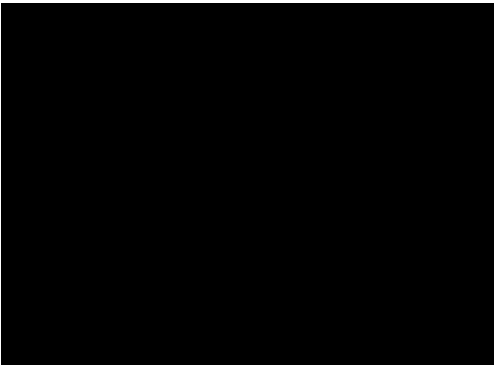


**EKN Engagement Strategy for Cabo Delgado  
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## Glossary

ADB – African Development Bank

ADVZ – *Agencia de Desenvolvimento do Vale do Zambeze*

AKDN – Aga Khan Development Network

APIEX – *Agencia para a Promocao de Investimento e Exportacoes*

BAGC – Beira Agricultural Growth Corridor

CSR – Corporate Social Responsibility

DFID – UK Department for International Development

EKN – Embassy of the Kingdom of the Netherlands

ENH – *Empresa Nacional de Hidrocarbonetos*

FAO – Food and Agriculture Organization of the United Nations

FIPAG – *Fundo de Investimento e Patrimonio de Abastecimento de Aguas*

GoM – Government of Mozambique

MEF – Ministry of Economy and Finance

MINT – Ministry of the Interior

NGO – Non-Governmental Organization

Norad – Norwegian Agency for Development Cooperation

OYE – Opportunities for Youth Employment

PIREP – *Programa Integrado da Reforma da Educacao Profissional*

SDC – Swiss Development Cooperation

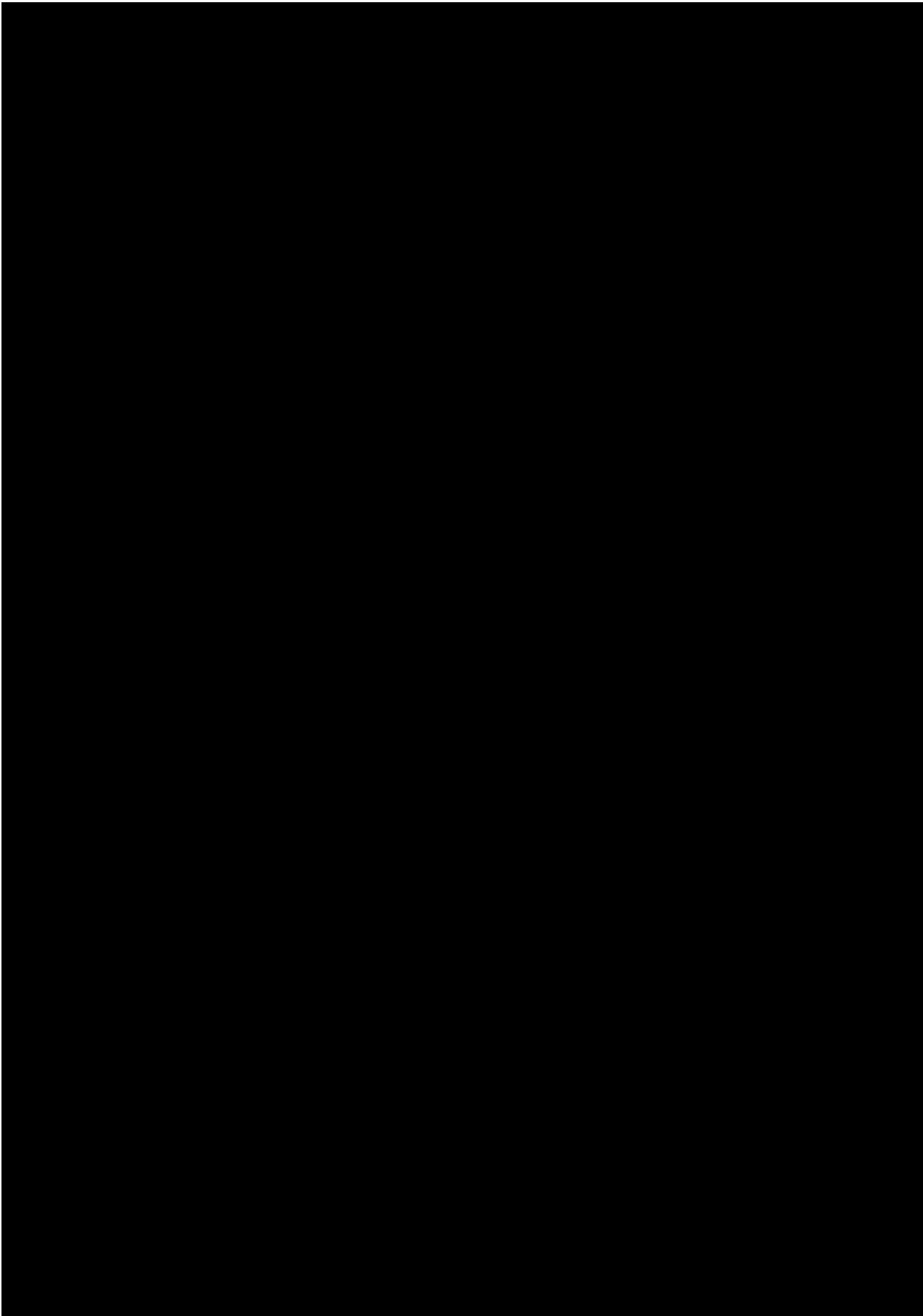
SDG – Sustainable Development Goal

SIDA – Swedish International Development Agency

SNV – Netherlands Development Organization

TWA – Third Way Africa

List of Interviews





## 1. Introduction and Background

The recent natural gas discoveries, along with the development of other extractive industry opportunities, suddenly turn the province of Cabo Delgado into a source of employment and revenues of a magnitude that had not been anticipated. They will rapidly transform a rural coastal region that is among the poorest areas in Mozambique, currently known mainly for its traditional fisheries and its largely underdeveloped tourism potential. By 2045, Palma may have grown into a mid-size city with a population anywhere between 65,000 and 180,000 people and a variety of infrastructure and logistical connections (port, airport, electricity, roads) to the rest of Mozambique and the world at large. This transformation will take place in just decades, with average annual population growth rates of 10 to 15%.

Such rapid growth constitutes an enormous opportunity for the region if stakeholders manage to translate it into inclusive, diversified, sustainable and resilient development. To date, the oil and gas industry seems to be leading the process of shaping the future of the region. Companies like Anadarko, ENI, ExxonMobil and Shell are investing heavily in the preparation of multi-billion investment projects. They are scoping environmental and social impacts associated with their investments, are preparing development scenarios, and are exploring ways to maximize local benefit and mitigate adverse effects. All this is legitimate. However, the oil and gas sector's investments will have more socio-economic development impact on the region if these are accompanied by a broad regional development process. A systemic approach is important to spur developments in this region in an integral and sustainable way.

