

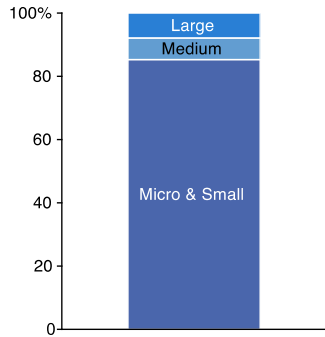
CABO DELGADO PRIVATE SECTOR STUDY: PROSPECTS FOR RECOVERY

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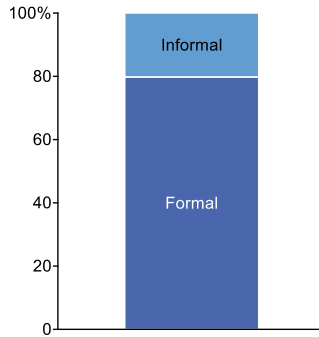
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Demographics of respondent firms

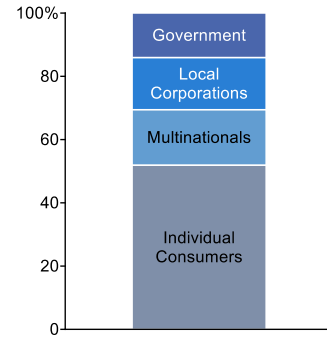
Companies by size
(% of respondents)



Companies by formality
(% of companies)

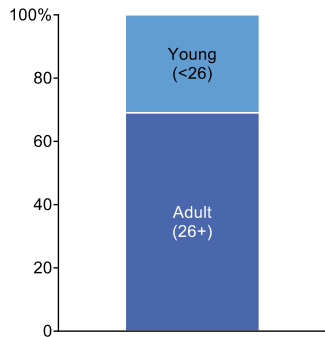


Customer base
(% of self-reported customer breakdown)

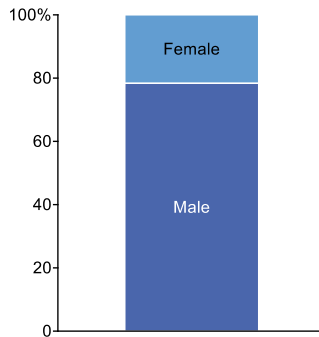


Demographics of respondent firms' workforce

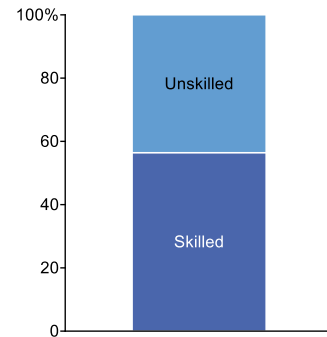
Worker reported age groups
(% of reported workforce by age)



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(% of reported workforce by gender)



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Executive Summary

The Multi-Stakeholder Platform for the Northern Region of Mozambique, an initiative sponsored by the African Development Bank, USAID, Dutch Embassy and Total Mozambique, undertook a snapshot survey of the current state of Cabo Delgado's private sector following a year of significant challenges to the province's economy. The main purpose of this study was to build a nuanced analysis of the likely impacts of the COVID-19 pandemic, the rise of violent insurgency, and the recent suspension of the Mozambique LNG project on the province's different sectors and job market, identifying remaining growth and investment opportunities as well as key job creation needs.

Nearly 200 Cabo Delgado-based businesses responded to a phone survey, and the team conducted multiple qualitative key informant interviews with both prominent businesses and development partners. The analysis concluded that businesses across the board were strongly impacted by the insurgency, and the vast majority report a decrease in revenues over the last year. 8% of respondents closed operations since 2020, while 47% downsized on staff. 200,000-450,000 jobs need to be created to restore the province to pre-conflict employment levels, despite current government and donor efforts to re-establish 100,000-180,000 livelihoods in the province.

Overall, the analysis found that optimism remains regarding the potential for the services and commerce sector as well as agriculture to drive short-term economic growth and recovery investment. Although uncertainty was expressed regarding the current state of construction and extractive sectors, the former has grown stronger due to the last few years' push to scale up infrastructure in anticipation of megaproject demand, while the latter will continue to play a key role in the province's economic development given the region's extensive critical mineral reserves. However, it was unanimously reported that without a prompt increase in security, the scale and span of any recovery will be extremely limited.

Introduction

Formed in 2019, the objective of MSP is to promote and support the inclusive and sustainable development of the northern region of Mozambique by facilitating interaction among stakeholders in supporting individual high-impact projects as well as promoting integrated development corridors. Through improved collaboration, stakeholders explore opportunities for synergy and generate value through the strong participation of various relevant organizations in the region and with an established interest in its development, including private sector companies, development partners and donors, government institutions, and civil society organizations.

In the context of its Local Content working group, the MSP and its stakeholders surveyed and interviewed nearly 200 businesses in the region to gauge their challenges, priorities, and plans for the foreseeable future to offer a perspective on what is required for the private sector to rebuild in Cabo Delgado. This paper will present the results and analysis of this survey leveraging stakeholder insights to identify priority areas for continued investment and support in the short to medium term, with a particular focus on job creation and stabilization of the local labor market.

As a result of the March 2021 Palma attacks and the subsequent announcement of the temporary suspension of the Mozambique LNG project, uncertainty regarding the future of Mozambique's Northern economy has arisen. Cabo Delgado, home to both an enormous endowment of natural resources and a rising insurgency, is likely to see the most drastic effects of recent events.

As the humanitarian response grows in the North, there is increased focus on the early recovery effort and particularly the revitalization of the private sector. The Government of Mozambique is working with international partners to secure an over MZN 500m¹ package to restart the Cabo Delgado economy, largely focused on investment in agricultural and fisheries, income-generating activities for IDPs, youth job creation, and SME investment. Other development programs are concurrently being designed to revitalize the private sector and an opportunity exists to help refine thinking around private sector recovery efforts.

The survey was designed to evaluate the current state of the Cabo Delgado economy, particularly focusing on the following areas of interest:

- Impact of recent events on businesses (particularly changes in activities, operations, and growth prospects)
- Impact of recent events on the local labor market
- Key remaining growth opportunities and high-potential sectors
- Priority recovery needs and largest hurdles to private sector recovery

¹ Government of Mozambique. "Government Action Plan for Cabo Delgado Assistance", 2020.

Methodology

The private sector study conducted by the MSP consisted of a multiple-choice phone survey conducted with Cabo Delgado businesses as well as multiple qualitative Key Informant Interviews (“KIs”) with Cabo Delgado industry leaders. Feedback from Local Content Working Group development partner members was collected, as well as extensive desktop research on available complementary data.

An initial Cabo Delgado private sector database was compiled by the MSP secretariat by triangulating data provided by the Cabo Delgado Provincial Confederation of Economic Associations (CEP CD) and public databases. A mixed-methods telephone survey consisting mostly of multiple-choice questions was then conducted. Participation in the survey was entirely voluntary. Any companies reporting no business activity in Cabo Delgado in either 2020 or 2021 were excluded from the sample. In total, nearly 200 interviews were completed. More information on the sample can be found in the *Current State of the Private Sector* section below.

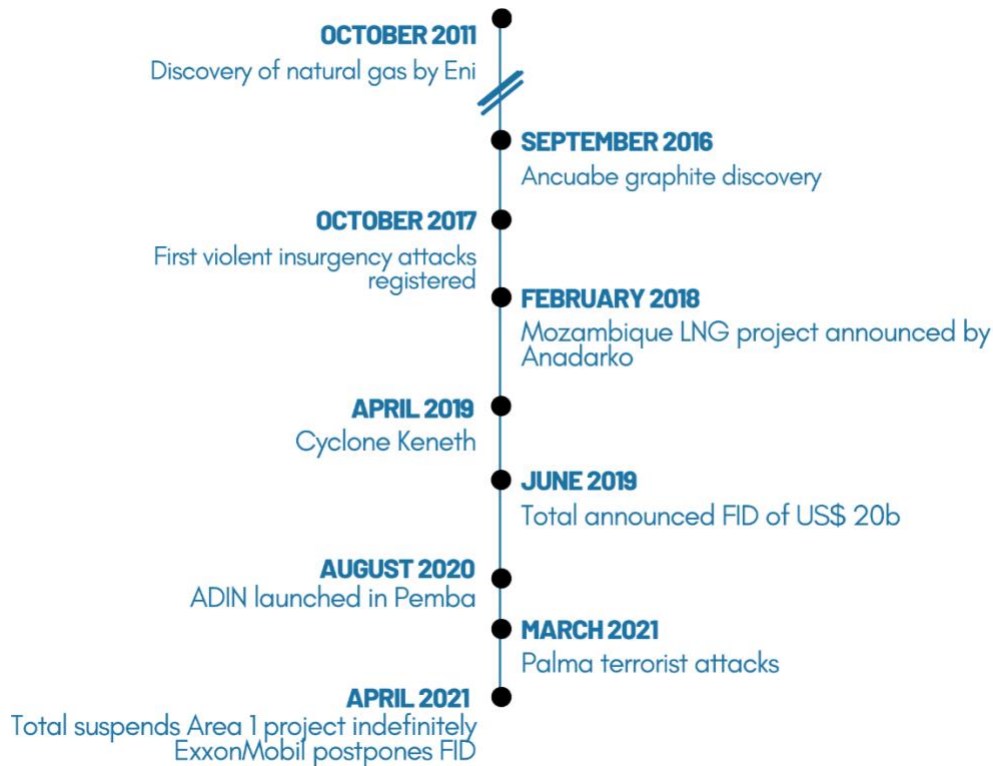
Additional to the phone survey, the MSP held multiple qualitative key informant interviews with sectoral leaders with business operations in Cabo Delgado. Companies operating in financial services, agricultural, transport, tourism, energy, and services sectors were included in the interviews.

To evaluate existing efforts to foster private sector growth and recovery, interviews with key donors and NGOs with presence and programs in Cabo Delgado were also conducted. This allowed for a mapping of job creation and skills training program beneficiaries in Cabo Delgado. The MSP complemented this research with a mapping of donor and government-led income-generating activities, which gathered information on financial commitments and target beneficiaries of livelihood provision and job creation programs. Desktop research and survey feedback on employment levels was leveraged to consolidate this information into a high-level gap analysis of Cabo Delgado’s job market.

Background and timeline of events

Below is a high-level timeline of key milestones for the Cabo Delgado economy over the last ten years:

Timeline of key Cabo Delgado milestones



The province of Cabo Delgado gained international visibility in the early 2010s with the discovery of multiple large-scale natural resource reserves. In 2011, Eni² discovered 100 trillion cubic feet of natural gas off the coast of Cabo Delgado, representing the third-largest natural gas reserve in Africa. The resultant Mozambique LNG and Rovuma LNG megaprojects were expected to make Mozambique one of the largest producers of liquified natural gas in the world. In addition to natural gas, Cabo Delgado has increased interest in graphite and ruby extraction starting with the 2011 Montepuez Ruby Mining investment. Graphite soon followed with two current graphite exploration projects taking place in Balama and Ancuabe.

The province's path towards realizing the growth promised by the discovery of such rich natural resources has been obstructed by multiple challenges. As of October 2017, Cabo Delgado has been marred by terrorist attacks that have subsequently increased in scale and frequency, affecting eleven out of the sixteen districts in the province and causing the displacement of more than 700,000 people.³ In 2019 the province was also struck by Cyclone Kenneth, the strongest

² Eni, "Eni announces a giant gas discovery offshore Mozambique", 2011 [Link](#)

³ UN, "Famílias em Moçambique abrigam deslocados pela violência em Cabo Delgado", 2021. [Link](#)

cyclone to ever make landfall in Mozambique, causing a combined \$100 million in damage.⁴ 2020 also saw the advent of the COVID-19 pandemic, depleting the province's tourism revenue and exerting downward pressure on global gas prices, creating uncertainty around the economic viability of the region's LNG megaprojects.

Amid these culminating difficulties, the March 2021 insurgent attacks on the town of Palma caused the suspension of operations on the Mozambique LNG project and delayed ExxonMobil's final investment decision into Rovuma LNG until at least 2023.⁵ Although the offshore exploration of Coral South remains on track to start operations in 2022,⁶ the attacks and subsequent suspension are still estimated to have caused a loss of US\$ 148m to the Mozambican economy.⁷

In response to the above challenges, the Mozambican government established ADIN (Agency for the Integrated Development of the North) in early 2020, a new coordination mechanism focused on ensuring the sustainable development of the Northern region of Mozambique. The government also launched the "Government Action Plan for the Assistance of Cabo Delgado", announcing a state budget allocation of MZN 600m for Cabo Delgado assistance and calling for a further MZN 7.1b in donor and partner commitments. Likely, significant support will still be necessary to ensure that the province recovers in the coming years.

