Economic Diversification Portfolio (EDP)

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April 27, 2026

PORTFOLIO DOCUMENT

[Mozambique Country Office]

Portfolio Title: Economic Diversification Portfolio

Portfolio Number:

Start Date: 01/01/2025 **End Date:** 31/12/2030 **PAC Meeting date:**

Summary Description
UNDP and its public and private partners aim to drive inclusive and sustainable economic diversification by strengthening local economies, unlocking green and blue value, expanding Small and Medium Enterprises (SMEs) finance, building relevant skills, and enabling investment and innovation. Mozambique's economic challenges are structural, systemic, and deeply interconnected. Despite periods of strong growth, the economy remains heavily dependent on a narrow base of low-productivity agriculture and capital-intensive extractive industries that generate limited employment and weak linkages to the broader economy. These structural constraints are reinforced by governance bottlenecks, skills mismatches, limited access to finance for SMEs, infrastructure and technology gaps, and high exposure to climate, security, and market shocks. Addressing these systemic barriers requires coordinated action rather than isolated projects. A portfolio approach enables integrated, adaptive interventions that reinforce each other, reduce fragmentation, crowd in investment, and drive inclusive, resilient economic diversification on a scale. The Portfolio is led jointly by UNDP and the Ministry of Economy, with implementation carried out in close partnership with provincial governments. It engages a broad coalition of stakeholders, including other UN agencies, development partners, multilateral development banks, private sector actors, financial institutions, and civil society organizations. Provincial Portfolio Platforms serve as coordination hubs to align public, private, and development partner interventions, support co-creation, and ensure that initiatives are locally anchored, inclusive, and responsive to emerging economic opportunities.

PORTFOLIO OVERVIEW

Contributing UNSDCF/CPD or RPD or SP Outcome(s): *(The Portfolio contributes to Strategic Priority Area 2: Economic Diversification and Sustainable Livelihoods.)* Deliver Portfolio Output(s): **Outcome 2:** By 2026, more people, particularly women and youths, participate in and benefit from a more diversified, inclusive, and sustainable economic growth based on increased production, productivity, and greater value-added chains.

Total resources required:	USD 14,044,650.00	
Total resources allocated:	USD175,000	
	UNDP TRAC:	USD 175.000,00
	Primary Donor:	To be mobilized
	Additional Donors:	To be mobilized
	Government:	-
	In-Kind:	Not costed
Unfunded:	USD 13,869,650.00	

Strategic Partners
Implementing Partner(s)

United Nations Development Programme (UNDP) Mozambique
Resident Representative
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1. Contribution to Change

The Portfolio aims to contribute to inclusive and resilient economic transformation in Mozambique by empowering policymakers, businesses, communities, entrepreneurs, and skills providers to design and implement coherent policies and solutions that, collectively, accelerate economic diversification and job creation, specifically for youth.

The portfolio contributes to transitioning from fragmented and siloed, sector-based approaches toward outcome-driven and integrated economic governance; transitioning from reliance on extractive and low-productivity activities toward diversified, value-added, and locally anchored economic activities, including green[1] and blue[2] economies; and transitioning from skills development and financing systems weakly connected to market needs toward transformative human capital and productive financing.

The Portfolio supports national development priorities through policy dialogue, regulatory reform, capacity building, and catalytic investments that unlock private sector participation, foster innovation, and drive system-level changes toward a more diversified, inclusive, and resilient economy. Key focus areas include boosting green and blue economies based on natural value; financing and technical support for small and medium businesses and emerging niches; enhancing skills of young people for human capital development and SMEs for competitiveness and market based production and products transformationfostering the conditions for new businesses to be born and grow sustainably.

1.1 Development Challenge

Mozambique faces the paradox of growth without shared prosperity. Despite a prolonged period of strong economic growth between 2000 and 2015[3], poverty and inequality remain entrenched. The country's economy remains heavily reliant on a narrow base, with extractive industries accounting for the majority of exports (around 70–80%) and driving much of the headline growth, yet generating

[1] Within this portfolio, the green economy is understood as a pathway to drive economic diversification and productivity growth by aligning public policy, private investment, and financial instruments with low-carbon, resource-efficient, and climate-resilient development. It prioritizes sectors and value chains that generate jobs while reducing environmental risks, including renewable energy, sustainable agriculture, and circular economy solutions, supported by blended finance mechanisms and institutional reforms (United Nations Development Programme; United Nations Environment Programme).

[2] In this context, the blue economy refers to the strategic development of ocean and water-based sectors as engines of inclusive growth, combining investment promotion, local value addition, and ecosystem stewardship. It emphasizes strengthening governance frameworks, mobilizing finance, and supporting private sector participation in areas such as fisheries, aquaculture, coastal tourism, and marine services, ensuring that economic opportunities are linked to sustainability and resilience outcomes (World Bank; United Nations Development Programme).

[3] Mozambique experienced a prolonged period of strong economic growth between 2000 and 2015, with real GDP growth averaging approximately 7–8 percent per year. This expansion was largely driven by post-conflict reconstruction, foreign direct investment, and large-scale extractive megaprojects, including aluminum, coal, and natural gas. Despite this sustained growth, its impact on poverty reduction and structural transformation remained limited, with benefits concentrated in capital-intensive sectors and weak linkages to the broader economy (World Bank; International Monetary Fund; African Development Bank).

limited employment and weak linkages to the broader economy. According to the World Bank (*Mozambique Country Economic Memorandum, 2023*) and the International Monetary Fund (*Article IV Consultation, 2022*), this growth pattern reflects a concentration in capital-intensive megaprojects with limited spillovers to the wider economy. Meanwhile, a large share of the population—estimated at around 70–80 percent—depends on agriculture for livelihoods, a sector characterized by low productivity, high exposure to climate shocks, and limited integration into markets. This structural dualism leaves many Mozambicans excluded from the benefits of growth, a situation further exacerbated by non-international armed conflict and acute climate vulnerability (World Bank, *Mozambique Country Economic Memorandum: Mind the Rural Investment Gap*, 2023; FAO, *Mozambique Country Programming Framework 2022–2026*; ILO, *Mozambique Decent Work Country Programme 2022–2026*).

For Mozambique to break free from this pattern, it must invest in more inclusive development strategies that diversify its economy, strengthen institutions, and ensure that the gains from growth are broadly shared. The Portfolio, using system thinking approach, seeks to address the underlying economic problems of Mozambique of widespread poverty, consistently ranking among the lowest globally in indicators such as income, health, education, and food security. These challenges are compounded by economic, climatic, and security crises, which hinder progress toward the Sustainable Development Goals (SDGs).. Additionally, Mozambique's economy remains one of the least developed and diversified in the world, with domestic production and exports primarily dependent on agriculture and extractive industries. In 2023, these sectors accounted for 36.5% of the country's total economic output. Agriculture remains the main livelihood for 80% of the population (~24.25 million people), and provides employment for roughly over 12 million people (IFAD, 2024). Meanwhile, the extractive industries, particularly natural gas, aluminum, and coal production, contributed 79.4% of Mozambique's exports in 2023 (ITC, 2024). Despite significant economic growth driven by these commodities, the benefits have been unevenly distributed, contributing to persistently high levels of poverty and making Mozambique one of the most unequal countries in the world.

This heavy dependence on a few sectors for both domestic production and exports present a significant development challenge. The limited economic diversification increases vulnerability to both internal and external shocks, undermining long-term development prospects. Reliance on agriculture and extractives exposes it to sector-specific risks, such as extreme weather events that affect crop yields or fluctuations in global commodity prices that impact export revenues. For example, the impacts of Cyclones Idai and Kenneth, which severely damaged crops and fisheries, highlight these vulnerabilities, leading to a humanitarian crisis marked by widespread food insecurity and loss of income.

1.2 Description of Change

Mozambique faces deep-rooted structural economic challenges that constrain inclusive growth, resilience, and shared prosperity. To address these challenges, the Economic Diversification Portfolio sets out a coherent pathway to strengthen locally anchored and inclusive economic systems that generate sustainable employment, improve quality of life, and enhance economic resilience through stronger public–private collaboration.

The Portfolio seeks to enable three mutually reinforcing effects: a sustainable and resilient economy driven by strong human capital and a diversified and locally anchored private sector; expanded inclusive employment opportunities and improved quality of life; and stronger public–private partnerships to unlock economic resilience and regional potential. Achieving these effects requires fundamental shifts in how economic systems are governed, financed, and connected to people and markets.

The main underlying shifts required to enable economic diversification are:

- A shift from fragmented, sector-based approaches toward outcome-driven and integrated economic governance, aligning policy design, financing, and delivery across institutions and levels of government, while actively engaging private sector actors as co-investors and co-leaders of economic transformation.
- A shift from reliance on extractive and low-productivity activities toward diversified, value-added, and locally anchored economic activities, including green and blue economies and emerging sectors that generate jobs, strengthen domestic linkages, and enhance resilience.
- A shift from skills development and financing systems weakly connected to market needs toward transformative human capital and productive financing, enabling youth, women, SMEs, and communities to access relevant skills, capital, and markets.