A successful process requires that the Government of Mozambique (GoM) engage local communities, local private sector, civil society, and knowledge institutes, and leverage their resources and capacity in a collaborative process. Alone, the GoM cannot develop appropriate countervailing power. Alone, the GoM will not be able to match the industry's effort and foster positive development outcomes for the region. The GoM simply lacks the resources for that. That is the experience in cities such as Tete, Nacala and Pemba in which rapid development has taken place due to substantial foreign direct investment. The perception among many Mozambican government agencies is that they themselves, and the communities concerned, were ill prepared, and that as a result, from the start, they were two steps or more behind, and that they were subsequently unable to catch up.

Multi-stakeholder partnership (public sector, research institutes, universities, private sector, civil society, donors) is the keyword. The Dutch government has supported the development of Mozambique since the 1970s and has provided support in various multi-stakeholder processes in various sectors and parts of the country in recent years (ZVDA, BAGC, FIPAG, Beira City, land registry, support to ENH, etc.)

Given this background, the Embassy of the Kingdom of the Netherlands (EKN) seeks to develop its strategy for engagement in Cabo Delgado. This document, based largely on interviews with stakeholders – including EKN itself, government and government agencies at all levels, the private sector, civil society, international and domestic NGOs, and international donors – lays out an initial strategy for EKN engagement. The document is

organized according to the terms-of-reference (Annex I) provided by the Embassy, and the work began in mid-December 2017 with a meeting between representatives of the Embassy, the Governor of the Province, the Provincial Director of Economy and Finance, and the consultant hired to prepare the document. At that meeting, the Governor designated the Provincial Director of Economy and Finance as the point-of-contact for the consultant to ensure that, as requested by the Embassy, the development of the engagement strategy be a joint effort of the Embassy and the Province of Cabo Delgado. The Provincial Director has subsequently been deeply involved in the process, indicating many of the individuals and institutions to be interviewed, and reviewing, commenting on, and making recommendations for changes in the draft strategy.

## 2. Context – The Point-Source Extractive Economy and Its Implications

Point-source extractive industries – namely aluminum and coal - already represent a large percentage of the Mozambican economy. This proportion is expected continue to grow, as the production of coal increases, and as natural gas revenues begin to come on stream.

Unfortunately (though perhaps surprisingly) the larger the percentage of an economy that is based on point-source extractives, the slower the growth of that economy.<sup>1</sup> In other words, there is a negative correlation between percentage of an economy based on point-source extractives, and overall economic growth.

Compounding this unfortunate reality, is the fact that point-source extractives not only diminish the growth prospects of an economy, they also cause the infamous Dutch Disease: overvaluation of the country's currency. This currency overvaluation, in turn, causes booms in the real estate and local services industries, but leads to a lack of competitiveness in exports of products other than point-source extractives. This is particularly problematic for Mozambique, because other export-oriented (non-point-source extractive) industries are precisely those that have the potential to create a more inclusive economy.

**In short, as the country becomes wealthier from aluminum, coal and gas, it is likely to grow less overall, and its economy is likely to become even less inclusive.**

The recent economic “crisis” and the preceding “boom” leading up to the crisis demonstrate clearly that most Mozambicans – rural, subsistence farming families – have more to gain than the urban minority from a balanced economy than from an economy driven by foreign investment in point-source extractives. The so called “crisis” caused by the slump in the prices of coal and gas - and by the heavy indebtedness of the government - has been largely a crisis for the urban population, due to reduced purchasing power, lower demand generally, higher prices for imported goods, and lower levels of urban employment. However, the rural majority in Mozambique has never had it so good! Strong demand from India for the things the rural poor produce – drought-resistant crops like pigeon peas and cashews – along with the devaluation of the metical have resulted in more cash income for the rural poor than they have ever seen before, despite irregular rains. Furthermore, because very few things that the rural poor buy are imported, they have barely felt the

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<sup>1</sup> Tyler Biggs, Mozambique's Coming Natural Resource Boom: Expectations, Vulnerabilities and Policies for Successful Management, September 2012 ([pdf.usaid.gov/pdf\\_docs/PA00K55F.pdf](https://pdf.usaid.gov/pdf_docs/PA00K55F.pdf))

effects of inflation. Yet, these facts have gone largely unnoticed due to the urban focus of the press, and the general outrage about the hidden debts, again mostly among the urban population, the press and donors.

**Ironically, now that the price of coal and gas are beginning to rise, and the worst seems to be behind the country in terms of its liquidity and the health of the government's finances, things are more than likely going to get worse for the rural poor, as they struggle with the impact of a strengthening currency and reduction in the competitiveness of Mozambican exports.**

### 3. Goals and Objectives – Living (and Growing) with “Dutch Disease”

How can the Embassy of the Netherlands realistically hope to boost inclusive economic growth in this context, where the macroeconomic forces at play will increasingly limit both economic growth and export competitiveness?

To begin with, EKN should focus its resources – to the extent possible – on catalyzing the growth of promising industries which by their very nature are inclusive and which have the potential to grow so considerably that their scale can – to some degree – counterbalance the share of the economy based on point-source extractives. So, the first question for EKN becomes: What industries have the potential to grow sufficiently to substantially reduce the proportion of the economy based on point-source extractives, and how can EKN's investment in Cabo Delgado catalyze the growth of those industries? Additionally, EKN must do what it can to ensure that growth comes quickly, before the point-source extractive industries become so large and dominant that the emergence of other sectors of the economy becomes increasingly unlikely.

**If EKN chooses its interventions in Cabo Delgado with an eye toward catalyzing rapid growth of non-extractive, inclusive industries, there is a chance that EKN can achieve its overarching (and hugely important) goal of inclusive economic development - in Cabo Delgado specifically, and in Mozambique generally.**

### 4. A Development Agency – “Cutting and Pasting” the *Agencia de Desenvolvimento do Vale do Zambeze*?

EKN has had considerable success in the Zambezi Valley working with and through the *Agencia de Desenvolvimento do Vale do Zambeze* (ADVZ). Furthermore, the benefits of the ADVZ to other stakeholders became evident during the interviews conducted to prepare this document. The Swiss SDC noted that they coordinate their activities in Nampula with the ADVZ and would welcome the presence of a similar agency up north. APIEX, the central government agency responsible for investment and export promotion, spoke of the benefit to their work of having more local agencies like ADVZ to identify attractive investment opportunities in the region. Third Way Africa (TWA), a private investment promotion and investment management company focused on non-extractive investment opportunities in Cabo Delgado and Niassa, was also enthusiastic about having a development agency in the north and noted (as did the Swedish SIDA) the previous success of a similar agency, *Fundacao Malonda*, in promoting substantial investment in Niassa. Finally, General Nalyambipano of the Army Reserve in Pemba stated that there would be significant benefit



to a Rovuma valley development agency, as inclusive economic growth along the border would improve relations between the government and the communities, with a positive impact on the security and defense of the region.