⁴ AON, "Global Catastrophe Recap," 2019 [Link](#)

⁵ Millennium BIM, "Commodities Update", 2021 [Link](#)

⁶ Club of Mozambique, "Italy's Eni on track for 2022 startup at floating Mozambique LNG project", 2021. [Link](#)

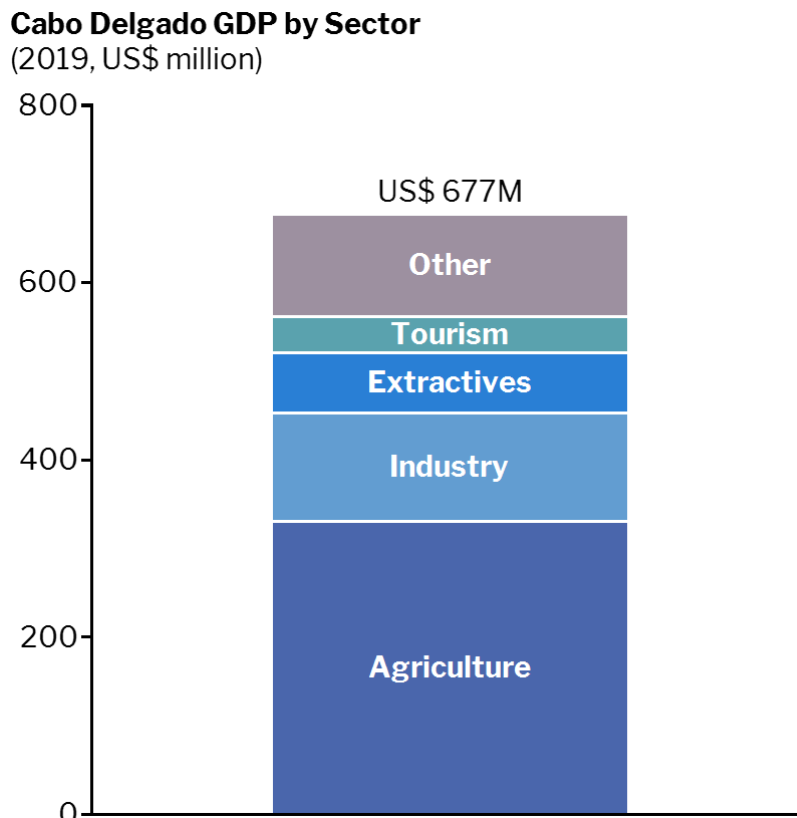
⁷ CTA, "Índice de Robustez Empresarial 3a Edição", 2021. [Link](#)

Current State of the Private Sector

Cabo Delgado GDP

The most recent data regarding the GDP of Cabo Delgado is from 2019 when provincial production was estimated to be approximately US\$ 676m, accounting for less than 5% of Mozambique’s total GDP.⁸ As of early 2020, the President of *Instituto Nacional de Petróleo* (“INP”) estimated that the LNG megaprojects would generate around US\$ 5.5b in revenues for local businesses in their initial phases alone, representing an economic opportunity almost tenfold the size of the province’s current output.⁹ Since then, rising instability in the province has significantly impacted growth prospects. Although it is not possible to empirically estimate the impact of such events on the province’s forward-looking GDP, survey data and industry interviews can indicate the likely trajectory of the province’s key sectors.

The graph below represents Cabo Delgado’s 2019 broken down by sector.¹⁰



To conceptualize the impact of recent events on the sectors driving Cabo Delgado’s economy, results of the MSP working group’s research have been broken down on a sectoral basis.

⁸ INE, “Direção de Contas Nacionais e Indicadores Globais”, 2019. [Link](#)

⁹ Energy Voice, “Mozambique talks up local content in gas work”, 2019. [Link](#)

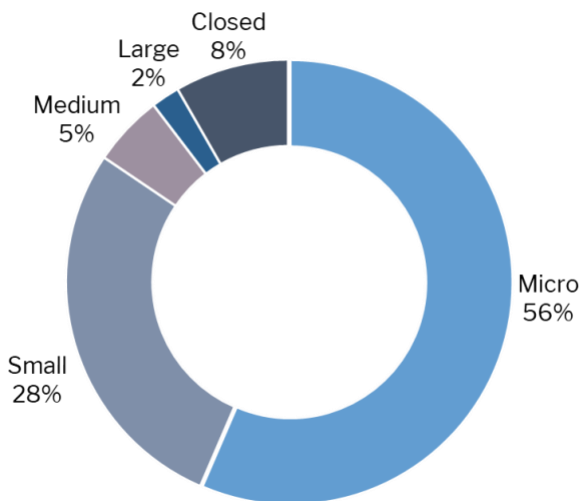
¹⁰ Plano Estratégico para o Desenvolvimento da Província de Cabo Delgado 2018– 2027”, 2018. Estimated sector breakdown taken from Development to 2027 scenario analysis (moderate scenario) (page 81). [Link](#)

According to the Government of Cabo Delgado’s *Strategic Plan for the Development of Cabo Delgado*, the most prominent sectors driving Cabo Delgado’s growth are agriculture, industry, extractives, and tourism. For the sake of continuity and comparability, these will be the main sectors considered in the following analysis. The remaining sectors also covered in the survey (construction and real estate, transport and communications, services, and commerce) have been analyzed collectively and classified as “Other”.

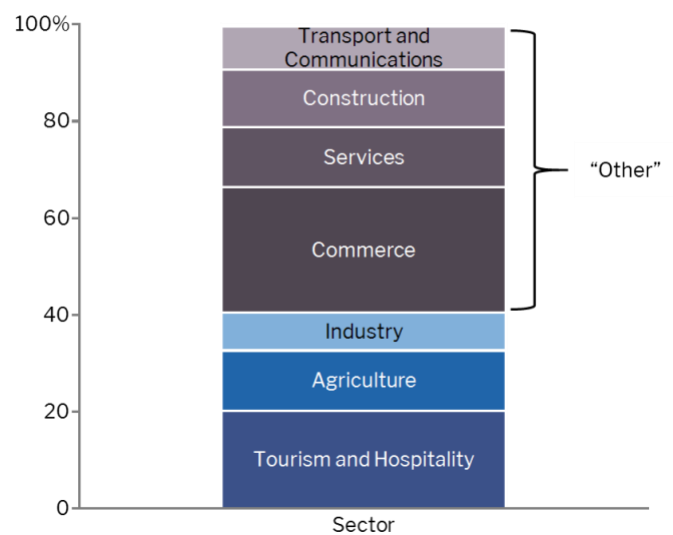
Overall survey results

Of the MSP survey respondents, over half were micro-enterprises with less than 10 employees. Most respondents reported operating in the formal economy (80%). The largest represented sector within the survey respondents was commerce (26%) followed by tourism and hospitality (20%). The charts below summarize the core demographics of survey respondents:

Respondent profile by size



Respondent profile by sector



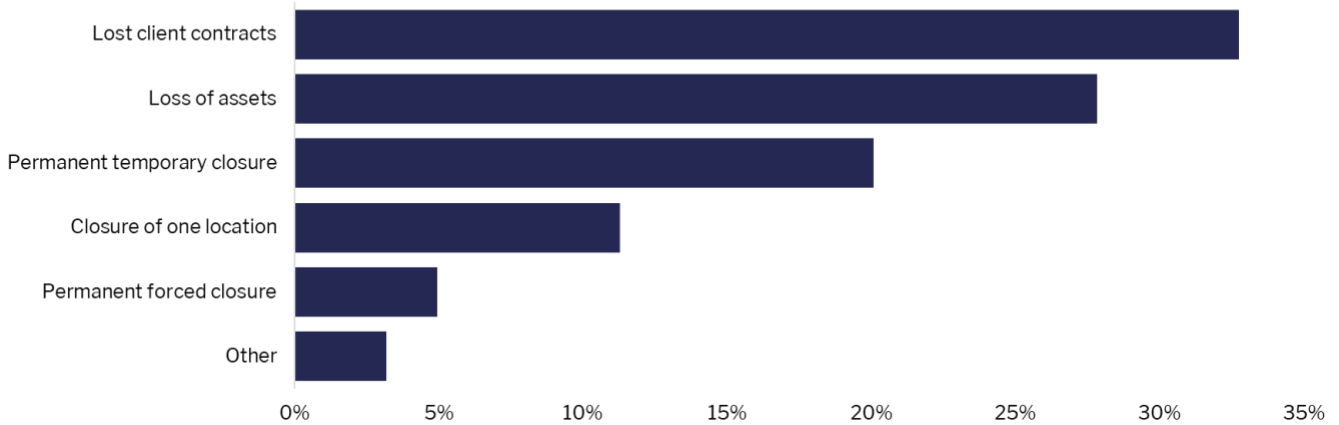
Below is an overview of the key data points resulting from the survey:

Key survey results: All sectors



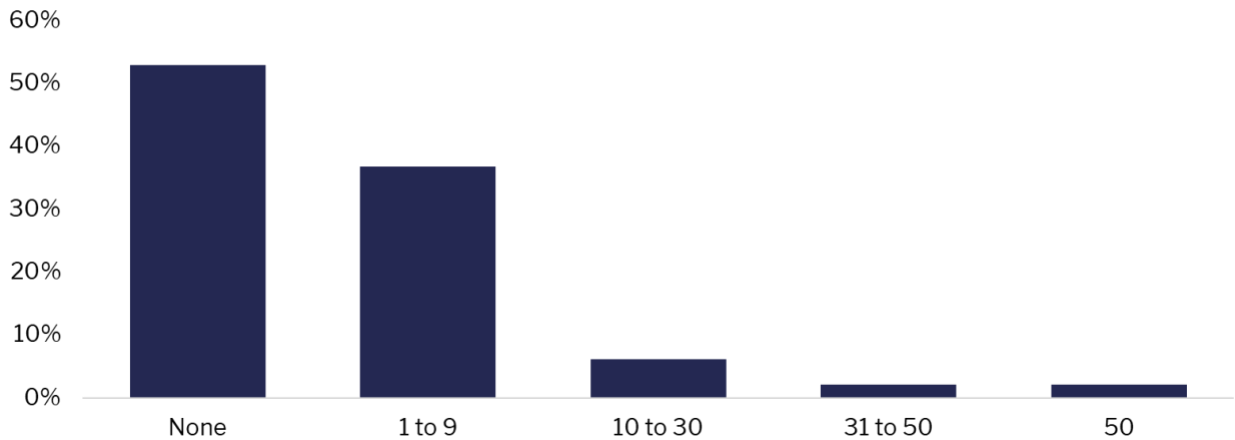
Nearly 70% of businesses in the sample reported being directly or indirectly impacted by the insurgency. The most-reported impact of the insurgency was the loss of client contracts (33%), followed by loss of assets (28%).

Reported impacts of insurgency
(% of survey respondents)



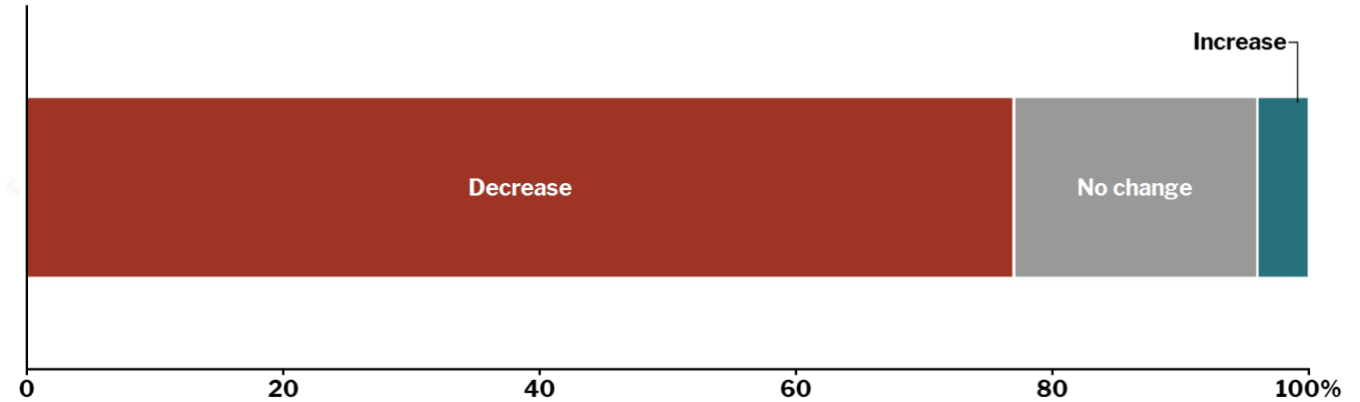
Approximately 47% of respondents reported downsizing their teams to some extent, certainly a cause for concern in a market with already high unemployment rates. Most of those reporting downsizing, however, claim to have let go only 1-9 employees, as is depicted in the graph below. This is still a high percentage when considering that 56% of the sample consists of businesses with no more than 10 employees.