These shifts cannot be achieved in isolation, as Mozambique's economic constraints are systemic and interconnected. The Portfolio therefore focuses on strategic leverage points across four interdependent areas of intervention: natural value for inclusive economies, productive financing, transformative skills, and an enabling business environment. Together, these areas are designed to reinforce one another and drive change across governance, markets, and human capital.

Moving beyond single-point solutions, the Portfolio adopts a system-level approach that enables multiple actors to converge around shared outcomes. It is designed as an open and adaptive partnership, providing space for public institutions, private sector actors, development partners, and communities to co-design, test, and scale solutions. In selected initiatives, the Portfolio will engage directly with private sector leaders to drive innovation, crowd in investment, and accelerate market-led transformation.

By convening stakeholders, aligning investments, and fostering continuous learning, the Portfolio strengthens shared ownership and collective action. Through policy dialogue, regulatory

improvements, capacity building, and targeted pilots, it catalyzes innovation, deepens public–private collaboration, and supports inclusive and resilient economic diversification.

In summary, the Portfolio approach to systemic change is anchored in:

- A multi-stakeholder platform for coordinated action.
- An actively curated learning and sense-making system.
- Targeted pilots to test and scale solutions.
- Policy reform and capacity development to accelerate diversification.

Together, these elements enable Mozambique to transition toward a more diversified, inclusive, and resilient economy, with a stronger role for the private sector as a partner and leader in delivering sustained development outcomes.

1.2.1 Key strategic Risks and Assumptions to be Monitored

The Portfolio's theory of change rests on several critical assumptions and is exposed to a set of strategic risks inherent to Mozambique's economic and institutional context. A core assumption is that sustained commitment from public institutions at national and subnational levels will enable coordinated, outcome-driven governance and policy reform across traditionally siloed mandates. The Portfolio also assumes that private sector actors, including SMEs and anchor firms, will be willing and able to engage not only as beneficiaries but as co-investors and co-leaders in selected initiatives. Another key assumption is that skills development, productive financing, and business environment reforms can be sufficiently aligned with evolving market opportunities to generate inclusive employment on a scale.

Strategic risks include limited institutional capacity or political economy constraints that may slow reforms; uneven or insufficient private sector engagement; macroeconomic instability, climate shocks, or security risks that disrupt investment and livelihoods; and challenges in scaling pilot initiatives into system-level change. There is also a risk that benefits concentrate geographically or sectoral if coordination across regions and actors is weak.

To mitigate these risks, the Portfolio is designed as an adaptive and learning-oriented platform. Continuous sense-making, stakeholder engagement, and iterative testing of solutions will allow assumptions to be regularly assessed, and interventions adjusted in response to changing conditions, ensuring resilience, relevance, and sustained impact.

1.3 Portfolio Horizontal Principles

The Economic Diversification Portfolio is grounded in UNDP's commitment to human rights, environmental sustainability, and inclusive development, as articulated in the Social and Environmental Standards (SES). Economic diversification has far-reaching social, environmental, and institutional

implications, and if not carefully designed and managed, it may exacerbate inequality, exclusion, or environmental stress. The Portfolio therefore adopts a precautionary, rights-based, and inclusive approach, ensuring that economic transformation contributes positively to human development, environmental sustainability, and social cohesion, while avoiding, minimizing, and managing potential adverse impacts.

All Portfolio interventions are designed and implemented in line with UNDP's SES, with systematic attention to social and environmental risks and opportunities. The Portfolio governance framework integrates safeguards, stakeholder engagement, and adaptive risk management to ensure that diversification pathways promote equity, resilience, and sustainable development outcomes. The following horizontal principles guide portfolio design, implementation, learning, and decision-making.

Leaving no one behind and inclusion of vulnerable and marginalized groups:

Consistent with UNDP's commitment to leaving no one behind, the Portfolio applies to a people-centered and vulnerability-informed approach across all interventions. Special attention is given to populations disproportionately affected by poverty, climate shocks, economic exclusion, and insecurity, including women, youth, rural communities, and conflict-affected groups. Portfolio prioritization is informed by socio-economic and vulnerability analyses, with the aim of expanding access to decent work, skills, finance, and markets, while preventing or mitigating potential negative impacts arising from economic restructuring.

Human rights and accountable governance:

The Portfolio integrates a human rights-based approach, promoting participation, transparency, non-discrimination, and accountability in economic governance. Interventions support the realization of the right to decent work, equitable economic opportunities, and inclusive decision-making processes. In accordance with UNDP SES requirements, social and environmental screening is applied to all initiatives to ensure that risks are identified early and that appropriate mitigation measures are incorporated into design and implementation.

Gender equality and women's empowerment:

Gender inequality remains a structural barrier to inclusive economic diversification in Mozambique, limiting women's access to productive assets, finance, skills development, technology, and market opportunities. Women are disproportionately concentrated in informal and low-productivity economic activities and continue to face structural constraints related to unpaid care responsibilities, mobility, access to information, and participation in decision-making processes. These challenges are often more pronounced in rural and underserved territories, where economic opportunities and institutional support remain limited.

The Portfolio applies a gender-responsive and intersectional approach across design, implementation, monitoring, and learning processes. Portfolio interventions will integrate gender analysis, sex-disaggregated data, and gender-responsive indicators to better identify and address barriers affecting women-led MSMEs and women operating in the informal economy. Actions will promote women's economic empowerment through improved access to skills development, productive finance, business support services, and participation in policy dialogue and territorial governance spaces. Particular attention will be given to the inclusion of young women and other groups facing overlapping forms of exclusion, in line with UNDP SES and the Gender Equality Strategy.

Environmental sustainability, climate resilience, and risk management:

Economic diversification interventions are designed to strengthen resilience to climate and environmental risks while promoting sustainable use of natural resources. The Portfolio supports diversification pathways that reduce vulnerability to climate shocks, environmental degradation, and market volatility, including opportunities within green and blue economies. Environmental risks and impacts are assessed and managed in line with UNDP SES, ensuring that interventions avoid or minimize harm and contribute positively to long-term sustainability.

Digital inclusion and innovation:

Digital technologies are leveraged as enablers of inclusive and accountable economic transformation, supporting access to information, financial services, market linkages, and improved governance. In line with SES principles of equity and inclusion, the Portfolio actively addresses risks of digital exclusion by promoting access, affordability, and digital literacy, particularly for vulnerable groups.

Adaptive management and tolerance for uncertainty:

Recognizing that economic diversification is a complex and dynamic process, the Portfolio adopts adaptive management practices consistent with UNDP's emphasis on learning and risk-informed decision-making. Interventions are designed to be flexible and iterative, allowing for continuous adjustment in response to emerging risks, evidence, and changing contexts, including climate, security, and macroeconomic shocks.

National ownership and stakeholder engagement:

The Portfolio is co-owned with national and subnational institutions and engages a broad range of stakeholders, including private sector actors, civil society, and communities. This approach ensures that capacities, knowledge, and solutions are embedded within national systems, strengthening

sustainability and long-term ownership, in line with UNDP SES requirements for meaningful stakeholder engagement.

Continuous learning and accountability:

Learning and evidence generation are integral to the Portfolio's governance and implementation. Monitoring, evaluation, and learning systems are designed to track social and environmental outcomes, test assumptions, and inform course correction. Learning-by-doing across interconnected interventions supports accountability, scaling of effective solutions, and continuous improvement.

Conflict sensitivity and contextual risk awareness:

Portfolio design explicitly accounts for Mozambique's conflict-affected and fragile contexts, recognizing risks related to political economy dynamics, institutional capacity constraints, climate hazards, and security shocks. Conflict-sensitive approaches are applied to avoid exacerbating tensions and to identify opportunities for inclusive economic participation and social cohesion. Strategic risks—including uneven private sector engagement, resistance to reform, financing constraints, and external shocks—are continuously monitored and managed through the Portfolio's adaptive governance mechanisms.

1.4 UNDP portfolio contribution in line with the CPD and IRRF

Economic diversification is a critical pathway for achieving inclusive growth, resilience, and poverty reduction in Mozambique, consistent with the objectives of the UNDP Country Programme Document (CPD) and the Integrated Results and Resources Framework (IRRF). UNDP's contribution through the Economic Diversification Portfolio focuses on addressing systemic constraints that limit productive transformation, employment creation, and equitable participation in economic opportunities.

UNDP supports national, regional, and global development priorities that recognize economic diversification as essential for long-term poverty eradication and resilience to climate, economic, and security shocks. UNDP's engagement is aligned with Mozambique's National Strategy for Development (ENDE 2025–2044) and contributes to the outcomes of the United Nations Sustainable Development Cooperation Framework (UNSDCF), particularly those related to inclusive economic growth, decent work, strengthened institutions, and partnerships.

Within the CPD, UNDP's contribution advances results under Outcome-level priorities related to inclusive growth, structural transformation, and resilience, with a focus on strengthening institutions, markets, and partnerships that enable diversification. Progress toward these outcomes will be tracked through IRRF-aligned indicators capturing improvements in productive capacities, access to finance, skills alignment, and private sector engagement.

