Workplan of Economic Diversification Portfolio

B0358 - Mozambique - Maputo

REPORTING PERIOD 2025-2025

Narrative

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1. Executive Summary

The Economic Diversification Portfolio provides a strategic and integrated framework to support Mozambique's transition towards a more diversified, inclusive and resilient economy. Jointly led by UNDP and the Ministry of Economy, the portfolio seeks to address structural constraints that continue to limit productivity, private sector development, access to finance, value addition and the creation of decent employment opportunities, particularly for young people, women, micro, small and medium-sized enterprises and actors operating in the informal economy.

The Multiyear Work Plan is organised around three mutually reinforcing pillars: integrated economic governance and institutional instruments for diversification; transformation of the informal economy and development of inclusive market systems; and provincial economic diversification, innovation and portfolio learning. Through these pillars, the portfolio will support stronger institutional coordination, structured engagement with the private sector, evidence generation, policy development and the testing of practical solutions at national and subnational levels.

The portfolio builds on analytical work, stakeholder engagement and implementation experience generated through initiatives such as the Innovation Challenge and the Collective Action Platform for Agricultural Commercialization. These interventions provide practical entry points for understanding the constraints faced by enterprises, strengthening productive capacity, improving access to markets and finance, and testing models that can inform broader policy and investment decisions.

Going forward, the portfolio will place particular emphasis on consolidating emerging results, strengthening complementarities across interventions and translating evidence into scalable and institutionally sustainable solutions. Continued government ownership, stronger public-private collaboration and adaptive learning will be central to ensuring that portfolio interventions contribute to inclusive economic transformation and resilient livelihoods over the longer term.

2. Background

Mozambique continues to face structural economic challenges that constrain inclusive growth and shared prosperity. The economy remains highly dependent on low-productivity agriculture and capital-intensive extractive industries, while domestic value addition, productive linkages, enterprise development and employment generation remain limited. These challenges are compounded by high levels of informality, restricted access to productive finance and markets, skills mismatches, institutional coordination constraints and continued exposure to climate, security and market-related shocks.

In response to these interconnected challenges, UNDP and the Ministry of Economy established the Economic Diversification Portfolio as a coordinated, adaptive and results-oriented platform. The portfolio is intended to move beyond isolated and sector-specific interventions by aligning

policy, financing, skills development, private sector engagement and territorial implementation around shared economic transformation objectives. Its approach recognises that sustainable diversification requires coordinated action across institutions, levels of government, financial actors, businesses, development partners and communities.

The design of the portfolio has been informed by UNDP's analytical work, including the economic complexity study conducted in 2025, as well as consultations and engagements with private sector actors, particularly in Manica, Niassa and Cabo Delgado. These processes have helped identify provincial economic opportunities, enterprise-level constraints, emerging value chains and areas where stronger coordination, investment and institutional support are required.

Pilot interventions, including the Innovation Challenge and the Collective Action Platform for Agricultural Commercialization, have further generated practical lessons on productive finance, business resilience, informal sector participation, market access and institutional ownership. The Multiyear Work Plan provides the framework for consolidating these experiences, strengthening national and provincial coordination, and translating evidence into policy instruments, scalable interventions and sustainable delivery mechanisms.

3. Key Results Achieved

- **Level of Reporting:**

  Output level results

  Project Outputs:

  Strenghtening integrated and outcome driven economic governance

  Contributing Outcomes:

  Outcome 2. By 2026, more people, particularly women and youths, participate in benefit from a more diversified, inclusive, and sustainable economic growth based on increased production, productivity, and greater value-added chains

  Contributing Outputs:

  Output 2.1 Resilient and inclusive economic recovery of communities vulnerable to disasters strengthened.

  Progress Note:

The Innovation Challenge supported 10 private sector initiatives in Niassa and Manica, selected from 236 business applications. In parallel, the Collective Action Platform for Agricultural Commercialization, established in Quelimane, strengthened the capacities of 100 informal economy actors by improving their links to markets, supporting the agricultural subsector and promoting a gradual transition towards more structured and inclusive economic activities.

- **Level of Reporting:**

  Output level results

  Project Outputs:

  Expanding Access to Transformative Skills and productive Finance

  Contributing Outcomes:

  Outcome 2. By 2026, more people, particularly women and youths, participate in benefit from a more diversified, inclusive, and sustainable economic growth based on increased production, productivity, and greater value-added chains

  Contributing Outputs:

  Output 2.1 Resilient and inclusive economic recovery of communities vulnerable to disasters strengthened.

  Progress Note:

- **Level of Reporting:**

  Project Outputs:

  Promoting Diversification into productive and climate resilient sectors

  Contributing Outcomes:

  Outcome 2. By 2026, more people, particularly women and youths, participate in benefit from a more diversified, inclusive, and sustainable economic growth based on increased production, productivity, and greater value-added chains

  Contributing Outputs:

  Progress Note:

Through the Innovation Challenge, financial support enabled enterprises in Niassa and Manica to invest in productive assets, improve their operations and strengthen their capacity to withstand economic and operational shocks. This support contributed to making the businesses more resilient, while also creating and sustaining 80 decent jobs, surpassing the target of 75. By reinforcing the continuity and growth of local enterprises, the initiative contributed to more inclusive economic recovery and stronger livelihoods in vulnerable communities.