Companies reporting downsizing in 2021
(% of survey respondents)



Most respondents (77%) declared a decrease in revenue in 2021 compared to 2020, with only 4% reporting an increase, indicating that only a very small percentage of companies have found new revenue opportunities in the context of current challenges.

Reported changes in revenue, 2020-2021
(% of survey respondents)



Furthermore, 23% of businesses reported direct exposure to the LNG ecosystem. Of those companies reporting exposure, average revenue dependence on LNG was approximately 54%, suggesting approximately 12% of provincial revenue is at risk due to the recent shutdown. It is important to note that most companies surveyed were micro or small enterprises (90%) and are therefore unlikely to be directly engaged with EPC contractors, suggesting a potentially higher revenue impact than the current survey reveals.

Sectoral deep dive

The following section will leverage sector-specific survey results and key informant interviews to evaluate the current state and outlook of each of the focus sectors. As mentioned previously, agriculture, tourism and hospitality, and industry will be the primary focus sectors of the analysis. Sector-specific results will be compared to sector-agnostic results. When lower than the sector-agnostic figure (lower % of respondents reporting adverse impacts of recent events), the results figure will be colored green, and red when it is higher. Grey will be used when sector-specific statistics are the same as sector-agnostic ones.

Agriculture

Agriculture has always been seen as a sector with great potential, identified as the second strategic priority in the Strategic Plan for the Development of Cabo Delgado. This plan also predicts that, by 2027, agriculture will represent 40 - 45% of the province's total output. It is also an essential sector in guaranteeing food safety and the self-subsistence of the region. Below are the highlights of agriculture business respondents' feedback:

Key survey results: Agriculture



In 4 out of 5 key indicators, the agriculture sector demonstrates better than sector-agnostic performance. Although a vast majority reported revenue losses in 2021, fewer businesses in the sector reported closures or downsizing compared to the survey average. This is not only a positive sign for the future of the province, which could benefit from a strengthened agriculture sector to increase food security and economic autonomy but is also logical when considering the less elastic nature of demand for basic food items. It is important to note that 88% of agriculture sector respondents were small and micro enterprises, suggesting these will be reporting relatively small output volumes and client bases.

Key informant interviews revealed that some large agriculture producers have been abandoning operations in the province, while midsize businesses are struggling to scale due to conflict and difficulty accessing inputs. In 2021, Olam International, one of the main producers of cashew in the province announced the closure of their operations in the region noting global trends in cashew markets impacting not only the company's workers but also smallholder farmers previously benefitting from access to markets through Olam's processing business. Additionally, the Korosho Mozambique cashew processing factory in Chiúre downsized their team by 50%, quoting the insurgency and lack of access to inputs as the deciding factors in the business' ramp down. Agriculture input dealers in the province report that insurgency is making it harder to

provide smallholders across the province with quality affordable products. This has reduced potential client bases significantly.

There are over 300,000 IDPs of working age across Cabo Delgado in need of livelihood restoration and jobs.¹¹ Interviews with donors and NGOs reveal agriculture to be at the forefront of economic recovery support efforts, with agriculture kits and capacitation programs among the most popular initiatives. Several organizations stressed the need to shift the paradigm of subsistence farming in the region to a more entrepreneurial perspective, and this may have a positive impact on the sector's performance over the coming year.

Tourism and hospitality

The deteriorating security situation in the province and limited movement of foreign travelers due to COVID-19 restrictions have posed enormous challenges for Cabo Delgado's tourism sector, which relies heavily on international spending. As early as 2018 Ibo Island was recording a 25% increase in cancellations attributed to the security situation.¹² The Association of Travel Agencies and Tour Operators of Mozambique reports a loss of about \$30 million a month for the country since the beginning of the COVID 19 crisis.¹³

Key survey results: *Tourism and hospitality*



The survey data reveals a more positive outlook for tourism and hospitality than one may expect, with revenue losses slightly below the survey average, and an average rate of reported business closures. Many respondents were in the restaurant and leisure business, which may have experienced a more stable year than hotels due to local demand. Considering that over 40% of the study's Tourism and Hospitality respondents were operating in Pemba, the movement of extractive companies and humanitarian response workers may have also contributed to better than average results. However, Key Informant Interviews reveal that the province's hotel industry is currently operating at around 40% of capacity.

Overall, future perspectives for the sector are less than optimistic. While experts predict an improvement of global tourism outcomes in the third quarter of 2021, the uncertain security situation represents a significant deterrent to travel and leisure to the province.¹⁴ Cabo Delgado

¹¹ IOM, "DTM Mozambique, Baseline Assessment, Round 12", 2021. [Link](#)

¹² DW, "Instabilidade em Cabo Delgado afeta turismo", 2018. [Link](#)

¹³ Diário Económico, "Turismo em Apuros, Perdas Ascendem a 30 Milhões de Dólares Mensais", April 2020. [Link](#)

¹⁴ UNWTO, "International Tourism Down 70% as Travel Restrictions Impact all Regions", October 2020. [Link](#)

still retains a high potential for tourism growth in the medium to long term as it is widely regarded as one of Mozambique’s best tourist destinations. Developments in the security situation will be the key determinant as to when the sector will return to being a key driver of economic growth.

Industry

Despite optimistic prospects and strong growth potential, Cabo Delgado’s transformative industry has largely underperformed expectations. In 2017 it was estimated that the province’s industrial park cumulatively consisted of about 700 licensed small-scale units, representing a significant increase from the 333 units recorded in 2005.¹⁵ According to the Strategic Plan for the Development of Cabo Delgado Province 2018-2027, Cabo Delgado’s transformative industry devotes itself to the production and processing of corn flour (57%), bread (19%), cashew kernels (18%), salt (4%), and furniture (3%).

Key survey results: Industry



Survey results for the industrial sector showed a worse than average picture with higher-than-average exposure to both the insurgency and the LNG ecosystem. Industry KIIs revealed a pivot to agro-processing and local production of construction materials.

Extractives

There were not sufficient responses to the phone survey from the extractive industry to draw any conclusions regarding the status of the sector (likely due to current climate and scale of the average extractive operator). However, key informant interviews were held with industry leaders which enabled a high-level evaluation of current sentiment and market outlook.

Naturally, the suspension of the \$20 billion liquefied natural gas project of Mozambique LNG has impacted the outlook for LNG in the near term. Eni’s Coral South project is reportedly on track to start up its 3.4 million metric ton per annum capacity floating LNG production facility in 2022, largely due to the project being buffered from on-land instability.

Cabo Delgado’s extractive industry extends beyond natural gas. Over 90% of Cabo Delgado hectarage has been licensed for prospecting or extraction, primarily to non-LNG resources.¹⁶ Concessions are relatively geographically clustered and resource specific. Hard rock, gemstones, graphite, and gold make up a significant portion of the active non-LNG extraction in the province.

¹⁵ 2017 figure: Government of Cabo Delgado, “Plano Económico e Social 2017 - Balanço Anual”, 2018. [Link](#). 2005 figure: CMI, “Micro and Small-scale Industry Development in Cabo Delgado Province in Mozambique”, 2005 [Link](#)

¹⁶ MIREME Mining Cadastre Portal

Hard rock extractives have been particularly hard hit because of the insurgency, as much of the local production was intended for aggregate inputs into the LNG ecosystem, and there are limited alternative buyers of hard stone.

Stakeholders did note a degree of optimism for a transitional economy based upon the investments made to date in the LNG ecosystem and subsequent contractor base. Producers of other critical minerals that were interviewed noted that operations on concessions in southern Cabo Delgado are largely continuing. However, extractive companies raising capital (particularly in foreign markets) noted the spillover effect of the instability in Cabo Delgado amongst foreign investors. Infrastructure was a major concern amongst extractive stakeholders interviewed noting that the cost to market for extractives in production centers such as Montepuez lead to a non-competitive cost basis for local firms.

Other

Commerce and services, construction and real estate, and transportation sectors represent a significant proportion of the phone survey sample yet are not identified as key contributors to Cabo Delgado’s GDP. An overview of results for these are featured below:

Key survey results: Services and commerce



Significantly higher business closures and revenue decreases were reported for services and commerce. This sector category encompasses mom-and-pop stores and small supermarkets who report that 63% of their core customer base is represented by individual consumers. Given this sector’s low reliance on the LNG value chain, it is likely that the decrease in revenues was a direct result of overall economic stagnation and household disposable income declines.

Interviewed retail petrol companies have reported complete closure of gas stations in high-risk areas, except for those in strategic military zones where the government is the principal client. For these businesses, insecurity has triggered increases in aviation profits but noted that in most cases aviation revenues have not made up for losses in retail returns.

Key survey results: *Transport and communications*



The transport and communications sector reported high exposure to the LNG ecosystem and the insurgency resulting in a higher-than-average reported downsizing. This is aligned with feedback from interviews reporting that many transportation companies in Cabo Delgado scaled up their fleets and assets to serve LNG megaproject requirements and have in recent months struggled to find demand sufficient for this scale-up. The lack of quality roads and increasingly precarious connectivity to economic zones was also reported as a driver of high transportation costs. Critical infrastructure, according to respondents, must be a high priority for the sector to return to normalcy.

Key survey results: *Construction and real estate*



Construction and real estate showed results in line with the sector-agnostic average for key survey indicators. Even though businesses report a 22% exposure to the LNG ecosystem, interviews revealed that much of the local construction activity in recent years has been driven by scale-up investment in anticipation of LNG-led development. Local construction firms also reported losses of up to half of current contracts further highlighting the sector linkages to extractives. KIIIs revealed sector participants were diversifying their businesses geographically, particularly to Nampula and Maputo. There was also sentiment within the industry that government and donor entities should focus investment efforts on infrastructure development to leverage the excess regional capacity of construction supplies and trained construction labor.

Likely economic trajectory

Based on survey results and research the likely trajectory of the province’s key sectors have been estimated. A high-level analysis of sector-level performance and results suggests that:

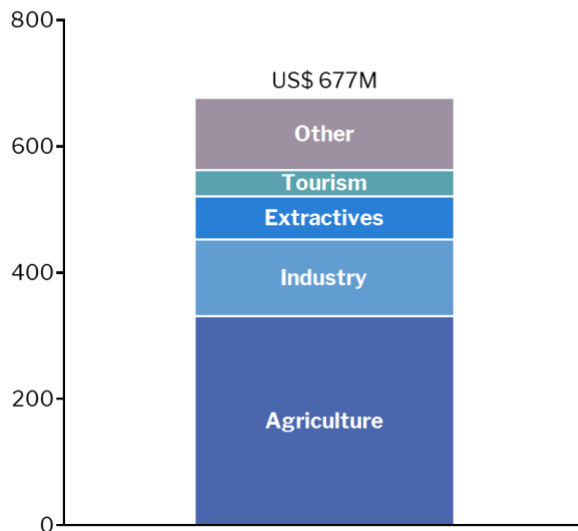
- **Drastic changes over the last year were observable across the board:** Although differences between sectoral performance were found, all sectors report over 70%

decrease in revenue, and only in the agriculture sector did less than 70% of respondents report being impacted by the insurgency. The impacts of recent events are transversal.