Operationally, UNDP delivers its contribution through four mutually reinforcing areas of intervention, which correspond to UNDP's comparative advantages under the CPD:

- **Natural value for inclusive economies** (CPD outputs on sustainable livelihoods and climate-resilient growth): supporting green and blue economy value chains, nature-based enterprises, and locally anchored economic opportunities that generate income while strengthening resilience and environmental sustainability.
- **Productive financing for SMEs and emerging sectors** (CPD outputs on inclusive finance and private sector development): improving access to finance, de-risking investments, and strengthening financial ecosystems to support SME growth, innovation, and job creation.
- **Transformative and market-relevant skills** (CPD outputs on human capital development and youth employment): aligning skills development systems with labor market demand, supporting skills-to-jobs pathways, and expanding opportunities for youth and women in diversified sectors.

An enabling business environment and integrated economic governance (CPD outputs on governance and institutional effectiveness): strengthening outcome-driven economic governance, improving regulatory frameworks, and deepening public–private dialogue to reduce barriers to investment and scale diversified economic activity.

Through these integrated interventions, UNDP contributes to SDG 1 (No Poverty) and SDG 8 (Decent Work and Economic Growth) by expanding productive employment; SDG 9 (Industry, Innovation and Infrastructure) and SDG 10 (Reduced Inequalities) by strengthening domestic productive capacities and inclusive market participation; and SDG 17 (Partnerships for the Goals) by convening public, private, and development actors around shared outcomes.



Aligned with the African Union's Agenda 2063, particularly Goal 4: Transformed Economies, UNDP's contribution supports value addition, industrialization, and inclusive private sector development. By operationalizing national and global commitments through CPD-aligned outputs and IRRF indicators, UNDP ensures that the Economic Diversification Portfolio delivers measurable, scalable, and sustainable contributions to Mozambique's long-term economic transformation.

To enable a more strategic, integrated, and outcome-oriented response to Mozambique's structural economic challenges, the Economic Diversification Portfolio is conceived as a programmatic reference framework that supports coherent and systemic cooperation among public institutions, private sector actors, development partners, and communities. Anchored in national development priorities and aligned with the United Nations Sustainable Development Cooperation Framework, the Portfolio seeks to move beyond fragmented and sector-specific interventions by addressing the interconnected constraints that limit inclusive growth, job creation, and resilience. By adopting a portfolio approach,

UNDP and its partners aim to align policy, finance, skills, and investment efforts around shared outcomes that contribute to a more diversified, locally anchored, and shock-resilient economy.

Portfolio stakeholders have jointly identified key leverage points within the economic system as entry points for transformation, organized around four mutually reinforcing positions:

- **Natural value for inclusive economies:** Boosting green and blue economies based on the natural value of the country and the private sector, creating more productive and inclusive market opportunities for communities.
- **Productive financing:** Financing for small businesses and emerging niches that open doors to inclusion with support from anchor companies.
- **Transformative skills:** Bringing the skills of young people and SMEs closer to the needs of the market and the productive sector, including soft skills and management.
- **Enabling business environment:** Fostering the conditions for new businesses to be born and grow, a conducive environment for investment and innovation.

Guided by the desired system shifts and UNDP's demonstrated results across these four areas, the Portfolio will deliver a coherent set of priority interventions designed to act jointly and in combination.

These interventions will unlock green and blue value chains, expand access to finance for SMEs and emerging sectors, align skills development with labor market demand, and strengthen governance and regulatory conditions for investment and innovation. Together, these integrated actions are intended to catalyze systemic change, strengthen public–private partnerships, and generate inclusive employment and sustainable livelihoods at scale, contributing to long-term economic diversification and resilience in Mozambique.

Challenge Learning Question 1
How does Mozambique's current economic reliance on a single or few industries impact long-term sustainability and growth? *What emerging industries or sectors show potential for growth in the provinces of Mozambique?* *How can we attract investment into diversified sectors while ensuring sustainable practices?*
Portfolio's Unique Contribution to the Challenge
The portfolio will probe and catalyse economic diversification by identifying, convening, and strengthening emerging opportunities beyond extractive industries, particularly in green and blue economies, agro-processing, sustainable tourism, light manufacturing and services. Through portfolio platforms at national and provincial levels, UNDP will enable public and private actors to jointly explore viable sectors, test enabling policies and financing mechanisms, and crowd in early investment. Rather than promoting isolated sectors, the portfolio will focus on strengthening linkages and collaboration between markets, skills, finance, and regulation, allowing diversified economic activities to gain legitimacy, visibility, and scale as credible alternatives to extractive-led growth.

Challenge Learning Question 2
How does economic concentration affect long-term growth and resilience? *How can we involve local communities and stakeholders in the diversification process?* *How effectively are local communities integrated into diversification initiatives?*
Portfolio's Unique Contribution to the Challenge
The portfolio will contribute to improving rural livelihoods by enabling locally anchored economic activities that generate diversified and resilient income sources. By working with communities, local governments, and private sector actors, the portfolio will probe, learn and scale integrated approaches that combine value addition, access to markets, skills development, and productive finance. The portfolio will intentionally link rural economic opportunities with climate resilience, food security, and basic service access, allowing improvements in income generation to translate into broader being outcomes. Through continuous learning and adaptation, the portfolio will surface models that strengthen household resilience and reduce vulnerability to economic and climatic shocks.

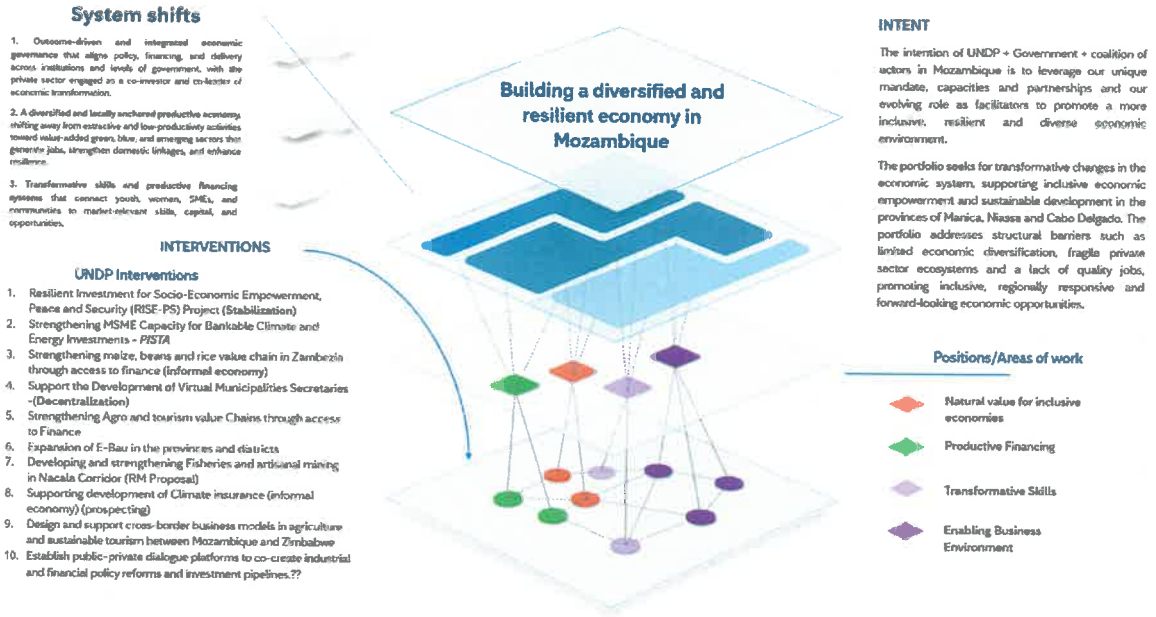
Challenge Learning Question 3
What emerging industries or sectors show potential for growth? *How can we attract investment while ensuring sustainability?* *How can diversification simultaneously support formalization?*
Portfolio's Unique Contribution to the Challenge
The portfolio will support the transformation of local products and territorial assets into viable value chains by addressing systemic bottlenecks that constrain their competitiveness. This includes strengthening coordination among producers, processors, service providers, and buyers; improving access to finance and market information; and enabling supportive regulatory and quality-assurance frameworks. By convening actors around shared territorial opportunities, the portfolio will test value-chain development models that enhance quality, branding, aggregation, and market access. Learning from these probes will inform scalable approaches for converting local assets into sustainable sources of value creation and employment.

Challenge Learning Question 4
What skills and training programs are needed for new industries? *How can Mozambique create a financial sector conducive to private sector job creation?* *How can diversification support formalization?*
Portfolio's Unique Contribution to the Challenge

The portfolio will catalyse the upgrading of local industries by strengthening the ecosystem of support services require value addition and growth. This includes aligning skills development with industry demand, facilitating access to appropr financing instruments, and fostering partnerships between firms, training institutions, financial actors, and government. Through experimentation and learning, the portfolio will test combinations of training, finance, and advisory support that enable firms to move up the value chain. By focusing on systemic enablers rather than standalone interventions, the portfolio will help local industries generate higher productivity, increased incomes, and more inclusive employment opportunities.