One of the original purposes of establishing the ADVZ was in fact to enhance the security of the Zambezi Valley region, and although the ADVZ reports to the Ministry of Economy and Finance (MEF), the various national security agencies were the prime movers in establishing the agency. If EKN decides to move forward in supporting the establishment of a development agency, it and/or its designees should engage more deeply with the national security agencies and the Ministry of the Interior (MINT) in the process than was possible in the scope of this work.

The only concern evinced by stakeholders about the creation of a Rovuma valley development agency was whether there weren't other agencies or governmental entities that could or should be performing these functions – in other words, there were concerns among some stakeholders about the potential for unnecessary duplication of efforts. That said, the agency whose remit most overlaps with ADVZ and the proposed Rovuma version, namely APIEX, was very positive about potential synergies between its own activities and those of regional development agencies in the Zambezi and Rovuma valleys, especially if the agencies were to emphasize the identification and development of investment opportunities in their respective regions. This was also the opinion of Third Way Africa, the private sector investment promotion and management company that is focused on investments in Cabo Delgado and Niassa, namely that the emphasis of these regional agencies needs to be on implementing projects that increase the attractiveness of the region for private investment.<sup>2</sup>

For these reasons, assuming it decides to continue promoting the creation of such an agency in the Rovuma valley, EKN should seek to ensure that the agency emphasizes investment promotion, somewhat more like the *Fundacao Malonda* in Niassa than like the ADVZ. This would include giving priority to the development and management of projects that are likely to attract more private investment to the region.

Given the broad support of stakeholders, notably APIEX and national security agencies as well as the private sector, it appears quite likely that a Rovuma valley development agency would be able to secure funding for its operations over the medium and long term, though perhaps not at its initial inception due to the present GoM budget shortfalls. EKN might need to be the primary funder of the agency initially, but quite probably the agency would be able to identify other funding sources in the medium to long term. Efforts should be made to include commitment of a portion of the government's gas revenues to support the Rovuma agency, as is putatively the case with coal revenues for supporting ADVZ. Furthermore, the statutes of the Rovuma agency should be structured to allow it to source funds from multiple sources, including services that generate revenues.

**The creation of a regional development agency with an emphasis on investment promotion, in close collaboration with national security agencies, would be politically feasible, financially sustainable and fully consistent with the objective of catalyzing rapid**

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<sup>2</sup> The Cabo Delgado Equity Story (<https://thirdwayafrica.box.com/v/CDelgadoEquityStory>); The Niassa Equity Story (<https://thirdwayafrica.box.com/v/NiassaEquityStoryTWA>)

**growth of non-extractive, inclusive industries, and hence with the overarching goal of inclusive economic development.**

5. An EKN “Champion” in Cabo Delgado

Along with supporting the creation of an agency like ADVZ in the Rovuma Valley, EKN is keen to identify an individual who can promote the Embassy’s work, enhancing its visibility in Cabo Delgado itself and in the capital, Maputo, among government, donors, the private sector and others. EKN wants to position itself as a long-term partner, supporting Mozambique-led processes, with expertise in integrated spatial planning; as a broker, connector and mediator capable of partnering with established development actors (public, private, civil society, IFIs, donors); with interventions that are demand-driven, results-oriented, cognizant of a complex economy, and transparent. EKN is also particularly interested in leveraging the significant presence of multinational corporations in the province.

Given the profile that EKN wants for itself - and its objective of catalyzing rapid growth of non-extractive, inclusive industries - the ideal candidate will be someone with an extensive personal network in both the public and private sectors, in both Cabo Delgado and Maputo, with a well-earned reputation for integrity.

[REDACTED]

[REDACTED]

6. Initial Projects – “Getting Started”

EKN desires to fund two to three small projects in Cabo Delgado to “test the waters” and that, if successful could be scaled up in the future, with additional funding from other public and private donors, as well as EKN itself, depending on available budget resources. With the above in mind, three projects were selected based on the following criteria: 1) within a recognized area of competence and experience of EKN globally and in Mozambique, 2) in the case of value chain interventions, with the potential to grow significantly and remain competitive even within an economy dominated by aluminum, coal and gas exports, 3) resilient in the face of climate change, 4) inclusive, especially of smallholder farming families, 5) at least initially outside Pemba and Palma, which are overcrowded with donors, 6) potentially of interest to other public and private donors, and 7) with synergies with other areas of EKN interest, i.e. food security, nutrition, water, hygiene and education.

a. Poultry/Soy Value Chain – Montepuez District

- Over the past thirteen years, the poultry industry has grown from less than 1% to more than 4% of GDP. Prior to the “crisis,” consumption was growing at 20% per year due to increased urban purchasing power. Once the urban economy rebounds, it is expected that consumption will return to its previous growth rate of 20% per year and poultry will represent an increasingly large proportion of the economy.
- Approximately 90% of the frozen chicken consumed in Mozambique is produced in Mozambique, with approximately 10% imported from Brazil. The tariff on imported chicken is 20%; not particularly high by global standards. The expectation is that domestically produced chicken and eggs will continue to be competitive, even with “Dutch disease” lurking around the corner; with perhaps a small increase in the tariff rate if needed.
- 70% of the cost of producing a chicken is feed, with half of that being the value of maize and half being the value of soy in the feed. Hence, to the extent that the maize and soy for poultry feed are procured from smallholder farmers in rural Mozambique, which they generally are, the poultry industry is by its nature highly inclusive.
- Maize sales are already the largest source of cash income for smallholders in Mozambique; though soy income to smallholders is presently much smaller, it has been increasing at approximately 50% per year.
- *Novos Horizontes*, the largest poultry producer in the north of the country, based in Nampula, is planning to invest in a feed mill, hatchery and abattoir in the Montepuez district of Cabo Delgado. Anadarko has signed an agreement with TechnoServe to support this development, with training of *Novos Horizontes*’ smallholder outgrowers in Montepuez.
- Montepuez district is highly suitable for soy production, and soy is an excellent rotation crop with maize and cotton, both of which are widely grown by smallholders in the district.
- Soy variety trials, along with the development of an initial cohort of small commercial soy farmers would be appropriate interventions at this juncture.
- These developments have the strong support of the provincial government; both the Governor and the Provincial Director of Agriculture stated that they wish to see the expansion and modernization of the poultry value chain in Cabo Delgado.