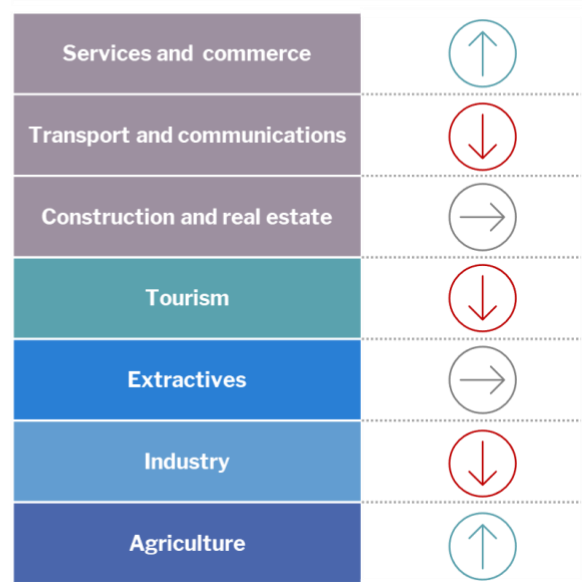
- **Agriculture remains a high potential sector:** A key sector towards guaranteeing food security and livelihood generating activity, agriculture has shown better than average results. This represents a positive outcome given its relatively high foreseen contribution to the Cabo Delgado economy and ongoing recovery efforts.
- **High reserves of natural resources still represent an opportunity:** Critical minerals such as copper, graphite, and platinum group metals will continue to see global demand growth as consumer electronics and demand for renewable energy products and batteries increases. The informalization of the sector (particularly for precious metals and stones) will prove to be a hurdle for sustainable short-term growth, but medium to large scale extractive operators have proven a higher-than-average risk tolerance in developing markets meaning extractive activity is likely to continue as a central sector for Cabo Delgado.
- **If security conditions are guaranteed, tourism will flourish:** If confidence and certainty regarding the security situation can be reinstated, tourism in the North could see a significant rebound as global markets opening post-COVID are seeing historic travel demand. Respondents reported limited confidence in an improvement in the security situation meaning the short-term trajectory for the sector remains negative.

Sectoral breakdown of CD GDP

Cabo Delgado GDP by Sector
(2019, US\$ million)



Likely sectoral trajectory



The Labor Market

Survey results and interviews revealed that the labor market in Cabo Delgado is in flux. While most of the population relies on livelihoods not linked to the LNG ecosystem, the impact of instability has had a chilling effect on the overall job and livelihood market.

Cabo Delgado's labor market has traditionally been agriculturally dominated. The 2017 Mozambican census calculated that over 770,000 people over the age of 15 in Cabo Delgado reported being gainfully employed or having a full-time occupation, and approximately 80% considered agriculture or fishing their primary occupation (mostly subsistence and smallholder farming). These statistics suggest that approximately 65% of the working-age population was previously employed. A small portion of the labor base was employed outside of agriculture with around 7% in commerce, 1.5% in industry and manufacturing, and less than 1% in construction and extractives.¹⁷

The mismatched movement of the population and employers has added additional strain to the labor market. The latest IOM data from April 2021 concludes that the number of Internally Displaced Persons (IDPs) from the conflict in Cabo Delgado has risen to over 700,000. Of these, around 350,000 are of working age.¹⁸ Estimates suggest that around 90% of IDPs relocated within the province, while another 10% were displaced to neighboring regions.¹⁹ The map below overlays the movement of IDPs within Cabo Delgado with the net flow of survey respondent companies showing that most of the districts receiving IDPs have net lost businesses.

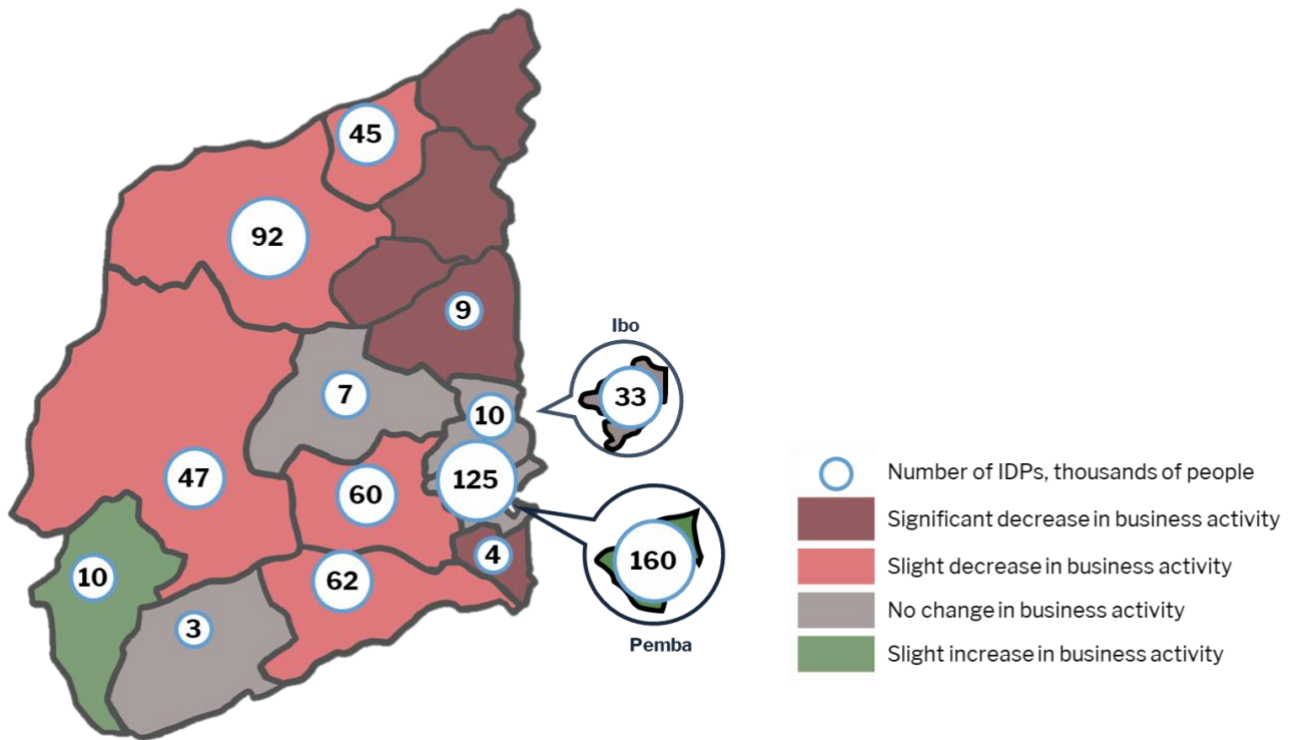
¹⁷ INE, "IV-RGPH - Cabo Delgado", 2017 [Link](#)

¹⁸ IOM, "DTM Mozambique, Baseline Assessment, Round 12", 2021, Calculated by removing IDPs identified as elderly from IDPs considered adults [Link](#)

¹⁹ INE, "IV-RGPH - Cabo Delgado", 2017. [Link](#)

Movement of IDPs, changes in reported business activity

IDPs as of April 2021, Number of businesses surveyed with openings and closures by district



Estimated Job Creation Needs

There have been multiple estimations of the impact of recent events in Cabo Delgado on the local job market. As Cabo Delgado looks towards recovery, job creation will become an exceedingly high priority. Between the continuous internal displacement of people and the economic instability experienced in the region, it is difficult to accurately estimate job losses, but the analysis below leverages private sector data to estimate the job creation and income generation needs in Cabo Delgado.

Figures from April 2021 indicate that around 315,000²⁰ working-age IDPs have resettled in Cabo Delgado. Given the ever-changing nature of the IDP crisis, the enclosed analysis assumes the current figure to be somewhere between 300-400,000. The *Confederação das Associações Económicas* (CTA) has estimated that the attacks in Cabo Delgado have led to the loss of 198,000 jobs. Palma attacks alone are said to account for 55,000 of these jobs at risk.²¹

Survey respondents represented a workforce of approximately 5,000 and reported direct downsizing of approximately 1,500 workers since 2020, indicating a 28% decrease in formal

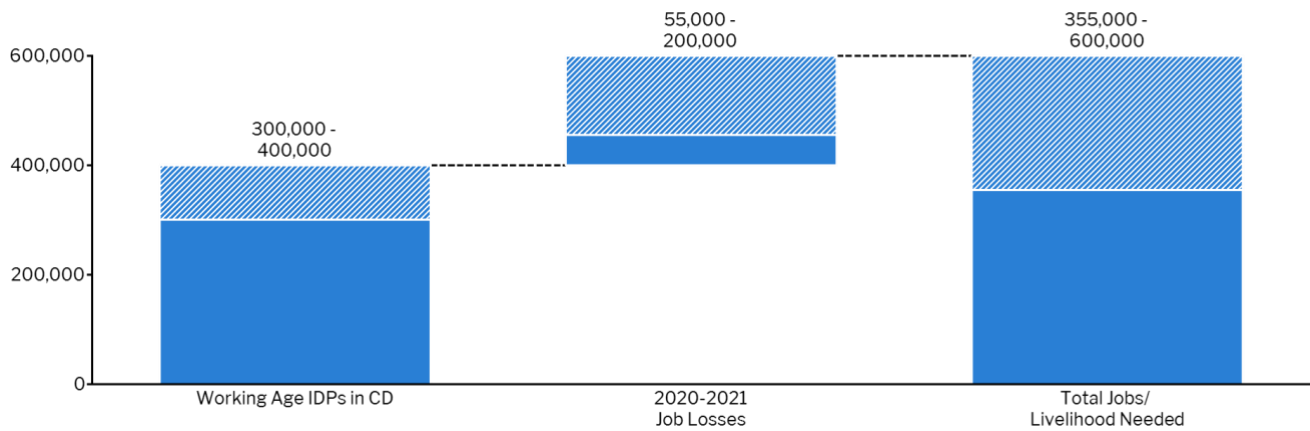
²⁰ IOM, “DTM Mozambique, Baseline Assessment, Round 12”, 2021. [Link](#)

²¹ RTP, “Ataques Moçambique. Mais de mil empresas encerradas e 174,4 ME perdidos”, 2021. [Link](#)

employment.²² Based on the 770,000 jobs reported on the 2017 census, this would indicate over 200,000 jobs lost in the province as a whole, which is in alignment with CTA’s national estimate of jobs lost as a result of the recent instability, potentially pointing to a worse impact on the labor market than initially calculated. For the sake of approximate estimation, the enclosed analysis assumes that actual jobs lost in the province after March 2021 will be somewhere between estimated jobs lost as a direct result of the attacks on a national level (around 55,000) and total estimated jobs lost on account of the insurgency overall (200,000).

When accounting for the income generation needs of the 300-400,000 IDPs, an approximate 600,000 jobs may be required to return employment in the province to pre-conflict levels.

Estimated job creation needs in Cabo Delgado



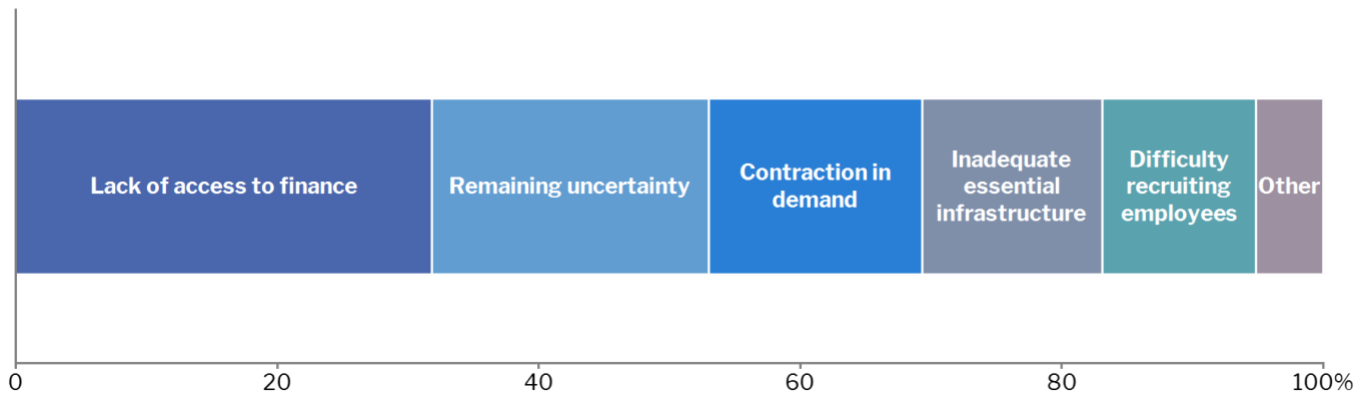
²² Survey employment based on company size in 2020. Job losses from survey reported downsizing since 2020

The path towards recovery

Private sector perspective on recovery

As donors, development partners, and the public sector look to invest in Cabo Delgado's regional economic recovery it will be important to be responsive to the key barriers to growth identified by the private sector. When asked about the largest barriers faced by businesses in the reestablishment or growth of their operations, survey respondents listed the following key barriers:

Reported principal barriers to private sector recovery in Cabo Delgado
(% of total responses)



These were followed by qualitative questions regarding key priority areas of intervention to facilitate the economic recovery of the region. Below are some of the key highlights:

1. **Lack of access to finance:** Bank loans and credit facilities are inaccessible to most of the province's businesses, representing a significant deterrent to entrepreneurial activities and investment. Matching grants schemes, which have been used successfully in the region (e.g., through FNDS'/Proazul's projects in the agriculture and fisheries sectors and in reforestation), as well as subsidized debt or guarantee facilities are some examples of ways to improve access to finance, though financial institutions point to a high-risk environment and limited appetite for lending.
2. **Remaining uncertainty:** Demonstrable government commitment in re-establishing regional security and stability will allow businesses visibility over medium to long term perspectives, as well as increase investor confidence in the region's business future.
3. **Contraction in demand:** With population movements and general economic contraction, consumption has plummeted. Increased livelihood generating opportunities, especially in agriculture, fisheries, small trade in consumer goods and services, etc. for displaced populations and host communities could boost disposable incomes and compensate for this contraction. The provision of cash transfers has also proven in many post-conflict settings to alleviate the immediate needs of the most vulnerable and allow for some spending autonomy and increased consumption. Additionally, stakeholders noted the need for the remaining national and multinational businesses to promote their employees to live

(and therefore consume) locally, albeit this is unlikely in the short term given the prevailing security conditions.