1.5 Logic of Portfolio Interventions

The Economic Diversification Portfolio is structured around an integrated systems approach that combines policy, finance, and delivery mechanisms to address structural constraints to inclusive growth in Mozambique. The figure below illustrates the logic of the portfolio, highlighting how system-level shifts, interventions, and areas of work interact to drive a diversified and resilient economy.



The portfolio is anchored in three system shifts: (i) strengthening integrated and outcome-driven economic governance, (ii) promoting diversification into productive and climate-resilient sectors, and (iii) expanding access to transformative skills and productive finance. These shifts define the strategic direction of all interventions.

A portfolio approach combines existing UNDP and partner-supported projects with new, targeted interventions. Existing initiatives serve as entry points for implementation, learning, and evidence generation, while new interventions are designed to address systemic bottlenecks, strengthen institutions, and unlock market opportunities.

Interventions are structured across four interconnected areas of work—natural value for inclusive economies, productive financing, transformative skills, and an enabling business environment—ensuring coherence and reinforcing impact across sectors and levels.

Subnational pilots, including the Innovation Challenge, play a critical role in testing solutions, generating real-time learning, and informing national-level policy and investment decisions, enabling the portfolio to scale what works.

1.6 Integration of Positions/Strategic areas

The table below presents illustrative examples of how specific interventions contribute to system shifts by acting across multiple positions within the system (i.e., areas of work). It is not intended to be exhaustive; rather, it highlights exemplar interventions that demonstrate the interconnected nature of the portfolio. The portfolio adopted the cross-pillar approach, being fully aware that every individual action/intervention can generate broader impacts that align with and reinforce multiple positions. This cross-position approach enhances the effectiveness of each intervention and ensures that the overall portfolio contributes to a cohesive and comprehensive economic diversification in the country.

The exemplars are provided bellow:

Intervention	Linked positions in the system (areas of work)	System shifts contribution
Resilient Investment in Socio-Economic Empowerment, Peace and Security (RISE-PS) Project (Stabilization)	1. Productive Financing 2. Business Environment	As an existing project with secured funding, RISE-PS contributes to system shifts by generating operational learning on integrated local economic development in fragile contexts. It supports the alignment of economic opportunities, social cohesion and institutional coordination, informing scalable approaches for inclusive and resilient economic governance.
Strengthening MSME Capacity for Bankable Climate and Energy Investments - PISTA	1. Business environment 2. Nature value for Inclusive Economies	As a market-shaping instrument, PISTA contributes to system shifts by unlocking access to finance for climate-aligned investments and strengthening the enabling environment for green economic diversification. It generates evidence on blended finance mechanisms and supports the development of bankable pipelines that can be scaled across sectors and regions.

Strengthening maize, beans and rice value chain in Zambezia through access to finance (informal economy)	1. Business environment 2. Productive Financing	This intervention contributes to system shifts by demonstrating how access to finance can unlock productivity and value addition in key agricultural value chains. It generates practical evidence on linking smallholder producers to markets and financial systems, informing broader strategies for inclusive economic diversification.
Support the Development of Virtual Municipalities Secretaries – (Decentralization)	1. Business environment 2. Nature value for Inclusive Economies 3. Transformative Skills	This intervention contributes to system shifts by strengthening local governance capacities and improving coordination mechanisms at subnational level. It supports more effective delivery of economic initiatives and generates learning on decentralized service provision and institutional strengthening.
Strengthening Agro and Tourism value Chains through access to Finance	1. Business environment 2. Nature value for Inclusive Economies 3. Transformative Skills	This intervention contributes to system shifts by promoting diversification into high-potential sectors and demonstrating how financial access can enable business growth and value chain development. It generates evidence on integrated approaches linking finance, skills and market opportunities.
Expansion of E-Bau in the provinces and districts	Business Environment Productive Financing	This intervention contributes to system shifts by improving the business environment through digitalization of licensing and regulatory processes. It reduces barriers to formalization and investment, generating scalable solutions to enhance efficiency, transparency and private sector development.
Developing and strengthening Fisheries and artisanal mining in Nacala Corridor (RM Proposal)	1. Business environment 2. Nature value for Inclusive Economies 3. Transformative Skills	This intervention contributes to system shifts by promoting sustainable use of natural resources while supporting local value addition and livelihoods. It generates evidence on how natural resource-based sectors can drive inclusive economic diversification when linked to finance, skills and markets.
Supporting development of Climate insurance (informal economy) (prospecting)	1. Business environment 2. Nature value for Inclusive Economies 3. Transformative Skills	This intervention contributes to system shifts by strengthening resilience of informal economic actors to climate risks and enabling their integration into formal financial systems. It generates learning on innovative risk-sharing

	4.Productive Financing	mechanisms that can support inclusive and adaptive economic growth.
Design and support cross-border business models in agriculture and sustainable tourism between Mozambique and Zimbabwe	1. Business environment 2. Nature value for Inclusive Economies 3. Transformative Skills 4.Productive Financing	This intervention contributes to system shifts by facilitating regional market integration and expanding economic opportunities across borders. It generates evidence on how cross-border value chains can enhance competitiveness, scale and resilience of local enterprises.
Establish public–private dialogue platforms to co-create industrial and financial policy reforms and investment pipelines.??	Business Environment Productive Financing	This intervention contributes to system shifts by strengthening coordination between public and private actors and aligning investment priorities. It supports the development of coherent policy and investment pipelines, generating systemic impact beyond individual interventions.

2. Portfolio Results Framework

This section defines the portfolio's expected results and how they help achieve UNSDCF/CPD outcomes or the Regional Programme Development outcomes of the SP outputs/outcomes[4].

PORTFOLIO RESULTS FRAMEWORK

Portfolio Name: Economic Diversification Portfolio	**Quantum Portfolio No.:**

Portfolio Intent *Shift Mozambique toward a diversified, resilient economy that delivers shared prosperity*	**Portfolio Contribution to CPD** *(incl. UNSCDF/CPD Outcome & CPD Output, to be updated as portfolio evolves)* *max. 100 characters*
The portfolio seeks for transformative changes in the economic system, supporting inclusive economic empowerment and sustainable development in the provinces of Manica, Niassa and Cabo Delgado. The portfolio addresses structural barriers such as limited economic diversification, fragile private sector ecosystems and a lack of quality jobs, promoting inclusive, regionally responsive and forward-looking economic opportunities.	Mozambique's UNSDCF Outcomes: 1, 2, 3, and 4.

Portfolio Results	**Are we seeing progress, where and how?**	**Indicator**	**Baseline**		**End Target**		**Means of Verification**
			Value	**Year**	**Value**	**Year**	
System Change: By 2030, Mozambique's economic system will shift from fragmented, sector-based interventions toward a coordinated and outcome-oriented model of economic diversification. Public institutions at national and subnational levels will operate with strengthened capacities	**1. Shift (Output):** A shift from fragmented, sector-based approaches toward outcome-driven and integrated economic governance, aligning policy design, financing, and delivery across institutions and levels of government, while actively engaging private	**1.1.** Increase in joint decision-making practices (e.g. co-signed policies, shared platforms, inter-ministerial decisions that include private sector input).	1 – Joint decision-making not commenced	2025	4 – Fully established joint decision-making across public and private actors	2030	Platform TORs; meeting minutes; stakeholder attendance lists; semi-annual Portfolio Momentum Report approved by the Portfolio Board
		1.2. # of regulatory reform measures initiated that reduce barriers to investment/enterprise	0	2025	4	2030	Official policy/regulatory drafts; government gazette/public

[4] In setting Results Framework indicators please note: UNDP publishes its portfolio/project information (indicators, baselines, targets and results) to meet the International Aid Transparency Initiative (IATI) standards. Make sure that indicators are S.M.A.R.T. (Specific, Measurable, Attainable, Relevant and Time-bound), provide accurate baselines and targets underpinned by reliable evidence and data, and avoid acronyms so that external audiences clearly understand the results of the portfolio.