**Investing in the soy component of the poultry value chain in Montepuez, as EKN has previously done successfully in Alta Zambezia, would be highly impactful.**

#### b. Mango Value Chain – Macomia District

- Mango is the most grown and eaten fruit in the world, due largely to production and consumption in India. It is grown in India and Mozambique almost exclusively by smallholders, and suits smallholder growers exceptionally well. It is a drought-resistant species with a deep tap root, ideal for semi-arid climates like India and Mozambique, and is resilient to climate variation. Mozambique’s mango seasons are the opposite of India’s seasons, as the two countries are on the opposite sides of the Equator.
- What Mozambique has lacked to turn mango into a successful commercial activity are, above all, access to markets and a variety that is attractive to those markets. The “Rodo” variety, grown by virtually all families in the central plateau of Cabo Delgado (with the greatest concentration of Rodo mango trees located in Macomia district) meets the market attractiveness requirement. It has the ideal size, color, shape, taste, low fiber, shelf life, and transportability for Middle East and South Asian markets; and it retains purity of line, as it does not cross with other varieties. At the same time, the emergent, newly developed

banana export industry in Mozambique provides a market access platform for the first time, with bananas being harvested and shipped to the Middle East every week of the year, making shipping available for mangos during their harvest season. If this industry were to disappear because of the recent discovery of Panama Disease, air freight would still be an option, as supplies that already reach the Middle East during Mozambique's mango season are mostly air freighted from Brazil and Peru.

- Mozambique is already highly regarded in the Middle East as a source of fruit due to the outstanding quality and sweetness of Mozambican bananas compared with bananas from the Philippines and other origins.
- Counter-seasonal fruit supply is often quite profitable. While the ratio of consumption is generally 4:1 in volume in-season vs out-of-season; prices paid by consumers for counter-seasonal fruit are at least twice as high as in-season prices. Mangos are sold in the Middle East during the Mozambican season for more than \$10 per kilo.
- A group of young Mozambican agronomists have joined forces with *Izishop*, Mozambique's successful online grocery venture, founded by a young Mozambican entrepreneur, to develop the market for fresh "Rodo" mangos both within and outside the country.
- At the same time, PhilAfrica, a large South Africa-based agri-processing concern, is planning to invest in processing the "Rodo" mango variety into pulp, juice and dried products.
- The "Rodo" mango opportunity offers oil and gas companies in Cabo Delgado the option to create a 40-year annual "annuity" for oil and gas industry construction worker families back home; a strong incentive for the workers to return home when construction is complete.
- There are three technology investment options for smallholder mango growers in Mozambique: 1) simple irrigation systems to extend late harvest fruit quality; 2) spraying for early flowering for up to 8-months of fruit harvest vs 3-months of harvest; 3) grafting or seedlings for second-year or fifth-year harvest respectively. A network of nurseries developed by the Aga Khan Development Network (AKDN) is already in place to provide input supply. Furthermore, it would be quite feasible to develop a voucher system for inputs, which would likely "crowd in" further donor investments, yet not create unsustainable subsidies.
- In addition to substantially enhancing family incomes, the availability of mangos over 8 months of the year instead of 3 months, would likely improve family nutrition significantly, as 87% of the minimum daily requirement for Vitamin A is provided by one mango, one of the highest Vitamin A levels among fruits.
- The enhanced availability of water from small-scale irrigation systems for mangos would likely simultaneously unlock other horticultural value chain opportunities that require irrigation.

**Supporting families located in Macomia on the Makonde Plateau, the locus of "Rodo" mango production, in making investments in extended flowering, small-scale irrigation and new planting would likely be one of the most impactful interventions that EKN and other public and private donors could make to boost inclusive local economic development in Cabo Delgado.**

c. Youth Employment – Montepuez and Macomia

- SNV is implementing a successful youth employment program, OYE, in rural Zambezia and Nampula, funded by the European Union and the Master Card Foundation.

- A similar project in Cabo Delgado, in Montepuez and Macomia, would complement EKN investments in the soy and mango value chains, with collaboration between the three projects encouraged. The OYE project already includes the poultry value chain, with Nampula youth participants in the *Novos Horizontes* poultry outgrower network; and Zambezia youth in soy production.

**A youth employment project in Montepuez and Macomia would be highly complementary to EKN interventions in the soy and mango value chains.**

d. Suggested Implementing Partners and Synergies

TechnoServe would be the most likely candidate to implement the recommended soy project, given the successful similar work of its agricultural team with EKN in Alta Zambezia. The Aga Khan Development Network is the logical choice to implement the mango value chain project, due to their success in developing mango nurseries in Cabo Delgado and the familiarity of their team with the recommended irrigation and early flowering technologies. Finally, SNV's track record with the OYE project in Nampula and Zambezia makes them the preferred candidate to implement a youth employment project.

Discussions with EKN and stakeholders about these potential projects uncovered a variety of synergies and follow-on opportunities that should be highlighted in the planning and implementation of these projects:

- All three projects are likely to have a positive effect on food security and nutrition by: 1) increasing soy yields (due to improved seeds and farming practices), maize yields (due to the positive effect of rotation with soybeans) and mango yields and broader seasonal availability for home consumption (due to irrigation and early flowering); 2) increasing disposable income for food purchases from soy, maize and mango sales; and 3) training of youth in these technologies, with benefits of this new knowledge accruing to families far into the future.
- The introduction of small-scale irrigation (most likely utilizing "dykes" being promoted by AKDN in Cabo Delgado) will open new opportunities for WASH interventions, as well as for horticultural production, with positive interacting impact on hygiene and nutrition.
- As other donors, including SDC and DFID, plan and implement investments in the broader enabling environment for youth training and youth employment in Cabo Delgado and countrywide, EKN support for OYE in Cabo Delgado would provide a useful on-the-ground model for other donors to scale up youth training programs. Third Way Africa mentioned specifically the idea of establishing an Agro-Forestry Academy modelled on the very successful Maritime Academy in Cape Town that trains youth broadly in skills relevant to the maritime industries, from shipping to fishing to logistics. Either the Agricultural College at Bilibiza, presently under the direction of the AKDN, or the PIREP training center in Macomia, which is presently underutilized, would be among logical locations for an Agro-Forestry Academy.
- There are intriguing opportunities for south-south collaboration around these projects as well. TechnoServe's agricultural team is already collaborating with Argentina in adapting soy technologies to Mozambique, with EKN support. Chile could also be an excellent partner, with its success in growing counter-seasonal fruit for demanding Northern Hemisphere markets as well as its exemplary success in developing non-point-source-extractive industries, such as salmon fishing and specialty horticultural products, that represent a large

proportion of what is otherwise an economy weighted toward point-source extractives, most notably copper.