4. **Inadequate essential infrastructure:** Maintained and safe roads, as well as capable ports and bridges, were consistently noted as essential to the province's development. Businesses often report the expense of transport both in going to market and in purchasing production inputs from the South. Secondary and tertiary roads and bridges are essential for the movement of agricultural produce and have been mentioned as a key barrier to unlocking the province's potential in meeting the local demand within the districts and potentially serving other provinces. Population movement and the circulation of development and humanitarian assistance are also hampered by the lack of roads and bridges. Their construction can boost the use of local unskilled and skilled labor and take advantage of the existing excess capacity in the construction sector.
5. **Difficulty recruiting employees:** Targeted and improved capacitation and job creation programs will help job seekers match their skills to current job market demand. While there is still a limited market for high-skilled positions, training tradespeople and laborers to boost local employment in infrastructure development will potentially position the local labor market to play a larger role in future extractive construction, provision of security, catering, restoration and other services.

Recovery of the labor market

With hundreds of thousands of jobs required in the recovery of the province, the donor community and the Government of Mozambique have been prioritizing job creation and income generation activities in Cabo Delgado. To gain an understanding of the impact of these programs and the requirements going forward, the MSP conducted a mapping of ongoing and planned donor programs that focus on Technical Vocational Education and Training ("TVET"), youth employment, and job creation. Information on more than 20 programs from 17 different organizations was collected.

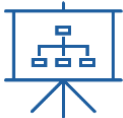
Although these programs cover a wide range of topics and focus areas, below are some of the recurring themes identified amongst the mapped programs:



Focus on agri-business value chains – Five of the mapped programs focus specifically on agriculture and pisciculture value chains. To mitigate reliance on imported agricultural products and to prepare for continuous urbanization, the agriculture sector should be continuously supported. Some of the programs are set up to encourage youth to look beyond subsistence farming and consider agriculture as a business opportunity through the provision of technical and economic capacitation.



Soft-skills training for low-skill job seekers – One mapped program specifically focuses on soft-skills training and three others mention it as one of their outcomes. Due to difficulties matching demand and supply in the job market, development partners have shifted parts of their program foci towards training beneficiaries in more transversal skills such as confidence building, communication, negotiation skills, teamwork, and work ethic.

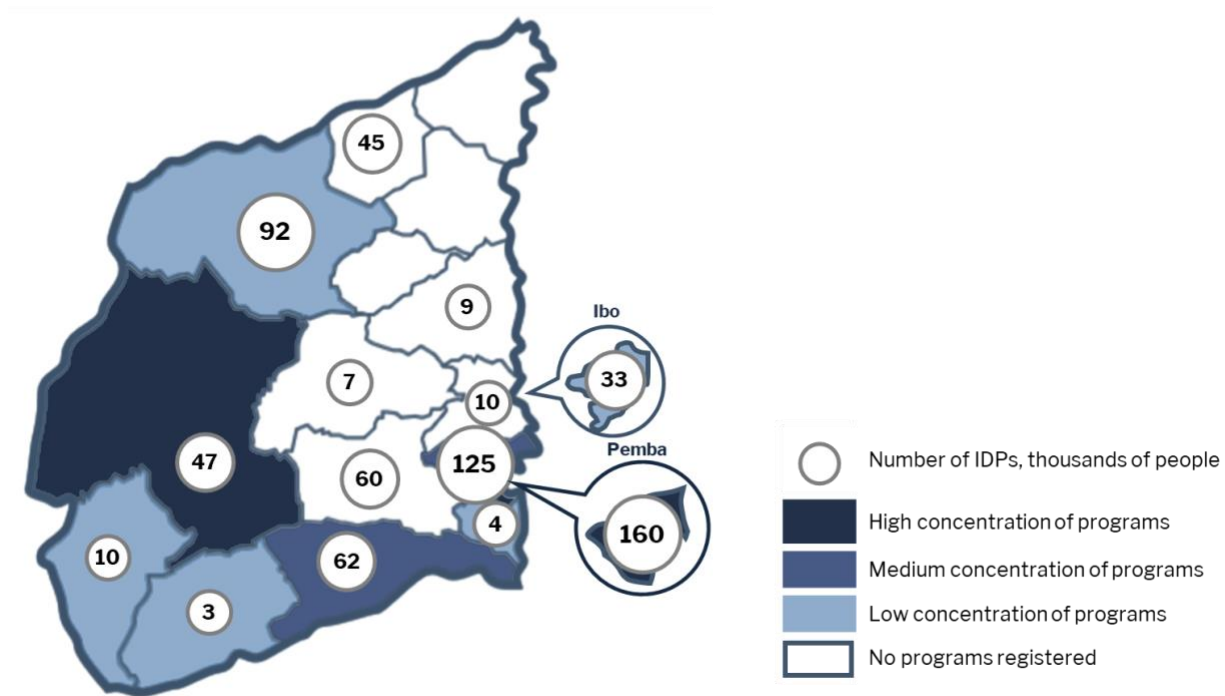


Labor market oriented technical and vocational education programs— Six mapped programs meet these criteria with some of the programs mapped having been conceptualized during the oil and gas boom in Cabo Delgado province, they focused on training graduates in sectors with high growth potential, such as the LNG sector and tourism. During interviews, program officers spoke about altering the TVET programming to focus on other sectors, such as agri-business and construction.

Two other programs focused specifically on supporting MSMEs and female entrepreneurs, but this focus area was seen within most of the mapped projects that fell into a multi-sectoral category. When asked about their outlook on the province's economic recovery, organizations often stressed their current focus on evaluating the impacts of recent challenges and redesigning their programs to mitigate the risk of over-reliance on LNG projects. The map below overlays patterns in IDP movement and identified job creation and TVET programs.

Movement of IDPs, concentration of job creation programs

IDPs as of April 2021

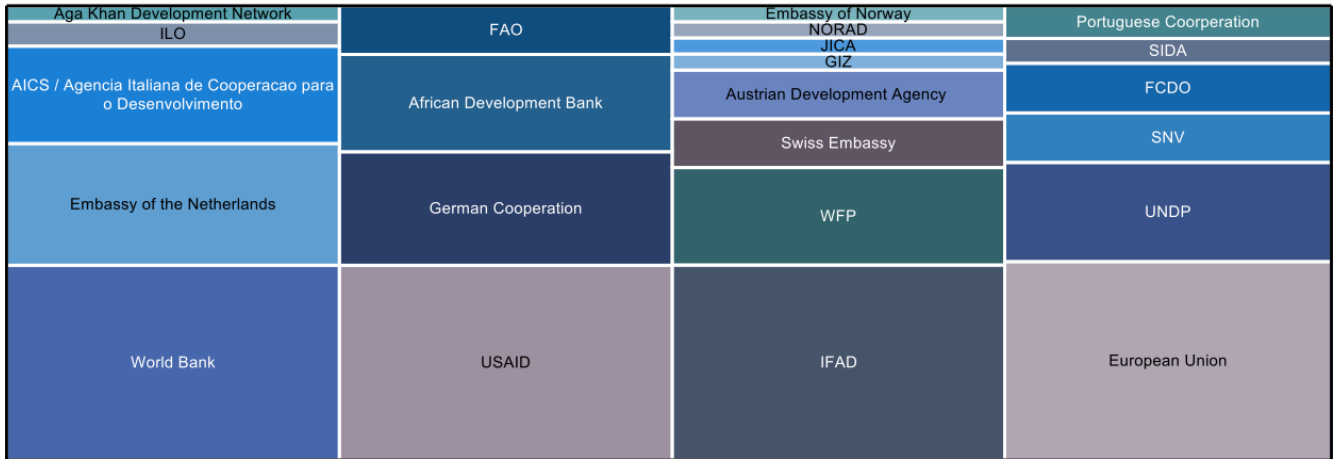


The analysis estimates that the programs outlined above have around 20,000 direct beneficiaries who will partake in job training, skills-development programs, and job creation programs. Most partners estimate programs to indirectly benefit around four times as many people, placing the high-level estimate of livelihoods generated at 80,000.

In April 2021, the Cabinet of the Prime Minister published the Government of Cabo Delgado’s Productive Assistance Plan. The document set out the Government’s planned response to Cabo Delgado’s IDP crisis as well as donor assistance required. The MSP facilitated a mapping of donor and UN agencies’ initiatives falling within the scope of such assistance needs to conduct a gap analysis of support commitments outstanding. The mapping estimates that over US\$ 20m from ten donors have been destined for income-generating activities in the province throughout 2021.²³ These livelihood restoration activities include the distribution of self-employment, agriculture, and fishing kits, as requested by the government, with the majority focusing raising livestock, specifically chickens and on pisciculture. Other programs focus on cash and tool distribution, support for small holder farms, youth employment and value chain development. Overall, the mapped initiatives will seek to restore livelihoods for around 70,000 people in the province.

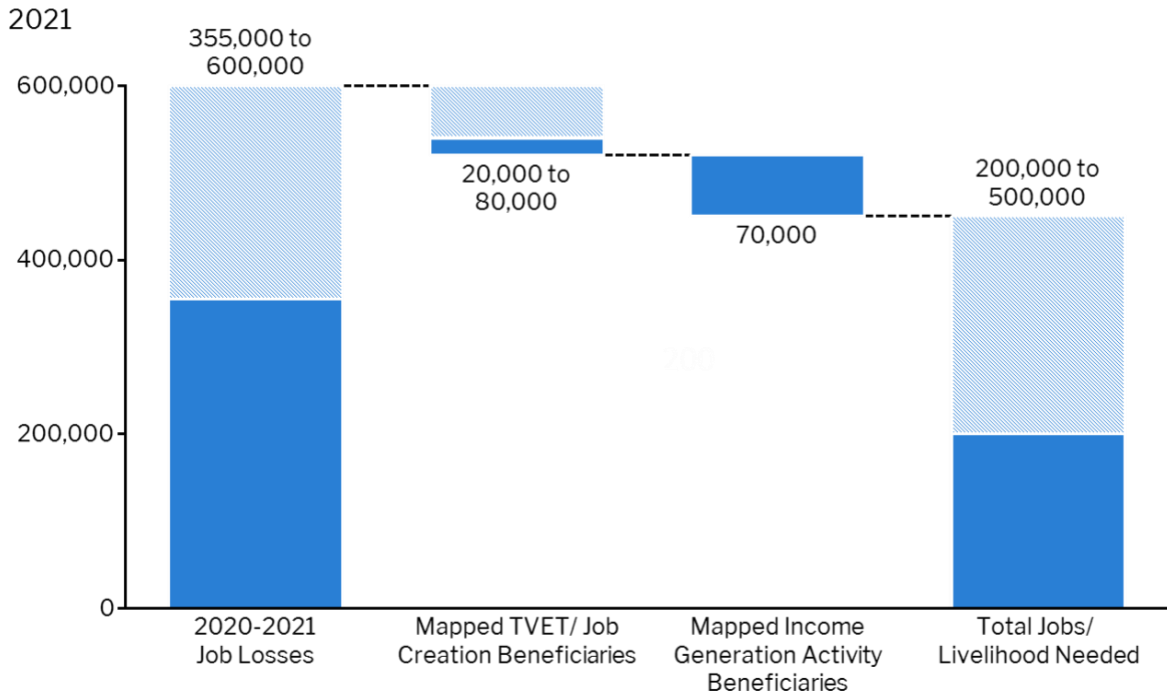
²³ Ten donors are FAO, WFP, AFDB, British High Commission, European Union, Embassy of the Netherlands, USAID, IFAD, the World Bank and the Austrian Development Agency.