and aligned policies that support locally anchored, diversified economic activities and sustained public–private collaboration. A more competitive and resilient private sector—driven by MSMEs and emerging industries—will expand value-added production, enabled by improved access to finance, market-relevant skills, and an enabling business environment. As a result, women, youth, and rural communities will increasingly access decent work and sustainable livelihoods, contributing to inclusive growth, reduced vulnerability to economic and climate shocks, and long-term economic resilience.	sector actors as co-investors and co-leaders of economic transformation	growth in diversified sectors					notices; reform trackers; Portfolio policy briefs; Momentum Report
		1.3. Evidence of enhanced institutional capacity to steward diversification (capacity scorecard / capability assessment) OR Degree of alignment between national and provincial economic strategies	3 – Partially aligned, with shared priorities but inconsistent implementation	2025	5 – Exceeding alignment, with mutually reinforcing national–provincial strategies driving diversification	2030	Capacity assessments; training completion + post-training evaluations; institutional performance reviews; Portfolio learning/sense-making outputs
	2. Shift (Output): A shift from reliance on extractive and low-productivity activities toward diversified, value-added, and locally anchored economic activities, including green and blue economies and emerging sectors that generate jobs, strengthen domestic linkages, and enhance resilience.	**2.1.** Evidence of reduced dependency on single-sector income sources in targeted provinces	2 – Very limited movement away from single-sector dependency	2025	4 – Income sources largely diversified across sectors	2030	Business registry statistics; provincial economic reports; Portfolio Momentum Report
		2.2. Evidence of changing perceptions among public and private actors of what constitutes economic value and success, including increased recognition of diversified and locally anchored activities.	1 – Economic value defined narrowly by dominant or extractive sectors	2025	4 – Fully aligned with diversified and locally anchored value creation	2030	Investment promotion agency reports; Portfolio investment pipeline tracker; Portfolio Momentum (Investment) reporting
		2.3. Degree to which diversified sectors are perceived as viable and strategic engines of growth by policymakers and investors	2 – Very limited recognition of diversified sectors' growth potential	2025	4 – Fully recognised as strategic engines of economic growth	2030	Business registry statistics; provincial economic reports; Portfolio Momentum Report
	3. **Shift (Output)**: A shift from skills development and	**3.1.** Evidence that skills development designed as a strategic lever for	2 – Very limited alignment between skills development and	2025	4 – Fully aligned as a strategic lever for economic	2030	Ministry of Education/TVET statistics; TVET

	financing systems weakly connected to market needs toward transformative human capital and productive financing, enabling youth, women, SMEs, and communities to access relevant skills, capital, and markets.	economic diversification rather than a standalone social intervention	economic diversification		diversification		provider records; tracer studies; Momentum Report
		3.2. # of people with access to financial services (with disaggregation where possible)	0	2025	450	2030	Financial inclusion datasets; financial sector reports; partner FI/MFI reporting; Momentum Report
		3.3. Changes in financial institutions attitudes towards risk-sharing and experimentation in financing diversified and emerging sector, and SMEs (youth/women-led)	2 – Very limited willingness to share risk or experiment	2025	4 – Fully aligned with risk-sharing and experimental financing	2030	Facility/partner bank portfolio data; guarantee/blended finance reporting; SME surveys; portfolio monitoring

Complementary Portfolio Momentum Tracking

In addition to the Portfolio Results Framework, the portfolio adopts a complementary approach to monitor system-level change through "portfolio momentum". Given the complexity of economic diversification processes, many relevant changes occur beyond the direct attribution of portfolio interventions. These include shifts in policy discourse, investment behavior, institutional coordination, and private sector engagement. Portfolio momentum therefore focuses on tracking contextual signals that indicate whether enabling conditions for diversification are strengthening over time. These signals provide directional insights that inform adaptive management, strategic decision-making, and course correction.

Momentum[5] Area	Momentum Dimension	What is Being Observed (Contextual Signal)	How the Signal Informs Portfolio Decisions	Means of Verification / Sensemaking
Political Momentum	Government leadership and advocacy on economic diversification	Presence of national and subnational policy dialogue, public statements, strategies, and coordination mechanisms promoting diversification beyond extractive and primary sectors.	Signals political legitimacy and openness for diversification-oriented reforms and experimentation.	Semi-annual Portfolio Momentum Report, reviewed and validated by the Portfolio Board
	Public discourse and media narratives	Frequency and framing of economic diversification, MSMEs, industrialization, innovation, and job creation in national and local media.	Indicates shifts in societal attention and narrative space for diversification pathways.	

[5] Portfolio momentum captures observable contextual dynamics within the broader system—political, economic, and social—that shape the conditions under which the portfolio operates and contributes to change. Within the Portfolio Results Framework, momentum is treated as a contextual signal, not as a result or outcome attributable to portfolio interventions.
In the context of economic diversification, system-level change is influenced by a wide range of actors, incentives, and external factors beyond the direct control of the portfolio. Monitoring portfolio momentum enables the portfolio to interpret shifts in the enabling environment, including changes in policy discourse, investment behaviour, institutional coordination, and socio-economic conditions that may accelerate, constrain, or redirect pathways towards diversification.
Portfolio momentum is therefore monitored to support adaptive portfolio management in recognition of the non-linear and emergent nature of system change. Momentum dimensions focus on directional trends and patterns, rather than predefined targets or benchmarks, and are used for strategic sensemaking rather than performance measurement.
Assessment of portfolio momentum is conducted through periodic sensemaking processes, drawing on qualitative and quantitative signals from across the ecosystem. These insights are consolidated in a semi-annual Portfolio Momentum Report, which is reviewed and validated by the Portfolio Board as part of the portfolio's governance, learning, and decision-making cycle.
Findings from portfolio momentum analysis inform strategic reflection and course correction, including adjustments to intervention sequencing, partnership engagement, learning priorities, and risk management. In this way, portfolio momentum tracking complements the portfolio results and learning architecture, ensuring that implementation remains responsive to evolving system dynamics while maintaining a clear focus on long-term structural transformation

	Political istanbility	A condition characterized by uncertain or volatile political circumstances, such as conflicts, governance issues, or changes in government. Often leads to social and economic instability	Informs feasibility, sequencing, and partnership strategies across the portfolio.	
Investment Momentum	Emergence of new investment initiatives	Trends in new public and private investment initiatives aligned with non-extractive, value-adding, or innovation-driven sectors.	Highlights leverage points for catalytic interventions and private sector engagement.	
	Investment flows into diversified sectors	Observable shifts in investment towards manufacturing, services, green economy, digital economy, and creative industries.	Signals structural movement towards diversified economic models.	
	Business formation dynamics	Trends in business registration and entrepreneurship, particularly MSMEs operating in emerging or diversified sectors.	Reflects private sector response to enabling or constraining conditions.	
Human Development Momentum	Income dynamics linked to diversified livelihoods	Signals of income generation associated with non-traditional or diversified economic activities.	Provides early indications of socio-economic effects of diversification pathways.	
	Nutrition and resilience outcomes	Trends in food security and nutrition that may reflect improved household economic resilience.	Acts as a proxy signal for the quality and stability of diversified livelihoods.	
	Skills development and education engagement	Changes in participation in education, training, and skills development linked to diversification-relevant sectors.	Indicates system readiness to support long-term structural transformation.	
Environmental Momentum	Reduction of environmentally harmful practices	Early evidence of shifts away from practices that degrade ecosystems, increase emissions, or undermine long-term resource productivity.		
Technological	**Emerging technologies relevant to the economic diversification**	Ongoing development, availability and adoption results of new, innovative technologies that advance economic diversification in the business sector		

3. Monitoring, Evaluation & Learning

3.1 Purpose and Approach

The Monitoring, Evaluation and Learning (MEL) framework of the portfolio is designed to support adaptive management, strengthen accountability for results, and enable continuous learning across interventions. Given the systemic nature of the portfolio and its focus on economic diversification, the MEL approach goes beyond traditional project-level monitoring. It seeks to capture changes at the system level, track contributions to broader development outcomes, and generate actionable insights that inform both strategic and operational decision-making.

Rather than focusing exclusively on outputs, the MEL system is structured to monitor the portfolio's contribution to structural shifts, including improvements in economic governance, increased diversification of productive sectors, and enhanced inclusion of micro, small, and medium enterprises in formal economic systems. In this sense, MEL functions not only as a measurement tool, but as a core component of the portfolio's management approach.

MEL activities

The MEL portfolio process is structured around these key activities:

Activity & Frequency	Purpose & summary	Expected outcomes

Sensemaking workshop (1-3 days) Every 6 months	- Ensure the portfolio implementation is making progress towards its stated purpose. - A structured strategic portfolio review in the context of other development interventions, as well as current country and regional or global development. The workshop builds pathways for reporting to track progress and support learning and recommendations.	- Track CPD/RPD/SP results progress - Track and update the Theory of Change - Track possible portfolio impact and UNDP's contribution to it - Monitor & Manage Risks - Update Risk Register - Review & Course Correction - Update and populate Results Framework
Provincial Portfolio Platform (Portfolio Review) (2 - 4 hours) Quartely	- Ensure day-to-day activities are helping support the broader objectives. - A multidisciplinary, semi structured portfolio review that provides an opportunity for a comprehensive discussion and evaluation of the work in progress.	- Track portfolio progress - Monitor & Manage Risk - Review & Course Correction
Team check-in and internal learning session (1 hour) Weekly	- Ensure day-to-day operations are running smoothly. - Meetings to ensure the team is doing well and that there is clarity on what is happening next. - Reflection and learning session for the portfolio dynamic management team	- Monitor & Manage Risk - Review & Course Correction - Collectively reflect and extract learnings

Learning Sessions with the coalition of actors (2-3 hours) Monthly	- Ensure collectively reflection and learning among the coalition of actors (platform) - Nurture collaboration between the coalition of actors (platform)	- Collectively reflect and extract learnings - Identify patterns and synergies
Adaptation	- This activity is performed after all the above portfolio activities. - To ensure that learnings translate to necessary portfolio changes, and that those changes happen transparently and in line with prevailing rules and regulations.	- Course correction - Document key adaptation changes and their motivation