- These projects also offer opportunities for Dutch business interests. The Netherlands is already the largest European importer of Mozambique (including Cabo Delgado) sourced cashew kernels. The same Dutch importers would most likely also be interested in high quality dried mango and other tropical fruits from Mozambique and Cabo Delgado, including banana and pineapple, for inclusion in their snack offerings.
- Dutch investors are leading the development of the Mozambican *moringa* industry, based in nearby coastal Nampula, much of which will be sold as an additive for animal feeds. A poultry industry based in Montepuez could be a partner for product testing, as well as a customer for *moringa* feed additives.
- *Izyshop*, Mozambique's internet supermarket, could leverage its planned investment in Rodo mango distribution from Macomia into internet supermarket operations in Palma and Pemba. *Izyshop* might also logically support the expansion of the Netherlands' Orange Corner incubator into those cities to assist entrepreneurs to become *Izyshop* suppliers and service providers.
- Once established in Montepuez, *Novos Horizontes* is likely to want to expand its sales of day-old chicks and poultry feed to peri-urban youths in Palma and Pemba with an interest in becoming producers and suppliers of live chickens and eggs for informal urban markets.
- The World Bank-funded Catalytic Fund could provide EKN with a mechanism, if desired, for supporting targeted investments in Cabo Delgado in the future. The Fund has the capabilities to identify, evaluate and co-finance specific strategic investments in the north of the country, and would welcome complementary funding from EKN focused on Cabo Delgado.
- Perhaps the largest opportunity for Mozambique to balance the scale of its point-source extractive industries is the pulp, paper and wood industry, based on plantations of fast-growing tree species. A study conducted by the FAO several years ago, estimated that Mozambique had the potential to plant between 3 million and 7 million hectares of fast-growing trees for paper, pulp and wood. By comparison, South Africa's relatively large forest product industry plants only 1.5 million hectares. Taking 5 million hectares as the most likely amount to be planted in Mozambique, the industry would employ 500,000 people in rural areas, and generate \$10 billion in annual revenues, with an estimated contribution to GDP of \$15 billion.
- The proposed Rovuma valley development agency could play an important role in promoting the plantation forest industry, as did the *Fundacao Malonda* in Niassa over the past decade, and Cabo Delgado has large areas that would be suitable for forest plantations. While none of the three recommended projects are directly aimed at catalyzing the growth of this industry, all three of them would help create an enabling environment for the industry. The youth employment project could include training for the forestry sector; and the soy and mango value chains would complement employment in forest plantations, as farming soy and mangos in areas neighboring forest plantations would help reduce slash-and-burn farming methods and provide additional income to families with members employed in the forest sector.<sup>3</sup>

**A soy value chain project in Montepuez implemented by the TechnoServe agricultural team; a mango value chain project in Macomia implemented by the AKDN horticulture**

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<sup>3</sup> Organization Development Within a Context of Rapid Industrialization: Agro Forestry Villages in Mozambique, J.K. Walter, P.R. Ferrara, J.H. Juma, B. Paul, D.A. Coelho, A.F. Couvinhas. (Annex III)

**team; and a youth employment project in Montepuez and Macomia implemented by the SNV OYE team, together would help put EKN squarely on the road toward achieving its objective of catalyzing rapid growth of non-extractive, inclusive industries, and hence with its overarching goal of inclusive economic development.**

7. Multi-Stakeholder Engagement and Consultation – “A Continuing Conversation”

The three projects described above are focused on value chain development and employment. While they have indirect impact on a broader set of development objectives, such as nutrition, hygiene, and developing the horticultural and wood and pulp industries, EKN also wants to play a role in supporting the integration of broader development goals through multi-stakeholder engagement and consultation in Cabo Delgado.

The provincial government has expressed a desire to have EKN support the launch of their recently completed Provincial Development Strategy, which is scheduled for May of this year. During discussions with EKN, the Governor and his team further expressed their willingness to engage communities and stakeholders in an ongoing strategy review process, with EKN support.

While most stakeholders liked the idea of multi-stakeholder engagement and consultation, many of those interviewed expressed a concern that this type of strategy discussion and review is often insufficiently concrete, and tends toward theoretical or ideological debate, rather than practical decision making. In light of this concern, EKN should consider anchoring these discussions around spatial multi-sector strategic plans, utilizing high resolution (1:50,000) satellite imagery. Experience globally is that these types of discussion based on spatial plans can be extremely valuable, and the Netherlands is one of the leaders in these technologies and approaches.<sup>4</sup>

While probably not feasible to fund detailed spatial strategic planning for all districts in the province initially, if possible EKN should at least fund detailed spatial strategic planning for those districts of its initial interventions, namely Montepuez and Macomia. In this manner, EKN will be simultaneously strengthening the effectiveness of their interventions in these districts and demonstrating to other donors the value of this approach, which hopefully other donors will adopt in the future in support of their respective interventions.

**EKN should integrate multi-stakeholder engagement and consultation and spatial strategic planning into support of the launch and regular review of the Provincial Development Strategy.<sup>5</sup>**

8. Potential for EKN Collaboration with Other Donors in Cabo Delgado – “How to Herd Cats”

The soy project in Montepuez would already be leveraging resources from Anadarko and Novos Horizontes; DFID and SDC investments in the enabling environment for youth

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<sup>4</sup> How, when, and for what reasons does land use modelling contribute to societal problem solving? B. Sterk, M.K. van Ittersum, C. Leeuwis. (Annex IV).

<sup>5</sup> The MSP Guide: How to Design and Facilitate Multi-Stakeholder Partnerships, H. Brouwer, J. Woodhill.

employment would be complementary to the EKN-funded youth employment project; ExxonMobil is already considering supporting Rodo mango planting among the families of gas project construction workers; and the mango project itself could easily be expanded into Mocimboa and Palma with oil and gas company support.

Additional opportunities for collaboration and co-funding are numerous, as listed below. Priority agencies for collaboration and co-funding appear to be ADB and Italian Aid; both are in the planning to enter Cabo Delgado in the short term and are eager to share ideas and co-fund projects with EKN.

<b>Donor</b>	<b>General Areas</b>	<b>Specific Projects</b>	<b>Opportunity</b>	<b>Timing</b>
ADB	Urban Planning, Regional Agency and Stakeholder Engagement	All	All	Short Term
Anadarko	Value Chains	Soy/Poultry	Coordination	Immediate
DFID	Skills Training	Enabling Environment	Coordination	Medium Term
ENH			Stakeholder Engagement	Short Term
ENI	TBD			
European Union	Value Chains			Medium Term
Exxon Mobil	Value Chains	Mango	Ag Extension	Short Term
Italy	All	All	All	Immediate
Norway	Value Chains	Mango	Bilibiza Agricultural School	Short Term
Shell	TBD	Mango	Ag Extension	Short Term
Spain	Health Horticulture			
Sweden	Niassa			
Swiss	Skills Training	Enabling Environment	Coordination	Medium Term
USAID	Value Chains			Medium Term
World Bank	Value Chains	Catalytic Fund	Grants to Private Sector	Medium Term

Coordination among both private and public donors and co-funding of projects and activities will be increasingly important to EKN given the possibility of reductions in development aid to Mozambique over the coming years. These opportunities need to be further explored and should be an integral part of EKN strategy going forward.