Cabo Delgado Private Sector Study: Prospects for Recovery



The graph above shows development partners involved in either the job creation, TVET or livelihood recovery activities, scaled to the number of initiatives in which they are involved. Many of the programs have multiple donors and/or multiple implementers, all of which have been represented here.

Estimated job creation needs in Cabo Delgado



The analysis suggests that around 100,000 to 180,000 jobs and livelihoods will be restored through ongoing development partner and government efforts. Approximately 200,000 to 500,000 jobs and livelihoods are still required to return employment in the province to pre-2020 levels.

Scenario analysis

With the above information in mind, the below scenario analysis was conducted:

- **What this means in terms of sectors:** e.g.: Following likely sectorial trajectory above, sectors such as extractives and tourism would present different perspectives, expanding job creation and pathways
- **What this means for the “key highlights” above:** e.g.: Access to finance can improve through increased collaboration with commercial banks to provide loans relying on sub-contracts as collateral
- **What this means for the “job market” as above:** e.g.: Most likely easier to create livelihoods, most likely people move back to their areas, probably less jobs need to be created.

1. Optimistic scenario: End of violent conflict, gas investments resume

The optimistic scenario assumes that peace and security are restored in the region, thus allowing for the displaced populations to return to their places of origin and for businesses and life in general to slowly return to normal. This scenario assumes that mega-projects and large-scale development assistance in the region can return with limited security impediments.

In terms of a trajectory for the local economy, this scenario assumes that most sectors will begin returning to upward growth trajectories leading to an increased economic output could surpass the 2019 level of \$600+ million. This is based on Mozambique’s past track record in post-conflict economic recovery, which has been ranked as strong compared to other post-conflict countries. Return to stability will involve a significant effort in restoring key services such as energy, water, and telecommunications. It will also entail rebuilding damaged infrastructures and a return to the provision of public services that have ceased in the conflict-affected districts. These efforts will require costing, prioritization and identification of financial resources from public and private sources, likely leading to increased demand for private sector services and domestic labor. The slowest sector to recover in Cabo Delgado will likely be tourism due to the lagging effects of the COVID-19 pandemic worldwide and the need to dissipate negative associations of the region with the conflict. Even in the optimistic scenario, the private sector will continue facing the structural impediments to its growth including. lack of access to finance, lack of critical and connective infrastructure, continued capacity to service mega projects, currency fluctuations, corruption, lack of land tenure security. Each of these impediments, if unaddressed, will limit the growth of the local SMEs.

2. Protracted conflict scenario: Protracted conflict, pockets of instability remain, ambiguous mid- to long-term perspectives for public and private sector investment and humanitarian projects. This scenario assumes that the current security conditions prevail, meaning the coastal and Eastern districts continue to be inaccessible due to the violence and that the displaced populations continue seeking safety through resettlement in more secure areas. In such an environment, most of the economic sectors will continue to stagnate and/or

contract and a resumption of the gas project from the Afungi peninsula or other location in the province is unlikely. A protracted conflict will further stifle local consumption as more and more households will fall further behind the poverty line with development and humanitarian projects struggling to reach scale and causing continuous economic downturn in the province with only few pockets of economic activity, such as Palma and Balama. Jobs for most of the workforce will be non-existent driving youth towards illegal activities or migration to other regions of the country. Foreign investment into secure regions of the province may resume in limited fashion assuming security along key trade and transportation routes is maintained.

3. Pessimistic scenario: Insurgency worsening and taking over larger swathes of territory, more than 50% of the province's population is on the move and most public and private sector projects are brought to a halt or fully withdrawn/cancelled due to the insecurity. Such a scenario is considered unlikely given the ongoing national, regional and international efforts to combat the insurgency and restore security and peace. However, it has been included for the sake of completeness of the forward-looking analysis. In this scenario, economic activity will experience the most drastic contraction and will not recover in the mid-term. Externally driven economic activity will largely be linked to humanitarian assistance and local demand will not be able to generate sufficient returns for the local market to survive. Most of the existing SMEs will be forced to close or relocate to more stable regions. Subsistence occupations in agriculture, fisheries and/or small trade will become the primary means for livelihood with additional subtraction of the formal job market. The encroachment of a war economy, based on the illegal exploitation of minerals, timber, wildlife, arms, drugs, and human trafficking, etc. will also likely deepen, attracting additional youth to illicit occupation with limited labor alternatives

What the scenario analysis demonstrates is that finding a solution to the conflict and for a return of security and peace in the Northern region is central to the economic recovery of the province. Only lasting peace and security provide the right enabling environment for the foreign and local investments to take place and for jobs and livelihoods to thrive.

Conclusion: Where growth still exists

The multiple crises in Cabo Delgado and the wider Northern region of the country are posing a tremendous challenge for all stakeholders in the North from the Government to international partners, the private sector, and the local communities whose livelihoods and social fabrics have been torn. The economic impact of recent events is incredibly difficult to quantify, but nearly all stakeholders involved in this analysis agreed that the impact will be long-lasting.

Stakeholders, however, have expressed hope in the opportunity to reset and rebuild, diversifying the regional economy and increasing local participation in the labor market. Survey respondents often noted that during the suspension of the Area 1 project, the Government and the private sector should lead in defining a Plan of Action for transitioning to a diversified and inclusive economic model for the province and for job creation, while ensuring that in the short term the right measures are put into place to support the livelihoods of the local communities and sustain the fragile SME segment.

The measures identified in this chapter assume that in the short- to mid-term, it is likely that the scenarios may fluctuate between the optimistic and protracted-conflict scenario. Hopefully, the former prevailing sooner rather than later. Possible policy and programming options have been identified in the matrix below corresponding to each of the scenarios without these being exhaustive or prescriptive.

Overall, in the optimistic scenario, the policy and programming options allow for both interventions that address structural barriers for the growth of the private sector, as well the provision of targeted support for specific priority sectors, value chains and SME segments or livelihoods. A protracted crisis scenario is less auspicious in designing and delivering either of the two due to the complexity of operating in conflict situations for both public and private sector actors and the strong presence of war-driven economic interests, which interfere with the space for legitimate SMEs.

Scenarios	Likelihood	Impact	Policy/Programming Priorities for Private Sector Recovery
<i>Optimistic scenario – return to security and peace across Cabo Delgado</i>	Moderate	<p>Positive across all economic and social sectors</p> <p>Reconstruction efforts lead to growth, incl. in sectors that were on a downward trajectory during conflict (e.g., infrastructure, construction, transport and communications, industries, fisheries)</p>	<ul style="list-style-type: none"> • Develop a joint GoM and private sector Plan of Action for PS Recovery and Local Jobs • Invest in scaling up of investments in agriculture and fisheries to boost livelihoods and local consumption • Use market-integrated humanitarian assistance (vouchers, subsidies provided through local PS companies, local sourcing of inputs and extension services)

Protracted crisis & conflict largely contained in the same areas

Moderate

Limited number of sectors maintain similar level of output to past period (2019) – e.g., agriculture or grow (extractives – minerals), construction

SMEs flee conflict-affected areas

Predatory/illegal private sector is predominant in conflict zones

Continued shift of foreign investor interest towards central and south

- Scale up local content programs and ensure linkages to resumed mega projects (gas), and new investments in infrastructure, energy, communications, etc.
- Promote grants, matching grants, tax and other incentives for SMEs to return to conflict affected districts and relaunch businesses
- Introduce policy measures to address structural barriers to PS growth (e.g., access to finance, access to land, formalization of SMEs, linkages to public and private sector projects, etc.)
- Introduce policy and security measures to address predatory/illegal private sector activities (illegal mining, timber, trafficking, etc.)

- Develop PS Recovery and Jobs Plan of Action with limited geographic scope to safe areas
- Use market-integrated humanitarian assistance (vouchers, subsidies provided through local PS companies; local sourcing of inputs and extension services) in areas with access
- Promote cash transfers, agriculture and fisheries kits (incl. extension services) and access to lend support to IDPs and host communities.
- Promote grants, matching grants, tax and other incentives for SMEs in relocation areas
- Invest in critical infrastructures for military effort and for distribution of humanitarian assistance, roads, bridges and community infrastructures in safe areas – raising demand for local labor and construction SMEs

<p><i>Pessimistic scenario – conflict spreads to new areas and affects more than 50% of the population in Cabo Delgado</i></p>	Not likely	<p>Negative impact across all economic and social sectors</p> <p>Loss of human life and increased displacement</p> <p>Forced permanent closure of local SMEs and/or increased relocation to other regions</p> <p>Continued loss of contracts and consumers</p> <p>Predatory/illegal private sector becomes entrenched</p> <p>Spill on effect to national level of foreign private investor interest</p>	<ul style="list-style-type: none"> • Introduce policy measures to address structural barriers to PS growth limited to safe areas. • Introduce policy and security measures to tackle predatory/illegal private sector limited to safe areas
			<ul style="list-style-type: none"> • Promote cash transfers, agriculture and fisheries kits and access to land, support to IDPs and host communities. Humanitarian assistance to use to the maximum degree possible market-based mechanisms (e.g., delivery of inputs and extension services through local PS) • Promote grants, matching grants, tax and other incentives for SMEs in relocation areas • Invest in infrastructure limited to serve military effort and/or humanitarian assistance

In terms of recommendations for public sector actors, the business leaders interviewed stressed the following priority areas and support needed:

Government of Mozambique (GoM):

- Restoration of security and peace in the region
- Definition of clear pathways for economic diversification away from the overreliance on the oil and gas sector and other mega projects
- Reconstruction of roads and bridges in the province, particularly along supply routes that have been cut-off by the insurgents
- Provision of support to IDPs and other vulnerable groups, including the prioritization of the use of local labor in public sector projects
- Direct support for SMEs in Cabo Delgado, especially in accessing finance
- Measures to improve the enabling environment for SMEs
- Wider and consistent dialogue with private sector actors in defining the economic and private sector development priorities and support mechanisms for the region

International partners:

- Support the GoM in the restoration of security and peace in the region
- Provide market-based humanitarian and livelihoods assistance, incorporating the lessons from the recovery efforts post-Idai and Kenneth cyclones
- Provide support for local content development and job creation and trainings
- Invest in infrastructure projects that leverage highly localized labor pools and suppliers
- Provide access to finance to SMEs and other forms of direct support to the segment (e.g., linkages to mega projects, value chains, etc.)

Further analysis of the various measures proposed is provided below.

Importance of localization

International private investment into the North is likely not going to recover in the near term, meaning public sector investments from state and international resources will be central to the region's economic recovery. This places a particular onus on both the Government of Mozambique and its partners to work with the private sector to ensure significant local participation in the supply chains and service provision of upcoming public investments. Private sector companies have also consistently stressed the need for a regular dialogue between them and the GoM in the definition of economic recovery policies and measures for the region and for the diversification of the economy away from the overreliance on the oil and gas sector and other mega projects.

In the short term, the humanitarian and early recovery efforts will be central to economic recovery, meaning the promotion of local procurement should be a high priority, as well as scaling up livelihoods interventions to provide decent living conditions and occupation for the local population and thus driving up consumption. Additionally, capacity-building programs for workforce and SMEs will potentially position local firms for increased competitiveness and can serve as visible investments into the local communities. Local content activities focused on local capacitation for the LNG ecosystem can serve as a base for training SMEs and youth for immediate procurement needs and can serve as inputs into public investment in infrastructure.

High-potential sectors

This analysis found that there remains private market optimism for several key sectors in the region. Stakeholders were optimistic about the near-term potential for services and commerce, large drivers of local economic activity that are highly dependent on boosting consumer demand, as well as agriculture, the dominant economic driver of the region and focus of much recovery investment. Construction and extractives were also not ruled out as potential drivers of growth and recovery.

While stakeholders were less optimistic about a gas-led future economy, exploration across the province continues and global markets for critical minerals found in Cabo Delgado are picking up in the wake of the pandemic's passing. The construction sector, while likely to build fewer hotels and office buildings on the Pemba beachfront, has grown and sophistication in recent years and

could create significant employment opportunities to build the roads and bridges that stakeholders claim is key to restarting the economy.

