;E data/reports;</li> <li>Country statistics and sectoral policy/program progress reports</li> </ul> <b>Means:</b> Quantitative/qualitative data analysis; Surveys; FIES Scale.	<ul style="list-style-type: none"> <li>Country's development policies and strategies continue consider poverty reduction, rural development, food and nutrition security as national priorities</li> <li>Political and Macro-economic stability and absence of external shocks (including natural disasters) affecting local economies.</li> <li>Stable security conditions (absence of armed conflict).</li> </ul>

Outputs	COMPONENT 1 – ENABLING ENVIRONMENT FOR AGRI-FOOD VALUE CHAIN DEVELOPMENT					
	R1.1 Regulatory framework and governance improved in selected value chains	Number of multi-stakeholders structures strengthened or established for consultative processes and evidence-based policy dialogue (in particular related to seeds and cashew value chains)	• 0	• At least 4 multi-stakeholder platforms actively engaged in policy dialogue	<b>Sources:</b> <ul style="list-style-type: none"><li>• Baseline, Endline</li><li>• Project M&amp;E data/reports;</li><li>• Country statistics and sectoral policy/program progress reports</li></ul>	<ul style="list-style-type: none"><li>• Existence of synergies and complementarities among different stakeholders (Government, development partners, private sector, civil society) within the agricultural sector in the targeted areas</li><li>• Government willingness to engage in policy dialogue and to adopt recommendations for policy and legislation</li></ul>
		Number of policy proposals (national policies, strategies) and draft legal instruments (laws, decrees, regulations) developed based on project evidence / analysis.		Seed Policy and Seed law. Other policy and legal instruments to be determined		
	R1.2 Improved availability of support services and increased access by MSMEs and smallholders farmers, especially women farmers	Number of additional banking agents in rural areas offering financial services smallholders and MSMEs	Baseline survey in targeted areas at inception	• At least 150 additional banking agents	<ul style="list-style-type: none"><li>• Provincial data and statistics (SEDAE)</li></ul> <b>Means:</b> Quantitative/qualitative data analysis; Surveys.	<ul style="list-style-type: none"><li>• Private sector willingness to participate in the a constructive policy dialogue with government</li><li>• Ability of smallholders to be represented and effectively participate and contribute to the policy dialogue</li></ul>
		Number of MSMEs and smallholders (disaggregated by sex) accessing formal financial services		• At least 65 000 additional MSMEs of which at least 50% led by women		
		Number of farmers benefitting from effective mechanisms for agricultural extension advice to assist sustainable production growth		• 280 000 farmers, of which at least 50% women		
	COMPONENT 2 –MARKET-DRIVEN SUSTAINABLE AGRICULTURE AND RESILIENCE					
	R2.1 Increased productivity based on sustainable and climate-smart agricultural practices	Changes (%) in specific knowledge and adoption of sustainable and climate-smart agricultural practices among the Programme beneficiaries (disaggregated by sex)	Baseline survey in geographically targeted areas at inception	• At least 30 % increase of the baseline value	<b>Sources:</b> <ul style="list-style-type: none"><li>• Baseline, Endline</li><li>• Project M&amp;E data/reports;</li><li>• Country statistics and sectoral policy/program progress reports</li><li>• Provincial data and statistics (SEDAE)</li></ul> <b>Means:</b> Quantitative/qualitative data analysis; Surveys.	<ul style="list-style-type: none"><li>• Favourable agro-climatic conditions in the geographical targeted areas.</li><li>• Strong mobilization and sensitization of target groups before project start and during inception phase</li><li>• Local population and target groups willing to change behaviours, and to adopt and retain new knowledges, attitudes and practices.</li><li>• Sound and effective project M&amp;E system in place</li></ul>
		Rate of adoption of quality seed among the Programme beneficiaries <sup>iv</sup>		• At least 15 % increase of the baseline value		
		Crop diversification responding to identified risks among the Programme beneficiaries		• At least 15 % increase of the baseline value		
		Smallholder’s yields (ton/ha) under sustainable agriculture of selected crops among Programme beneficiaries *SDG *PQG; ESAN ; END		• Increase of baseline value: 25% on maize, 25% on cassava, 20% on beans		
	R2.2 Increased volume and value of production for markets	Value (MTN) of local agricultural production commercialized among programme beneficiaries		• At least 15 % increase of the baseline value		
		Volume (tons) of local agricultural production commercialized among programme beneficiaries				
	R2.3 Improved nutrition and food safety knowledge and practises at community level	Changes (%) in knowledges, attitudes and practices with regard to food safety among beneficiary communities.		• 40 % of rural households surveyed		
		Changes (%) in knowledges, attitudes and practices with regard to nutrition among beneficiary communities.		• 20 % of rural households surveyed		