3.2 MEL frequencies

The portfolio MEL key activities operate at these frequencies:

MEL Component	Activity	Purpose	Frequency/Timing	Responsible	Funding
Monitoring	Team check-ins and learning sessions	Ensure day-to-day operations are running smoothly and track implementation progress	Weekly / Biweekly (internal) and Monthly (with partners)	Portfolio Management Team, Partners	Portfolio Budget
Learning	Portfolio Review	Multidisciplinary review to assess progress, identify bottlenecks and propose adjustments	Quarterly	Portfolio Management Team, Stakeholders, Partners	Portfolio Budget
Learning	Sensemaking Workshop	Strategic reflection to analyse portfolio progress in relation to national and global development trends and identify learning pathways	Every 6 months	Board, Management Team, Stakeholders	Portfolio Budget
Adaptive Management	Portfolio Adaptation Process	Implement adjustments in portfolio strategy based on monitoring, learning and evaluation findings	Continuous	Portfolio Governance Structures	Portfolio Budget
Evaluation	Portfolio Mid-Term Evaluation	Independent assessment of portfolio relevance, efficiency and progress toward outcomes	2027	MEF, UNDP, Partners, CSOs	Portfolio Budget

Evaluation	Portfolio Final Evaluation	Final evaluation assessing portfolio impact, sustainability and contribution to economic diversification	2030	MEF, UNDP, Partners, CSOs	Portfolio Budget

4. Partnership & Stakeholder Approach

4.1. Partnerships

The Portfolio will be led by the United Nations Development Programme in close partnership with the Ministry of Economy. Additionally, the Portfolio will work with other entities that are key to achieving the Portfolio's objectives, these will include but are not limited to: provincial governments of Mozambique, other UN agencies, development agencies, multilateral development banks and private sector firms and representation bodies.

The Ministry of Economy will be critical in shaping national policies that promote economic diversification, while provincial governments will ensure that these policies are tailored and implemented effectively at the provincial level.

On the provincial-level two Provincial Portfolio Platforms will be set up – one for each province – which will be used to ensure effective partnerships and engagement between all stakeholders including the private sector, international development partners, local communities and other relevant parties.

Central to the Portfolio is the private sector, which plays a pivotal role in stimulating entrepreneurship, creating jobs, and driving sustainable development. As part of the Portfolio, UNDP Mozambique is advancing two complementary approaches. The first is Private Sector Engagement (PSE), which means working directly with private sector associations and companies as partners to co-create solutions that contribute to development goals. The second is Private Sector Development (PSD), which involves helping businesses in Mozambique to grow by improving their capacity, competitiveness and access to opportunities. These approaches are designed to support impactful and locally driven solutions.

4.1.2. Key Stakeholders and Partnerships

To achieve the desired outcomes, the following stakeholders will be central to Portfolio's success, and will be actively informed about the Portfolio's operations, and when possible, will be integrated into the Portfolios MYWP.

- National, provincial and District Government Authorities will play a crucial role in the implementation of diversification strategies, as well as policy development, monitoring, and evaluation of outcomes.
- Private Sector, including large and medium-cap companies. SMEs, women entrepreneurs, and youth-led businesses will drive innovation and create new employment opportunities. The involvement of these groups is essential for scaling up the economic transformation process.
- International Development Partners, such as the United Nations Multilateral Development Banks and Country Development Agencies will provide necessary technical assistance, financial

resources, and capacity-building support, enabling the successful implementation of the Portfolio's initiatives.

- NGOs and Civil Society Organizations will be critical for engaging with local communities, particularly vulnerable groups, to ensure inclusivity and effective monitoring and evaluation of the diversification efforts. Their involvement is critical in ensuring that the benefits of diversification are equitably distributed.
- Financial institutions.....
- Consultations with local communities, particularly women, youth, and marginalized groups, to participate in and benefit from economic opportunities will be key to the success of the Portfolio. This requires gender-sensitive and inclusive approaches to development.

By leveraging these partnerships, the UNDP's Economic Diversification Portfolio will create a dynamic and collaborative environment for achieving Mozambique's long-term economic goals.

4.1.3. Co-creation

The economy of Mozambique is a highly complex and nonlinear system as they involve many interacting agents, feedbackloops and emergent behavior. As such, the system is defined by small changes that can have disporopoinate effects, where outcomes are often unpredictable and traditional cause-effect analysis often fails.

Collaborative Design (Seeding Conditions for Change)

Rather than defining rigid end-states, early-stage engagement takes the form of safe-to-fail probes through workshops, ideation labs, and focused design sprints. These are not extractive consultations but sense-making practices that allow multiple voices, such as local authorities, private sector actors, civil society groups, academics, religious leaders, cooperation partners, local communities and others, to co-construct the landscape of possibility. This phase is about establishing initial conditions, promoting distributed cognition, and identifying signals of potential systemic change.

Sensemaking (Seeing the System in Motion)

Complexity requires constant re-interpretation. Through quarterly reviews and semi-annual workshops, portfolio actors (including the Portfolio Team, Shared Results Committee, and stakeholders) engage in joint sensemaking. This is not performance monitoring in the traditional sense, but a collective scanning of the present, seeking coherence, contradiction, and emerging patterns. The goal is not to reach consensus, but to build situational awareness and inform the direction of travel through narrative aggregation and flow mapping.

Adaptive Management (Shifting from Control to Directionality)

Rather than aiming for control through rigid implementation, the portfolio operates through real-time reconfiguration. Feedback loops from sensemaking sessions inform micro-adjustments in resources, activities, and priorities. Adaptive management here is not synonymous with project flexibility, it is a complexity-informed strategy, allowing the system to evolve based on dispositional states, not just outcomes. The portfolio learns as it moves, guided by partial knowledge and emergent insight.

4.1.4. Discovery (Scanning for the Unexpected)

Discovery is not an event, it is a continuous and embedded function. Within the Monitoring, Evaluation, and Learning (MEL) framework, discovery sessions serve to surface latent patterns, challenge dominant narratives, and generate new questions. These sessions use Portfolio Learning Questions (PLQs) as scaffolding, not for measurement, but for reflexive inquiry. This allows the Portfolio to make visible the adjacent possibles. Those unexplored yet reachable spaces where innovation and transformation reside.

In sum, the portfolio becomes a living system, not a blueprint to be implemented, but a field of multiple interacting interventions that co-evolve within and respond to their environment. Its success lies not in fidelity to plan, but in its capacity to navigate uncertainty, enable distributed intelligence, and evolve coherent action through collaborative sensing, adaptation, and emergence.

Stakeholder Engagement Identify key stakeholders and outline a strategy to ensure stakeholders are engaged throughout	
Target group(s) groups that are the intended beneficiaries of the portfolio.	**Engagement strategy** strategy to engage these targeted groups
Ministry of Economy	Engage them as implementing partners in the implementation of portfolio components
Provincial Governments	Engage in subnational implementation, pilots, and feedback loops
Private Sector Firms/Enitites	Engage via business forums, pilots and investment partnerships

Financial Institutions	Engage to co-develop financial instruments and investment pipelines
Development Partners	Engage for co-financing, alignment and knowledge sharing
Civil Society Organizations/Entities	Engage in outreach, inclusion and community-level implementation
Women	Ensure targeted inclusion through tailored support and access to opportunities
Youth	Engage through skills, entrepreneurship and employment initiatives
Local Communities	Engage in co-creation, feedback and validation of interventions
Academics and Think Tanks	Engage for research, evidence generation and policy inputs
UNDP Headquarters	Engage for strategic guidance, quality assurance and knowledge exchange
Key Government Ministries	Engage for policy alignment, coordination and implementation support

4.1.5 Engaging social & Environmental Concerns

The Portfolio will fully comply with UNDP's Social and Environmental Standards (SES). These standards are designed to enhance positive impacts, mitigate risks and promote meaningful stakeholder engagement. The SES reflect UNDP's commitment to integrating and mainstreaming social and environmental sustainability in development. The core principles of SES include:

- Respect for human rights and social equity
- Gender equality and women's empowerment
- Environmental sustainability and climate resilience

- Transparency and accountability
- Stakeholder engagement and grievance redress mechanisms.

SES' provides a comprehensive grievance mechanisms to address concerns from individuals affected by the Portfolio's work. Furthermore, the SES prohibit any activity that violates national or international laws.

In line with the United Nations Sustainable Development Cooperation Framework and the "leave no one behind" principle, UNDP systematically screens all activities through the Social and Environmental Screening Procedure (SESP). These screenings are conducted at key stages of portfolio implementation and undertaken at regular intervals.

SES applies throughout the entire project cycle, from planning to implementation and monitoring. All funded activities must comply, with partner obligations clearly communicated through formal agreements, capacity-building, and reporting. Implementing partners are held accountable, while UNDP reports to its Executive Board.