- **Level of Reporting:**

Project Outputs:

Project management

Contributing Outcomes:

Unavailable - Not applicable

Contributing Outputs:

Unavailable - Not applicable

Progress Note:

Project management arrangements were put in place to support the effective implementation of the initiatives, including coordination with implementing partners, regular monitoring of activities and results, financial oversight and follow-up on agreed deliverables. These mechanisms helped maintain implementation progress, address operational challenges and ensure alignment with programme objectives.

- **Level of Reporting:**

  Contributing Outcomes:

  Contributing Outputs:

  Progress Note:

During 2025, UNDP advanced the foundations of the Economic Diversification Portfolio by strengthening the evidence base and engagement mechanisms required for a more coordinated and territorially grounded approach to economic diversification. The economic complexity study provided analytical insights into Mozambique's productive structure, existing capabilities and potential pathways for diversification, helping to inform future policy dialogue, programming and investment priorities. Engagement with private sector actors and provincial stakeholders, particularly in Manica, Niassa and Cabo Delgado, complemented this analytical work by providing practical insights into local business constraints, emerging value chains and opportunities for enterprise development. These consultations strengthened relationships with economic actors and supported a better understanding of how national diversification objectives could respond to specific provincial realities. The portfolio also generated practical implementation evidence through the Innovation Challenge, which mobilised 236 business applications and supported 10 private sector initiatives in Niassa and Manica. The supported enterprises strengthened their productive capacity and resilience and contributed to the creation of 80 decent jobs. These experiences provided lessons on the importance of combining productive finance with technical support, market linkages and close implementation monitoring. In parallel, the Collective Action Platform for Agricultural Commercialization in Quelimane strengthened engagement among informal economy actors and relevant public and private stakeholders. The platform supported

capacity development, market coordination and dialogue around the transition towards more productive and structured economic activities. Together, these results provided an initial evidence and partnership base for the further development of the Economic Diversification Portfolio.

4. Key Challenges Encountered

- **Level of Reporting:**

  Project level results

  Contributing Outcomes:

  Contributing Outputs:

  Progress Note:

The implementation of the Innovation Challenge faced delays in the completion of some planned investments and activities, requiring timeline adjustments and closer follow-up with implementing partners and supported enterprises. Differences in the management, financial planning and reporting capacities of the businesses also increased the level of technical assistance and monitoring required. While the grants strengthened productive capacity and business resilience, ensuring sustainability beyond the financing period remains dependent on stronger market linkages, continued business support and the enterprises' ability to reinvest and adapt to future shocks. For the Collective Action Platform for Agricultural Commercialization, a key challenge has been securing sustained government engagement and ownership. Continued efforts are required to ensure that relevant public institutions progressively assume leadership, coordination and accountability for the platform, which is essential for its institutional sustainability and long-term operation.

5. Project Risks and Issues

Key project issues included delays in the implementation of some activities under the Innovation Challenge, as well as uneven management, monitoring and reporting capacities among supported enterprises and implementing partners. These constraints required closer technical follow-up and adjustments to implementation timelines. The main risks relate to the sustainability of results beyond the project period. For supported businesses, continued resilience will depend on their ability to maintain market access, reinvest in their operations and mobilise additional finance. For the Collective Action Platform for Agricultural Commercialization, limited government ownership and continued dependence on UNDP for coordination may affect its institutionalisation and long-term sustainability. Mitigation measures include strengthened technical assistance, closer monitoring, improved market linkages and continued engagement with government institutions to progressively transfer leadership and accountability.

6. Lessons Learned

Key lessons include the importance of combining productive finance with tailored technical assistance, close monitoring and stronger market linkages. The Innovation Challenge also showed that businesses require different levels of support depending on their management and implementation capacity. For the Collective Action Platform, the experience confirmed that effective multi-stakeholder coordination depends on clear roles, shared accountability and early government ownership to ensure institutionalization and long-term sustainability.

7. Conclusions and Way Forward

The Economic Diversification Portfolio has laid the foundation for a more evidence-based and territorially grounded approach to economic transformation in Mozambique. The economic complexity study conducted by UNDP in 2025 helped identify productive capabilities and diversification opportunities, while engagements with private sector actors in Manica, Niassa and Cabo Delgado provided practical insights into provincial business constraints, value chains and investment potential. These findings informed interventions such as the Innovation Challenge and the Collective Action Platform, allowing the portfolio to test complementary approaches to productive finance, enterprise development and multi-stakeholder coordination. Going forward, the portfolio should consolidate this evidence, deepen private sector engagement and translate emerging lessons into coordinated interventions, policy dialogue and scalable investment opportunities, supported by stronger government ownership.