Without security, however, the scale and span of any recovery, whether driven by the public or private sector, will not materialize. While uncertainty and instability were noted as only the second biggest concern from private sector participants in the survey, stakeholders noted a sentiment of normalization of insecurity, with multiple leaders from the private sector comparing the current environment in Pemba to parts of Kenya and Somalia noting an increased vigilance when traveling and meeting in public.

Key recovery initiatives

From the hundreds of conversations held with companies in Cabo Delgado throughout this study, the following priorities, and areas of opportunity to restart the Cabo Delgado economic engine have been identified:

- **Create a common vision and Plan of Action for the Private Sector Recovery and Local Jobs** to overcome dispersion of efforts and ensure that all public and private stakeholders are aligned with the priorities and how to attain them in the short-, mid- and long-term. Financial resources from public and private sources should be spent in accordance with the agreed priorities and strategic initiatives. Operational capacities of both public and private sector actors must be ramped up to meet the recovery, livelihood, and job creation challenges. The GoM is elaborating a Resilience and Integrated Development Strategy for North, which addresses the broadest range of economic, social and stabilization issues. Depending on the level of granularity it will have in the area of economic recovery and jobs creation, it may need to be complemented by a more detailed and operational Plan of Action. Similarly, there should be clarity on the complementary and lead roles of public sector entities responsible for economic recovery, private sector development and jobs. Which institution or agency should be the first point of contact for the PS in the North?
- **Rebuild critical infrastructure** with a focus on roads and bridges to allow for the circulation of people and goods to key economic zones within the province and along connection points to neighboring countries and provinces. Millions of dollars of in-progress and near-term infrastructure projects in Cabo Delgado have previously been mapped by the MSP, but international partners have noted concern that large-scale investment without proper security in place could cause targeting by the insurgency, which has limited crucial investment. Investment into the Pemba port, although not immediately economically viable for large investments, should be reviewed as it was initially intended to serve as a primary logistics hub for the North, including for the much-needed humanitarian and development assistance. The reconstruction of public and private sector assets (energy, telecommunications, water sectors), which have been destroyed in the conflict, will require significant financial resources, hence will need to be prioritized and this would require the development of proper regional, urban, and rural planning instruments. On the other hand, the works will generate demand for

local unskilled workers and opportunities for the extra SME capacity from the construction sector.

- **Invest in small-scale agriculture** and market linkages to the ongoing humanitarian and public procurement. The establishment of storage and processing units, logistical hubs, horticulture, and poultry production can assist with localized economic improvement as well as improve the diets of local communities. Assistance from development partners and NGOs in this space should, as much as possible, leverage ongoing government projects, including the network of agriculture extension agents and PACEs (semi-commercial and commercial producers) that the Government has established. Agroforestry can be a viable solution to increase local communities' incomes, as well as reforestation projects. Similarly, private actors have pointed to the lessons from the post-Idai and Kenneth cyclones relief efforts and are stressing the use of market mechanisms for the provision of agriculture, fisheries and tree planting kits and related extension services through local SMEs to avoid market distortions and ensure that beneficiaries are incentivized to produce for themselves and have access to markets for any surpluses.
- **Scale-up models for the provision of assistance to the local private sector**, including vouchers and matching or small grant schemes for subsidizing the costs of both CAPEX and working capital. Local companies focused on serving IDPs, host communities, and other vulnerable groups should be prioritized for this assistance. Depending on the scenarios, the support will either be prioritized and provided in the relocation areas of SMEs and IDPs or scaled up in the post-conflict phase in the areas of origin to ensure that the returnees have access to goods and services. Setting up of loan guarantee funds was identified in the KIIs as one of the viable means of scaling up access to finance for the SME segment. In other post-conflict context, some of the oil and gas sub-contractors have been able to set up parallel means of financing CAPEX requirements of local SMEs by purchasing equipment needed for the setting up of processing units and small industries (e.g., poultry or hydroponics production, setting of waste management or kitchen facilities, etc.).
- **Increase investment into a green economic transition.** Projects such as the 41 megawatts solar plant in Ancuabe district and similar plants in Niassa province (40 megawatts in Lichinga and 19 megawatts in Cuamba) have the potential to underpin a green economic trajectory for the region and provide energy access to underserved communities. Off-grid solar solutions focused on the humanitarian/recovery effort should also be established with a commercial transition embedded.
- **Invest preventively in maintaining and improving the management of conservation areas** and the tourism operators within protected areas and parks, including the Quirimbas National Park. As biodiversity conservation and the prevention of illicit wildlife trade have increasingly relied on conservation tourism, there is a need to subsidize these operators. Local community-driven ecotourism, as well as the development of community-led carbon offset programs in these areas, could provide new sources of revenue to hard-hit communities.

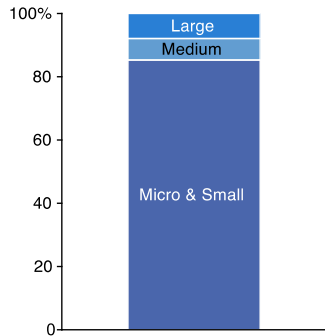
- **Promote the scale-up of digital solutions for the identification, registration, family reunification, and education of IDPs** and communities impacted by conflict. A growing number of digital tools have been developed in recent years to connect previously disconnected communities to data collection and information sharing platforms and compensate for the lack of schooling and access to information. In addition, facilitating access to land and other natural resources in host communities or back in the places of origin of IDPs and SMEs will be key for the relaunching of the livelihoods and business activities. The process of identification of land parcels and rights to use of land should be streamlined across the districts and facilitated for both IDPs and SMEs.
- **Focus investment into construction of social infrastructure** such as schools, health centers, and community infrastructure leveraging local communities to prioritize investments and contribute labor and resources. Private-sector contractors should be leveraged for technical work, but utilization of a highly localized labor force should be a consideration in procurement, i.e., the involvement of local labor should be a requirement for the project's approval, for GoM and donor-financed projects.
- **Facilitate the maintenance of private sector operators that will be key to the restart of LNG operations and broader recovery efforts.** This can be done either through direct subsidies, technical training programs of the local workforce, or subsidization facilities to maintain base-level operations and identification of key goods and services that require local production once projects resume operations. Additionally, for investors looking to exit, an acquisition ecosystem of higher-risk appetite investors could be developed. Interviewed advisory firms have noted interest in potential acquisitions from international firms with experience in conflict areas.
- **Coordinate more efficiently with the public sector in the design and launch of assistance programs.** The launch of ADIN should create a vehicle for more efficient coordination with provincial and local authorities and identification of programs for under-served communities not currently reached by assistance efforts. NGOs and CSOs, local SMEs should be ideally pre-vetted and operational platforms set up to service communities spread across the districts where the security conditions allow for external aid.

In the end, none of these initiatives can work without rebuilding the trust among communities, public sector actors, businesses, and civil society organizations in the North. Social cohesion and peace-building efforts will have to go hand in hand with economic recovery efforts to ensure that the conflict once overcome, would not return to plague the region.

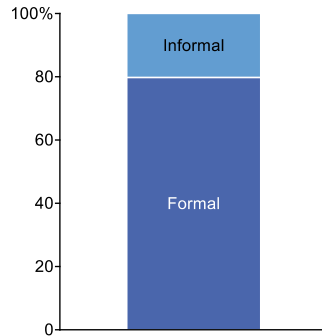
Annex: Full Survey Results

Demographics of respondent firms

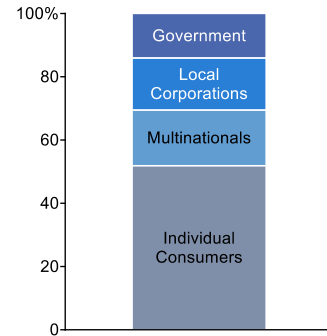
Companies by size
(% of respondents)



Companies by formality
(% of companies)

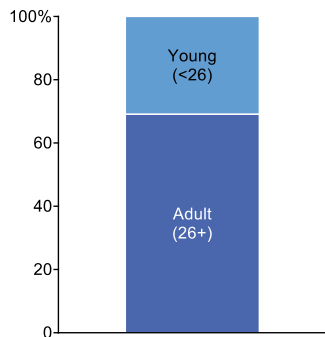


Customer base
(% of self-reported customer breakdown)

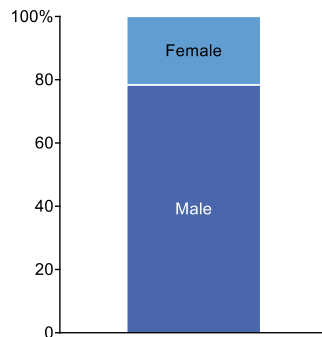


Demographics of respondent firms' workforce

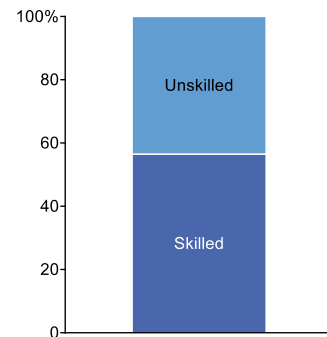
Worker reported age groups
(% of reported workforce by age)



Worker reported gender
(% of reported workforce by gender)



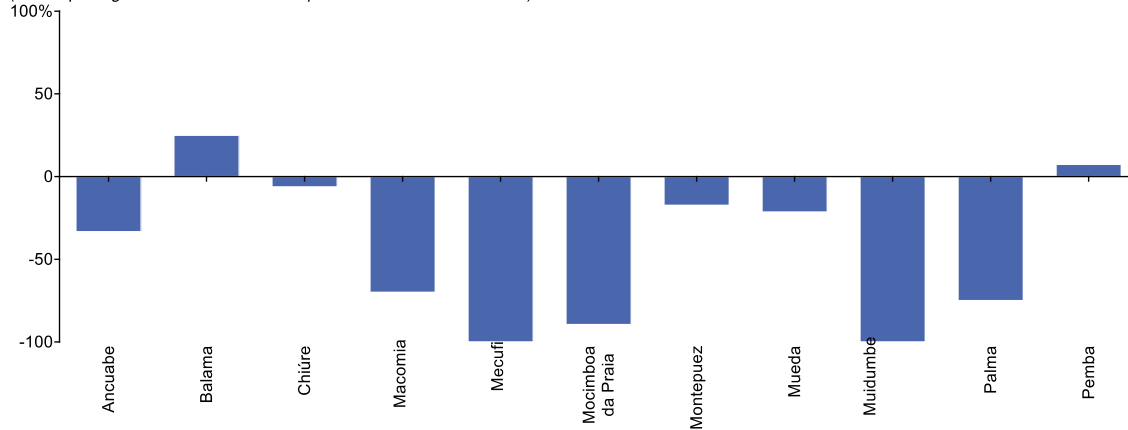
Worker reported skill level
(% of reported workforce by skill level)



Districts affected by insurgency experienced significant business downturn while Pemba and Balama registered an inflow of activity

Movement of operations by district

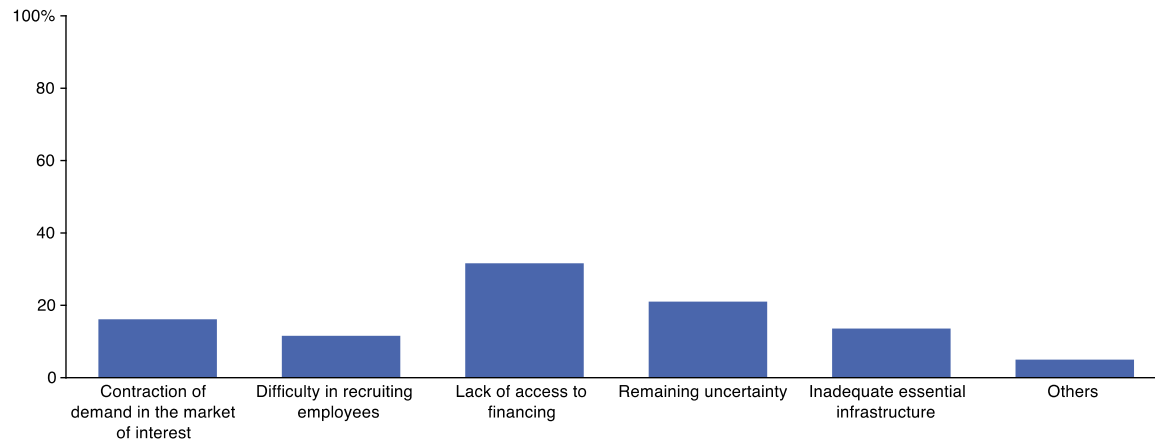
(% of reporting firms that have moved operations to/from CD districts)