That said, the coordination of the development activities of international donors is no less difficult than the coordination of the Corporate Social Responsibility (CSR) activities of multinational corporations, and no easier than herding cats! Nonetheless, given its potential value in terms of focusing resources and avoiding duplication, it is highly desirable.

The recent launch by the United Nations of the Sustainable Development Goals (SDGs) for industry and donors might provide a useful framework for this process.



**EKN should attempt, perhaps by leveraging its support of the *Empresa Nacional de Hidrocarbonetos* (ENH), to create a platform that brings together the oil and gas multinationals and international donors to further align their CSR and development activities in Cabo Delgado on an ongoing basis.**

#### 9. Options for Managing the Early EKN Engagement in Cabo Delgado

This document has recommended these seven distinct activities for EKN in Cabo Delgado:

- a. Establishment of a regional development agency, modeled on ADVZ and the *Fundacao Malonda*,
- b. Definition of role and designation of [REDACTED] in Cabo Delgado,
- c. A soy value chain project in Montepuez,
- d. A mango value chain project in Macomia,
- e. A youth employment project in Montepuez and Macomia,
- f. Integration of multi-stakeholder engagement and consultation and strategic spatial planning into the launch and regular review of the Provincial Development Strategy, and
- g. Working with ENH to convene oil and gas multinationals and international donors around a platform for coordinated CSR and development investments in Cabo Delgado.

Ultimately, EKN hopes that the regional development agency, once created and operational, will be able to carry forward these activities on behalf of EKN.

**However, in the meantime, EKN needs to identify an organization with the capability and motivation to manage the activities and the eventual transfer of their management to the regional development agency.**

The two candidate organizations most suited to such a task are the Aga Khan Development Network (AKDN) and Third Way Africa (TWA). AKDN has been managing a large portfolio of development activities in Cabo Delgado for more than a decade, on behalf of multiple donors. TWA, on the other hand, with its private sector profile, despite having less experience in Cabo Delgado, would likely be more capable and motivated than AKDN to implement activities a, b, f and g above, given the critical importance of engaging the private sector in these activities. Both organizations – AKDN and TWA – expressed a willingness to take on this role.

#### 10. Next Steps

- a. EKN should decide which activities recommended in this document it wants to pursue;
- b. EKN should develop a terms-of-reference for the management of the selected activities;
- c. AKDN and/or TWA and/or any other organizations that EKN wishes to consider as managers of the activities should be asked to submit a proposal as to how they would manage the activities described in the terms-of-reference, including a proposed budget.

Given that the provincial government is planning to launch its Provincial Strategic Plan in May, these next steps should be scheduled to begin in March and be completed by mid-April, should EKN indeed wish to support the launch of the Provincial Strategic Plan.

Attachments:

- I. Consultant Terms-of-Reference
- II. [REDACTED] CV – English
- III. How, when, and for what reasons does land use modelling contribute to societal problem solving? B. Sterk, M.K. van Ittersum, C. Leeuwis.
- IV. Organization Development Within a Context of Rapid Industrialization: Agro Forestry Villages in Mozambique; J.K. Walter, P.R. Ferrara, J.H. Juma, B. Paul, D.A. Coelho, A.F. Couvinhas.

## **Terms of reference : NL/EKN Engagement in Cabo Delgado**

### **Background**

The recent oil and gas findings, along with the development of other natural resources fields, suddenly turn the province of Cabo Delgado in general and Palma more specific into a potential source of employment and revenues of a magnitude that had not been anticipated by the stakeholders, from both the institutional and business communities. The realisation of these investments will spur development in the region. It will rapidly transform a rural coastal region that belongs to the poorest areas in Mozambique, currently known mainly for its traditional fisheries and its largely underdeveloped tourism potential. By 2045 Palma may have grown into a mid-size city with a population anywhere between 65,000 and 180,000 people and a variety of infrastructure and logistical connections (port, airport, electricity, roads) to the rest of Mozambique and the world at large.

This transformation will take place in just decades, with average annual population growth rates of 10 to 15%. Such rapid growth constitutes an enormous opportunity for the region if stakeholders manage to translate it into inclusive, diversified, sustainable and resilient development. It constitutes enormous risks as well. Planning, guiding and governing such rapid development in a way that benefits all, is a huge challenge that the Government of Mozambique (GoM) and the local communities are not prepared for yet.

To date, the oil and gas industry seems to lead the process of shaping the future of the Palma region. Companies like Anadarko, ENI/ExxonMobil and Shell invest heavily in the preparation of multi-billion investment projects. They are scoping environmental and social impacts associated with their investments, are preparing development scenarios, and are exploring ways to maximize local benefit and mitigate adverse effects. All this is legitimate. However, the oil and gas sector's investments will have more socio-economic development impact on the region if these are accompanied by a broad regional development process. A systemic, integrated or landscape approach is important to spur developments in this region in an integral and sustainable way. Such an approach takes a specific geographical location as a starting point, and looks at entry points for development in an integral way: economic; social; ecological. It specifies the need for iterative processes of understanding, negotiation, and decision-making among actors from different sectors.

Cabo Delgado is suited for producing crops, with constant (although low levels of) rainfall and reasonable fertile soils. However, challenges of an enormous yield gap and access to markets remain, both in terms of market infrastructure and purchasing power of potential consumers. The levels of chronic malnutrition are the highest in Mozambique (51.4%; SETSAN 2014). In addition seed production and nutrition are big bottle necks in Mozambique generally, with Cabo Delgado being no exception. It is necessary to assess the potential positive and negative effects of different development scenarios on food security, because of the anticipated rapid pace of change generally, and the adverse effects of climate change on what is already a drought-prone region with marginal food security, presently largely dependent on subsistence agriculture and fishing.

A successful process requires political leadership at the highest level. It requires that the GoM engages local communities, local private sector, civil society, knowledge institutes and leverage

their resources and capacity in a collaborative process. Alone, the GoM cannot develop appropriate countervailing power. Alone, the GoM will not be able to match the industry's effort and foster positive development outcomes for the region. The GoM just lacks the resources for that. That is at least the experience in other cities such as Tete, Nacala and Pemba in which rapid development takes place as a result of substantial foreign direct investment. The perception among many Mozambican government agencies is that they themselves and the communities concerned, were ill prepared, and that as a result, from the start, they were two steps or more behind and are unable to catch up.