Risk management is carried out via the Programming Quality Assurance system and SESP, addressing risks such as environmental degradation, displacement, exclusion, and discrimination. Exemptions are limited to defined administrative or non-country-specific activities to maintain SES integrity.

Stakeholders can submit complaints through two channels:

1. **Stakeholder Response Mechanism (SRM) at the Country Office**
2. **UNDP's Social and Environmental Compliance Unit (SECU)**

Complaints are first addressed at the Country Office level. If unresolved, they may be escalated to SECU. UNDP ensures transparent complaint handling with defined timelines for review and resolution.

5. Resources

This section outlines the resources required to implement the Economic Diversification Portfolio and achieve its expected results over the multi-year period. The portfolio mobilizes a combination of financial, human, operational, and institutional resources, structured in alignment with its three pillars and overall Theory of Change.

As defined in the Multi-Year Work Plan (MYWP), the portfolio adopts a Direct Implementation Modality (DIM), under which UNDP assumes primary responsibility for the management and execution of financial resources. This structure ensures coherence across interventions, facilitates

integrated delivery, and enables the portfolio to operate flexibly across national and provincial levels.

Financial resources are strategically allocated to support upstream policy development, downstream pilot implementation, and cross-cutting portfolio functions such as coordination, partnerships, Monitoring, Evaluation and Learning (MEL). The resource structure reflects the portfolio's emphasis on evidence generation, institutional strengthening, and the scaling of effective models for economic diversification

Resources Required to Achieve the Expected Results			
Overall Budget	**UNDP (DIM Implementation)**	**Partner Contributions (In-kind / Technical)**	**Potential Co-financing / Leveraged Resources**
USD 14,044,650	USD 14,044,650	Not costed in MYWP	To be mobilized

5.1. Tangible Resources

The portfolio relies on a set of tangible resources that directly support the implementation of its interventions and the achievement of expected results. These resources are primarily financial and operational in nature and are detailed in the MYWP budget framework.

Financial resources are distributed across the portfolio's pillars, including interventions related to economic governance, informal economy transformation, and provincial economic diversification. In addition, dedicated allocations are made for portfolio management and MEL functions, ensuring that both delivery and learning processes are adequately resourced. These funds support a wide range of activities, including technical assistance, policy development processes, structured consultations, pilot implementation, and engagement with private sector actors. Operational costs such as travel, workshops, coordination platforms, and communication activities are also covered.

Human resources constitute a central pillar of the portfolio's tangible assets. UNDP provides a multidisciplinary team composed of portfolio managers, economists, policy analysts, and specialists in monitoring, communications, and partnerships. This team ensures strategic direction, technical quality, and results-based management across all components of the portfolio. Additional expertise is mobilized through consultants and implementing partners, who contribute to specialized technical areas and support field-level implementation.

Operational and logistical resources further enable the portfolio's implementation across multiple geographies. These include information technology systems, office infrastructure, and coordination mechanisms that facilitate engagement between national and provincial

stakeholders. Together, these tangible resources ensure that the portfolio is equipped to deliver complex, multi-level interventions in a structured and effective manner.

5.2 Intangible Resources

In addition to financial and operational inputs, the success of the portfolio depends on a range of intangible resources that are critical to its systemic and partnership-driven approach.

Institutional relationships represent a key asset, particularly UNDP's role as a trusted partner of the Government of Mozambique. This positioning enables effective engagement with the Ministry of Economy and other relevant institutions, supporting policy development, coordination across levels of government, and the institutionalization of portfolio-supported solutions. Such relationships are essential for ensuring ownership, sustainability, and scalability of results.

Knowledge and learning are also central to the portfolio's value proposition. Through its interventions, the portfolio generates evidence on the constraints and opportunities faced by informal and small businesses, as well as on emerging pathways for economic diversification. This knowledge is continuously captured, analyzed, and integrated into decision-making processes, reinforcing the portfolio's adaptive management approach and strengthening its contribution to policy and practice.

Partnerships with private sector actors, financial institutions, development partners, and civil society further enhance the portfolio's capacity to deliver results. These relationships facilitate co-creation of solutions, mobilization of additional resources, and expansion of successful models beyond initial pilot areas. In this sense, partnerships act not only as implementation channels but also as strategic enablers of scale and impact.

Finally, the portfolio benefits from an internal culture of collaboration, reflection, and learning, which allows teams and partners to navigate complexity and uncertainty effectively. This adaptive mindset is critical for ensuring that the portfolio remains responsive to evolving contexts while maintaining alignment with its long-term objectives.

6. Implementing Partner(s) Role(s) & Multiyear Work Plan

The Implementing Partners (IPs) will work in close collaboration with the Portfolio Management Team to deliver the portfolio's results through a coordinated and adaptive approach. Each Implementing Partner contributes to the portfolio through its respective mandate, capacities, and areas of comparative advantage, ensuring that interventions are co-created, tested, and scaled in alignment with the portfolio's Theory of Change.

A separate Multi-Year Work Plan (MYWP) and corresponding budget will be developed for each Implementing Partner, outlining their specific contributions to the achievement of portfolio outputs. While responsibilities differ across actors, all partners contribute to advancing portfolio momentum, generating learning, and supporting the overall objective of economic diversification.

Implementing Partner(s)	Portfolio Outputs	Other responsibilities
- UNDP	Portfolio-level outputs emerging through co-creation, including tested and scaled pilots, strengthened coordination platforms, and learning products supporting economic diversification.	Convening and facilitating the portfolio; enabling co-creation and learning processes; supporting sensemaking; contributing to portfolio momentum and learning results
- Ministry of Economy	Policy relevant outputs emerging through co-creation, inclkuidng diversification strategies, regulatory reform options and coordinated investment priorities.	Strategic leadership and policy stewardship; alignment with national development priorities; contributing to portfolio momentum and learning results.
- Provincial and Local government	Territorial pilots and locally anchored diversification initiatives co-created and adapted to provincial contexts	Territorial coordination; local stakeholder engagement; enabling implementation and learning at subnational level; contributing to portfolio momentum and learning results

- Private Sector (SMEs, anchor firms, business associations)	Market-driven pilots, value-chain initiatives, and investment pipelines emerging through co-creation.	Co-investment and innovation; job creation; participation in public–private dialogue; contributing to portfolio momentum and learning results.
- Financial Institutions and DFIs	Financial instruments, blended finance mechanisms, and investment facilities co-designed to support diversified sectors.	Mobilization of capital; risk-sharing; alignment of financial products with portfolio priorities; contributing to portfolio momentum and learning results
- Skills Providers and Academia	Skills pathways, training models, and evidence products aligned with diversified economic opportunities.	Curriculum co-design; applied research; feedback into portfolio learning and adaptation
- Civil Society and Community Organizations	Inclusive economic initiatives and social innovation pilots emerging through co-creation.	Community engagement; inclusion of women, youth, and marginalized groups; feedback on social impacts and learning
- Other UN Agencies and Development Partners	Joint outputs emerging through collaboration, including integrated interventions and co-financed initiatives	System coherence; technical expertise; knowledge sharing; contributing to portfolio momentum and learning results

6.1 Implementing Partner Multiyear Work Plan & Budget

Each Implementing Partner will develop a dedicated Multi-Year Work Plan (MYWP) and budget that define their contributions to the portfolio over time. These plans will include a detailed MYWP and budget for the immediate phase of implementation, as well as a higher-level indicative framework for subsequent phases.

The portfolio adopts a rolling MYWP and budgeting approach, allowing for flexibility and responsiveness to emerging evidence and contextual changes. At the end of each implementation phase, a rapid portfolio adjustment assessment will be conducted to inform the scope, priorities, and resource allocation of the next phase. This process ensures that planning remains aligned with portfolio learnings, while operating within the overall budget envelope and each partner's agreed scope of work.

Collectively, the MYWPs of all Implementing Partners will contribute to the portfolio's joint results framework, ensuring coherence across interventions and alignment with the portfolio's long-term objectives.

7. Governance & Management

This section refers to the Governance and Management of all portfolio assets including tangible and intangible resources, learning, opportunities, and risks. There is one Portfolio Board, one Portfolio Management Team, Portfolio Assurance and one Portfolio Shared Results Committee (PSRC).

7.1 Portfolio Board

There is one Portfolio Board. It provides high-level oversight of the portfolio, risk management and portfolio assurance. It approves the inclusion of new implementing partners at the time of portfolio approval as well as during the implementation, for contributing to portfolio results. The portfolio board enjoys the authority to fold in ongoing projects with their respective implementing partners under the portfolio in consultation with concerned stakeholders.

The portfolio board approves the multiyear partner work plan containing milestones. Portfolio milestones are approved yearly by the board, for each subsequent 12 month period of work.

The board assesses any major risks to the portfolio and related decisions/agreements on any management actions and adjustments. Also, the Portfolio Board assesses the results achieved at the portfolio level and contribution to country programme outcomes and the portfolio objective.

The Portfolio Board also reviews how integration and intersectionality are pursued in achieving greater impact to the portfolio's objectives and the CPD outcomes.

