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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>	<p><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.</p> <p><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.</p>			

## 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 the mid-1990s, 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 Constrains 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 (German Cooperation, implemented by 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:

- The German Cooperation, implemented by 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 resilience<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 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.</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:

<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.