Multi-stakeholder partnership (public sector, research institutes, universities, private sector, civil society, donors) is the keyword. The Dutch government has supported development in/of Mozambique since the 1970s and has provided support in various multi-stakeholder processes in various sectors and parts of the country in recent years (ZVDA, BAGC, FIPAG, Beira City, land registry, support to ENH, etc.). NL G2G support to such a regional integrated development process fits well in the NL aid & trade policy. It could build on similar support to regional development in other parts of the country. Given this background, the Embassy of the Kingdom of the Netherlands (EKN) in Maputo decided to hire external expertise to make an assessment whether there is room for NL involvement in the province of Cabo Delgado.

### **Two-step-approach**

As a first step, the consultant WAZA was given the assignment to make an overview of the stakeholders involved and the current development plans in Palma and hinterland. This overview included a political economic analysis, an identification of key stakeholders, an assessment of how well they are informed and prepared for the coming developments, an inventory of on-going and planned development initiatives in the province of Cabo Delgado (with a focus on Palma and Pemba) and a preview of potential Dutch interventions. Now, EKN is planning a second assignment to identify concrete possible interventions, based on the findings in the WAZA-report and further strategic guidance by EKN, keeping an integrated, or landscape, approach as a guiding principle.

At the same time a study by LANDac, Shared Value Foundation and Both Ends will be executed centering on the perspective of local stakeholder groups and the way local communities may be affected by the future investments in Cabo Delgado. Resulting in possibilities for a learning platform and lessons learned for Dutch stakeholders.

### **Observations from the WAZA-report**

- Public, private and civil society actors in Cabo Delgado are generally ill-informed of development and investment plans and their status, and are therefore ill-prepared for what is coming. There are no strong local players ready and/or willing to take the lead for the socio-economic development of the province. At the same time, there is a confirmed need for coordination, collaboration and exchange of information by all stakeholders.
- Development partners will have to adopt a broad approach in Cabo Delgado. Relevant players in the province will perceive a focus on Pemba and/or Palma as opportunistic.
- The Cabo Delgado Provincial Strategic Plan and platforms such as the Provincial Development Observatory and the sustainable development platform CDSDF initiated by IUCN are relevant structures that development partners should build on.
- It is recommended to define an identity/public strategy to progressively build Dutch image in Cabo Delgado, since NL will be regarded as a newcomer.

### **NL profile in Cabo Delgado**

- NL have comparative advantage and successful track record in process facilitation around integrated spatial planning, development and financing.
- NL are in it for the long haul.
- NL support Mozambique-led processes (national/provincial/local)
- NL act as a broker, connector and mediator (public, private, civil society, IFIs, donors)
- NL partner with established development actors in the province

### **Principles for NL intervention**

- Demand-driven.
- Results-oriented.
- Integrated, or landscape, approach.
- Cognizant of a complex political economy: public-private, local-central, foreign-national, old hand-newcomer, Muslim-Christian, fishermen-farmers, elite-poor, political faction dynamics, etc.
- Transparent (everybody knows what is happening).

### **Approach**

- Participatory and inclusive (government, private sector, civil society, academia, vulnerable groups and local communities).
- Integrated (aid & trade, nexus water-food-energy-climate, assess-plan-finance-implement-operate). Strategies and interventions that enhance resilience, especially food security. All strategies and interventions considered and/or recommended will be evaluated based on their on their probable impact on food security and their food security indicators.
- Provincial authorities and regional development authority, if established, in leadership and coordinating role.
- EKN's strategic partners such as CIP, FIPAG, AIAS, ARA Norte, MITADER, PSI, UNFPA, ZVDA as potential peers.
- Facilitating conversations and information exchange between parties for mutual benefit and trust.
- Leverage private investment with ODA as from 2019 (factor 3-5).

### **Consultant assignment**

- Explore feasibility and political support (at central and provincial level) for a northern regional development agency. Building on the Dutch experiences and support for the Zambezi Valley Development Agency, which is important for the contribution of the embassy to the FNS indicators. A regional agency can further support the integration of the likes of food security, water and SRHR/health.
- Identify local champion as an initial anchor for Dutch support to Cabo Delgado.
- Identify 2 or 3 small projects and quick wins plus earmark a bigger project for north of Mozambique: SRHR, water, FNS, private sector (use aid money and PSD apps).
- Identify feasibility of (a series of) round tables. Scope of round table(s):
  1. To have different stakeholders at the same table (message is in the meeting) and that these stakeholders share their interests amongst each other in a transparent way.
  2. Lessons to be learned from other regions of Mozambique that have experienced rapid development in recent years and from Mozambican partners of EKN.
  3. Shared vision of a future CD among relevant CD stakeholders;

4. Priority elements of provincial plan to move forward towards implementation and ways to better coordinate donor support in the process;
5. Appetite among foreign investors to invest in (3).
  - Explore collaboration with international partners: O&G companies (Anadarko, ENI, Shell), companies active in mining, infrastructural companies, livestock, forestry and horticulture, IFI's (WB, AfDB), international NGO's (including the organisations performing the study mentioned above).
  - Look for possible other donor countries (Norway, Spain, Switzerland, Sweden) to team up.
  - Recommend concrete next steps for each of the tasks above, and indication of resources required, including indication of level of support/commitment among relevant stakeholders in CD (in government, private sector and civil society) for the various steps.

**Consultant deliverables (to be delivered before 31 January 2018):**

- Written report (in English)
- PowerPoint presentation (in English).