COMPONENT 3 – COMPETITIVE AGRI-FOOD VALUE CHAINS AND INCLUSIVE RURAL MARKETS						
R3.1 Smallholders and MSMEs integrated in rural markets and selected value chains through regular business linkages	Number of smallholders and MSME integrated in regular formal or trust based business linkages (by gender)	Baseline survey on randomized sample of the target group at inception	• At least 10.000 (of which at least 50 % are women)	<b>Sources:</b> • Baseline, Endline • Project M&E data/reports. • Country statistics • Provincial data and statistics <b>Means:</b> Quantitative/qu alitative data;; Questionnaires; KAP	• Strong mobilization and sensitization of target groups  • Existence of market potential for the development of value chains with clear entry points for disadvantaged economic actors  • Existence of synergies and complementarities among different stakeholders (Government, development partners, private sector, civil society) within the agricultural sector in the targeted areas	
R3.2 Private enterprises adopt viable and competitive business models	Number of MSMEs using defined business plans, new technologies, business skills (incl. use of accounting and financial management tool), and improved capital creation		• At least 20.000 micro enterprises and commercial smallholders and at least 50 SME			
R3.3 Increased provision of operational services along selected value chains	Number of smallholders and MSMEs benefiting from improved operational services within selected value chains.		At least 50.000 smallholders and MSMEs of which at least 50% are women.			
COMPONENT 4 – GENERATING EVIDENCE FOR POLICY DIALOGUE						
R4.1 Increased availability of Impact Evaluation products for rural development evidence-based policy	Number of Impact Evaluation researches conducted and disseminated (data sets, academic articles, technical papers, policy briefs) involving academic and public institutions.	• 0	• At least 5 by the end of the Programme	<b>Sources:</b> • Baseline, Endline • Project M&E data/reports; • Project outputs (studies, , reports, research results) <b>Means:</b> Quantitative/quali tative data analysis; Quality assessments	• Consistent and reliable partnerships with think tanks, academia and external technical assistance  • Sound and effective project M&E system in place	
R4.2 National capacities for Impact Evaluation development and implementation and evidence based policy strengthened	Number of government staff and national researchers trained on data analysis and impact evaluation methods	• 0	• At least 150			
	Number of national research partners (such as Universities) participating in joint Impact Evaluation training programmes.	• 0	• At least 2			
COMPONENT 5 – MONITORING EVALUATION AND COORDINATION						
R5.1 Institutional capacity of Provincial and targeted District Administrations for planning and monitoring strengthened	Number of Government officials *PNDRS with adequate knowledge and tools for coordination, planning and monitoring	• 0	• At least 150	<b>Sources:</b> • Baseline, Endline • Project M&E data/reports; • Minutes of meetings; Reports <b>Means:</b> Quantitative/quali tative data analysis; Quality assessments	• Provincial Governments take active part and ownership of project’s activities.  • Existence of synergies and complementarities among different stakeholders at Provincial level  • Provincial government officials willing to participate in trainings and to adopt improved knowledges, attitudes and practices.  • Sound and effective project M&E system in place	
	Quality and timeliness of monitoring and progress reporting		• 80 % quality reports and timely released			
R5.2 M&E system for the EUD Rural Development Focal Sector operational providing reliable and timely information	Status of Monitoring & Evaluation system for the NIP focal sector – Rural Development (11 <sup>th</sup> EDF)	• 0	• M&E established			
	Availability / timeliness of quality progress reports	•	• 80 % quality reports and timely released			

## NOTES:

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<sup>i</sup> Indicators aligned with the relevant programming document are marked with '\*', followed by the respective acronym (<sup>PQG</sup> - Five-Year Government Program; <sup>END</sup> - National Development Strategy; <sup>PNDRS</sup> – National Programme for Sustainable Rural Development (Estrela); <sup>ESAN</sup> – National Food and Nutrition Security Strategy; <sup>PAMRDC</sup> - Multisectoral Action Plan for the Reduction of Chronic Undernutrition in Mozambique; and <sup>NIP</sup> – National Indicative Programme ). Indicators aligned with the EU Results Framework are marked with '\*\*'. Indicators aligned with the SDG targets are marked with <sup>SDG</sup>.

<sup>ii</sup> This action will adopt the Climate-smart agriculture (CSA) approach, defined as an approach for developing agricultural strategies to secure sustainable food security under climate change. It helps to guide actions needed to transform and reorient agricultural systems to effectively support development and ensure food security in a changing climate. CSA aims to tackle three main objectives: sustainably increasing agricultural productivity and incomes; adapting and building resilience to climate change; and reducing and/or removing greenhouse gas emissions, where possible. Further information at <http://www.fao.org/docrep/018/i3325e/i3325e.pdf>.

<sup>iii</sup> The EC Action Plan on Nutrition pledges to scale up actions at country level (strategic priority 2) to fight against undernutrition. The EC recommends that the focus of nutrition-sensitive actions in the agriculture and food security sector should be placed on smallholder agriculture and rural livelihoods, while improving availability and access to quality, diverse, “nutrient-rich food” for all, focusing on the most vulnerable. This action will follow this recommendations by focusing on increasing production of the main staple crops, targeting areas or groups worst affected by under nutrition; diversifying production; improving post-harvest technology; maximising the nutritional benefits of agricultural value chains (from production and conservation, to commercialisation and consumption); promoting food conservation and preservation (and thus off-season availability). Regarding access will focus on improving the three dimensions (economic, physical access and behavioural), including supporting the economic empowerment of smallholder farmers, and particularly women, through the marketing of agricultural produce; improved rural infrastructure; promotion of the use of nutrient-rich food and healthy diets through fostering behaviour change. Further information at [https://ec.europa.eu/europeaid/sites/devco/files/action-plan-nutrition-2015\\_en.pdf](https://ec.europa.eu/europeaid/sites/devco/files/action-plan-nutrition-2015_en.pdf).

<sup>iv</sup> This action will adopt the guidelines on “Appropriate Seed Varieties for Small-scale Farmers” and the key-practices of “Management of Crop Diversity” endorsed by EC/ECHO and FAO which will guide the implementation of project activities as well as the M&E of the correspondent indicator. Further information at <http://www.fao.org/3/a-i3768e.pdf> and <http://www.fao.org/3/a-i3767e.pdf>, respectively.