In addition, the Portfolio Board identifies new partnerships for the portfolio based on the identified new policy spaces resulting from the portfolio implementation and to ensure sustainability, identify new resource mobilization opportunities.

The Portfolio Board makes decision on suspension of and extension of the portfolio (not the individual multiyear work plans under the portfolio delegated to the Implementing Partners) subject to partner commitment and funding.

The Portfolio Board is required to meet at least once a year.

There are three categories of Portfolio Board members:

a) Executive(s): This is an individual(s) who represents ownership of the portfolio and chairs (or co-chairs) the Portfolio Board. The Executive usually is the most senior national counterpart (typically from a higher level institution appointed as the Portfolio Coordinator) and co-chaired with UNDP.

The Executive is: Add title (name is optional)

b) Beneficiary Representative(s): This is an individual(s) representing the interests of those groups of stakeholders who will ultimately benefit from the portfolio. Their primary function within the Portfolio Board is to ensure the realization of portfolio results from the perspective of portfolio beneficiaries. Often representatives from civil society, industry associations, community groups or other government entities benefiting from the portfolio can fulfill this role. If the portfolio has a specific geographic focus, often representatives from the government entities in the targeted area/region will play this role. There can be multiple beneficiary representatives on the Portfolio Board.

The Beneficiary Representative(s) is: Add titles (names are optional)

c) Development Partner(s): Individuals representing the interests of the parties concerned that provide funding, strategic guidance, technical expertise and/or implementing partners to the portfolio. There can be multiple development partners representatives in a Portfolio Board. Note that responsible parties cannot play this role.

The Development Partner(s) representative(s) is: Add titles here (names are optional)

The Portfolio Board must meet at the minimum once a year, but it is recommended that it meets more frequently. It is recommended that the timing of board meetings be agreed upon in advance and corresponds to key portfolio reporting.

The Portfolio Assurance role supports the Portfolio Board by carrying out objective and independent oversight and monitoring functions, ensuring appropriate portfolio results milestones are completed as per the multiyear work plan and risks are monitored and mitigated. The members of the portfolio assurance team should not be involved in the implementation of the portfolio multiyear work plan.

The Portfolio Assurance representative(s) is: Add titles here (names are optional)

7.2 Portfolio Management Team

The Portfolio Management Team provides administration, management, implementation and technical support to the Portfolio Manager, as required. The Portfolio Manager is responsible for ensuring the different multi-year work plans under the portfolio deliver results as per their targets. In doing so, the Portfolio Manager will liaise with the different implementing partners for each multi-year work plan. The Portfolio Manager will also support in trouble shooting and addressing the bottlenecks encountered in implementing the multiyear work plan. The Portfolio Manager will proactively identify intersections between the different multiyear work plans to promote synergies and delivery of portfolio level results. The portfolio Manager will also update the portfolio risk register ensuring necessary risk from the different multi-year work plans are reflected in the portfolio risk register and associated treatment measures are in place.

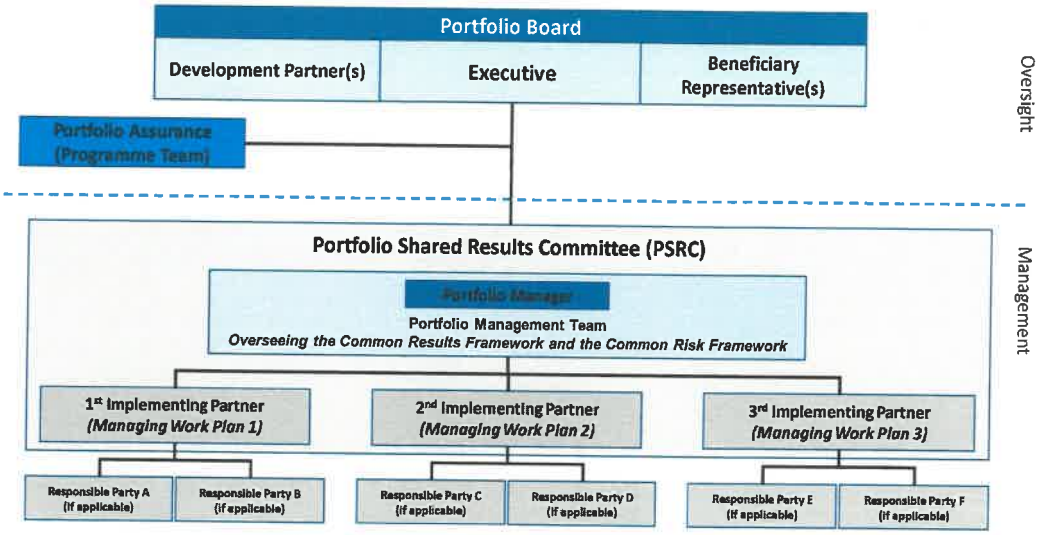
The Portfolio Manager is responsible for organizing a Portfolio Multiyear Work Plan Committee (PWPC) composed of UNDP and the implementing partners.

7.3 Portfolio Shared Committee (PSRC)

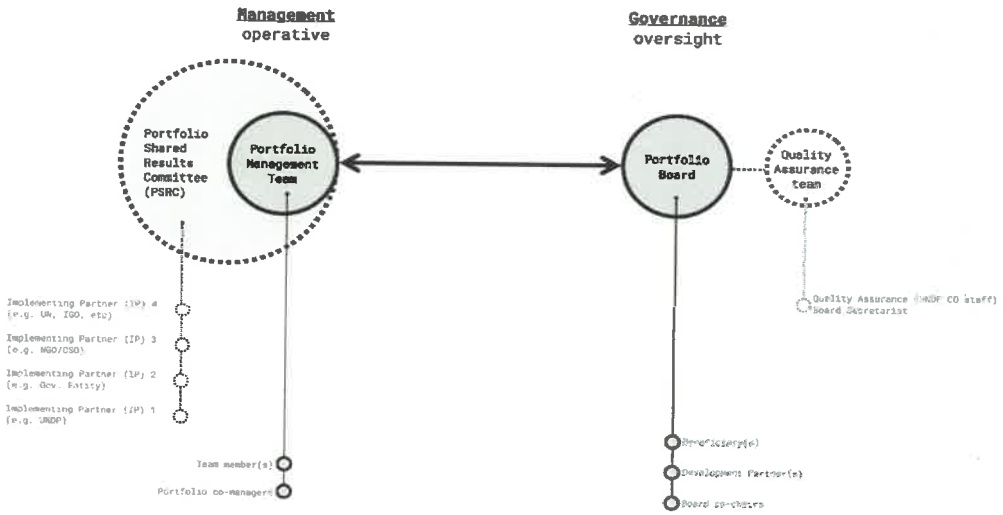
The PSRC will be organized at least four times a year to review portfolio performance, including progress reports, evaluations, portfolio risk register, quality assessments, and the combined delivery report. The PSRC is responsible for taking corrective actions, including approving adjustments above provided tolerance levels, including substantive revisions (major/minor amendments) to the Multiyear work plans, budget revisions, requests for suspension or extension and other major changes to the multiyear work plans (subject to additional funding partner/donor requirements).

See section "3. Monitoring, Evaluation & Learning" more detailed description review, update, learning cycles.

Governance diagram



Governance diagram: This is another option of a governance visual for business units to consider when developing portfolios.



While there is a clear hierarchy between the Portfolio Board and the Portfolio Shared Results Committee as per their respective mandates, the visual conveys a way of working that is premised on a continous dialogue, in line with the dynamic management of a portfolio.

For more details about roles and responsibilities, refer to:
Portfolio Board Terms of Reference and ToRs of key management positions UNDP Standard

Portfolio Board Terms of Reference

There is one Portfolio Board which meets at least once a year.
The Portfolio Board provides high-level oversight of the portfolio, risk management and portfolio assurance. Key areas of focus for the Board are as follows:

- Approves the inclusion of new implementing partners at the time of portfolio approval as well as during the implementation, for contributing to portfolio results.
- The Portfolio Board enjoys the authority to fold in ongoing projects with their respective implementing partners under the portfolio provided;
    - the projects are aligned and integrated to the portfolio Theory of Change,
    - they share a common portfolio Results Framework,
    - they are integrated into an updated multiyear work plan approved by the respective implementing partner(s)
    - and they have secure agreements from the implementing partners on convening a Portfolio Board and the Portfolio Shared Results Committee
- Assess major risks to the portfolio and related decisions/agreements on management actions and adjustments at the portfolio level.
- Assess the results achieved at the portfolio level and contribution to CPD Outcomes and the portfolio objective.
- Reviews how integration and intersectionality are pursued in achieving greater impact to the portfolio's objectives and the CPD outcomes.
- Identify new partnerships for the portfolio based on the identified new policy spaces resulting from the portfolio implementation and to ensure sustainability,
- Identify and facilitate new resource mobilization opportunities.
- Take decision on suspension of and extension of the portfolio (not the individual multiyear work plans under the portfolio delegated to the Implementing Partners) subject to partner commitment and funding.