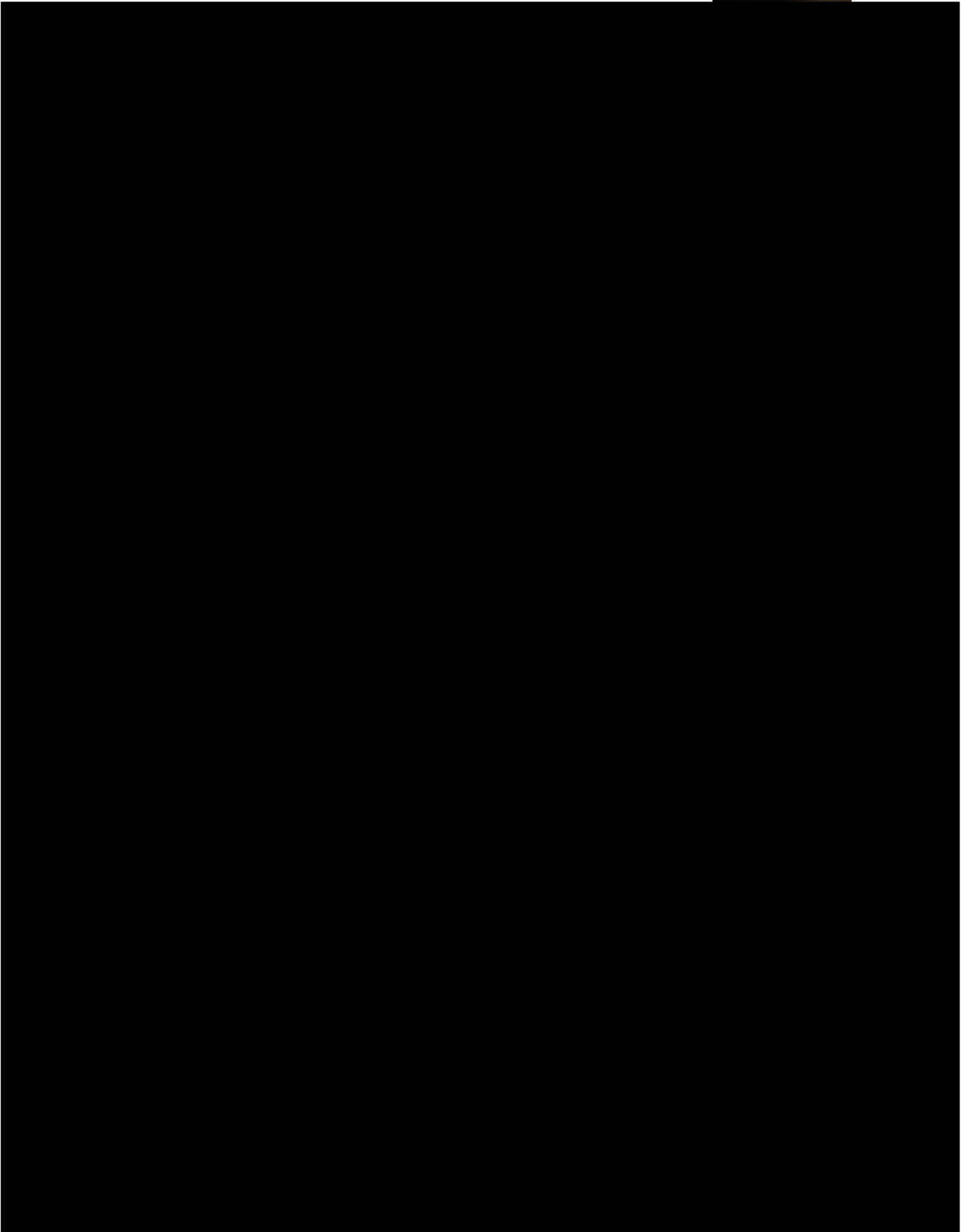
**Expertise required**

Executed by Jake Walter, an independent consultant who has an extensive network among relevant actors in the area, extensive and actual knowledge about developments in the north of Mozambique, years of experience in implementing strategic plans in agricultural value chains, and excellent command of both Portuguese and English (spoken and written).

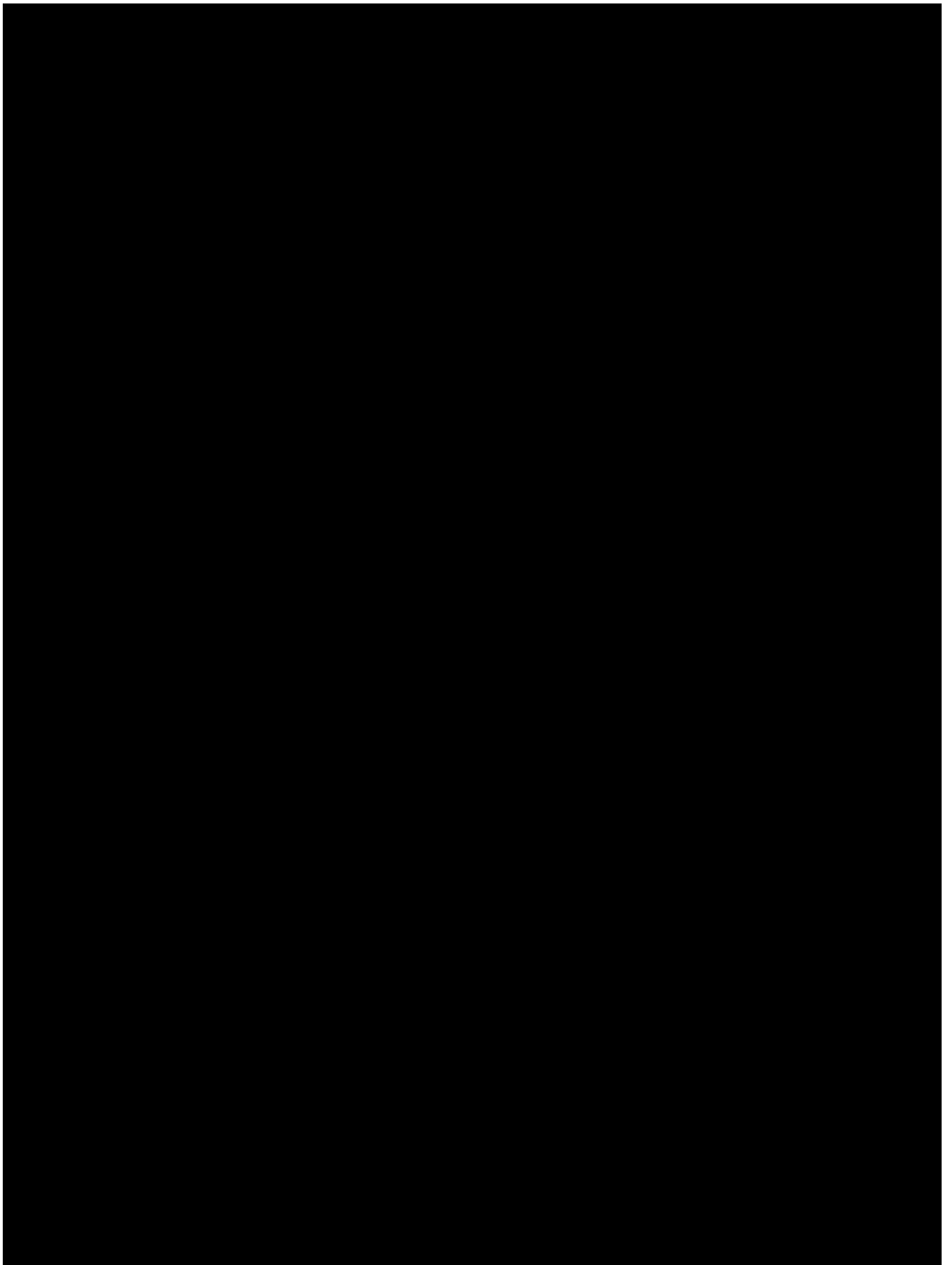
Wageningen Centre for Development Innovation (CDI) will make available additional backstopping expertise to the consultant, for example in the area of the Dutch agribusiness involvement in Mozambique, or integrated spatial planning/landscape approaches. This will be coordinated with the Embassy, but managed outside of this contract.

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Annex II







Annex III

PDF File (land use envir modelling 2011) Attached

Annex IV

PDF File (ODAM 2011\_No 119\_Ferrara) Attached