Lack of access to financing along with the uncertainty are reported as the main challenges for business re-establishment

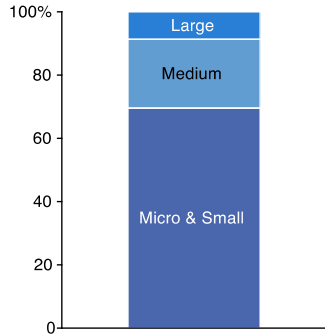
Main challenges for re-establishment

(% of respondent companies)

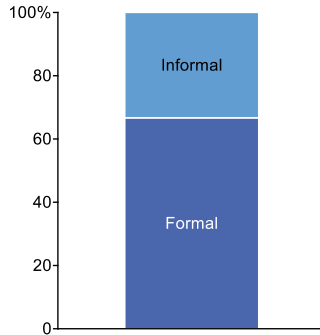


Agriculture: Demographics of respondent firms

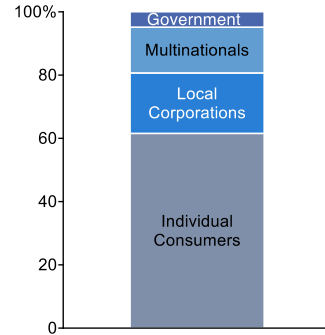
Companies by size
(% of respondents)



Companies by formality
(% of companies)

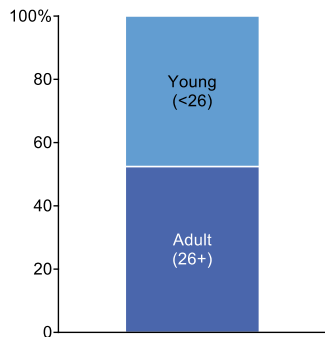


Customer base
(% of self-reported customer breakdown)

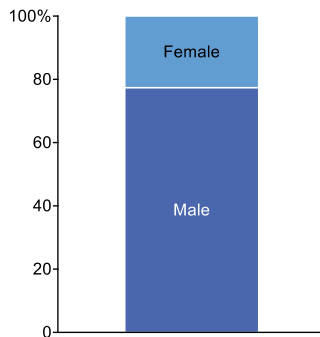


Agriculture: Demographics of respondent firms' workforce

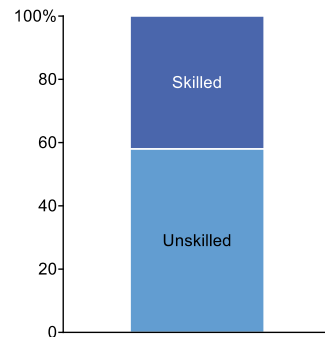
Worker reported age groups
(% of reported workforce by age)



Worker reported gender
(% of reported workforce by gender)

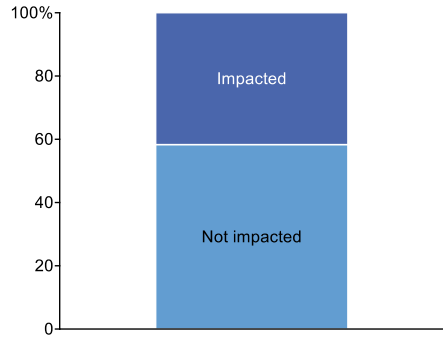


Worker reported skill level
(% of reported workforce by skill level)

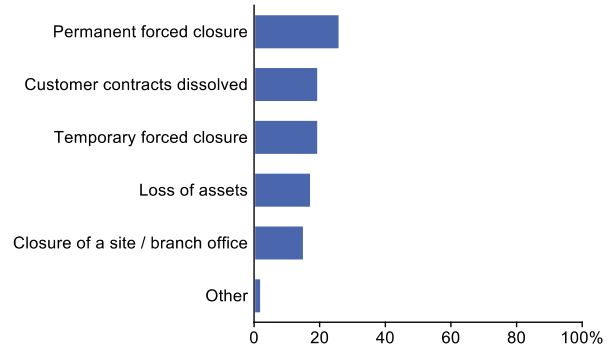


Agriculture: 80% of companies report conflict impact with primary consequence being loss of customer contracts

Company impacted by conflict
(% of respondent companies)

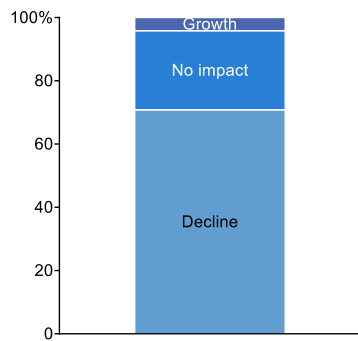


Conflict impact on business
(% of companies reporting impact)

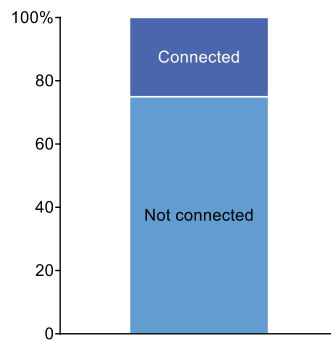


Agriculture: Majority of firms reported no exposure to the LNG ecosystem and majority of revenues from non-LNG sources

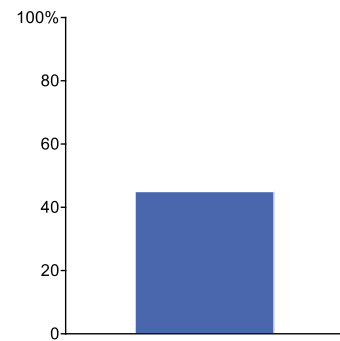
Conflict impact on revenue
(% of reporting firms)



Connection linkage to the LNG ecosystem
(% of companies with self-reported linkage)

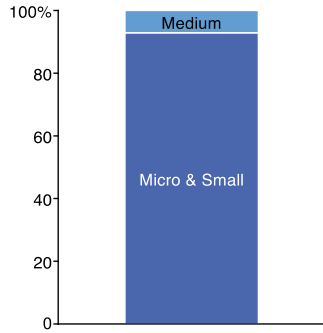


Revenue dependence of companies linked to LNG
(% of reported revenue dependence on LNG)

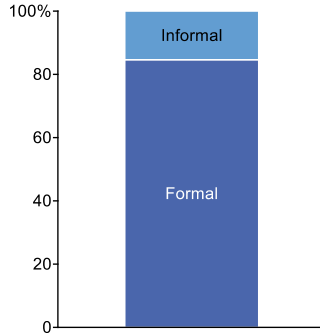


Tourism: Demographics of respondent firms

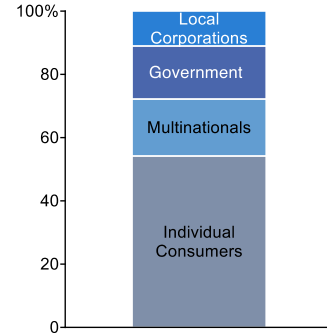
Companies by size
(% of respondents)



Companies by formality
(% of companies)

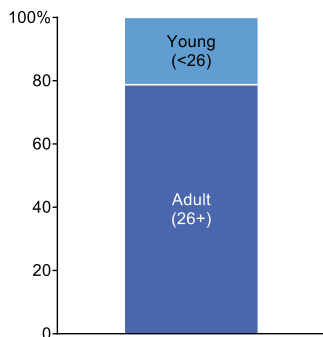


Customer base
(% of self-reported customer breakdown)

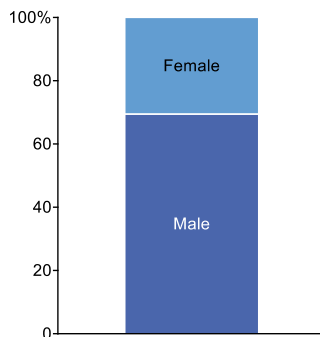


Tourism: Demographics of respondent firms' workforce

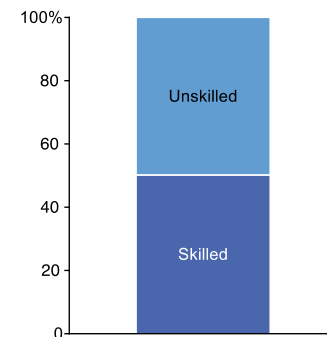
Worker reported age groups
(% of reported workforce by age)



Worker reported gender
(% of reported workforce by gender)



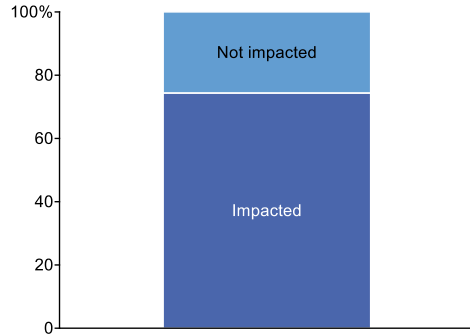
Worker reported skill level
(% of reported workforce by skill level)



Tourism: Majority of business were forced to close operations due to conflict

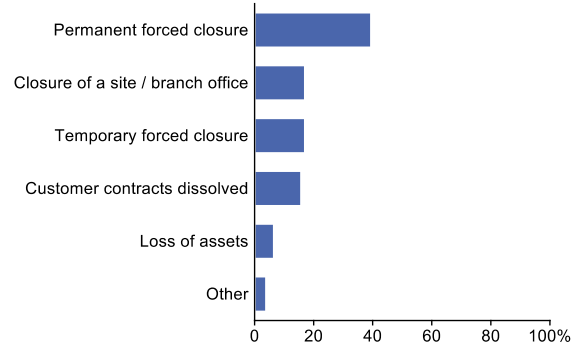
Company impacted by conflict

(% of companies with reported revenue impact due to insurgency)



Conflict impact on business

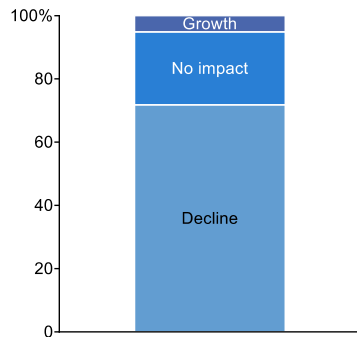
(% of companies reporting impact)



Tourism: Majority of firms reported decline in revenues due to conflict, though exposure to the LNG ecosystem is minor

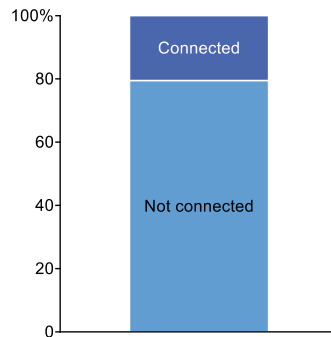
Conflict impact on revenue

(% of reporting firms)



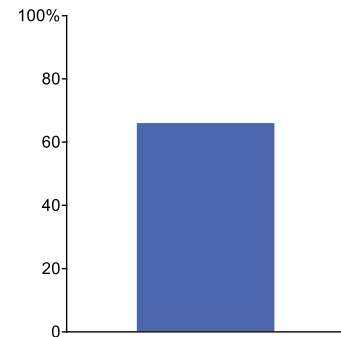
Connection linkage to the LNG ecosystem

(% of companies with self-reported linkage)



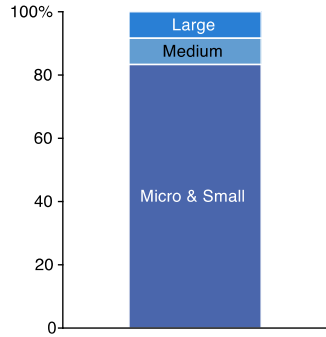
Revenue dependence of companies linked to LNG

(% of reported revenue dependence on LNG)

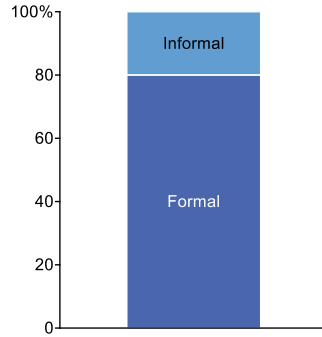


Industry: Demographics of respondent firms

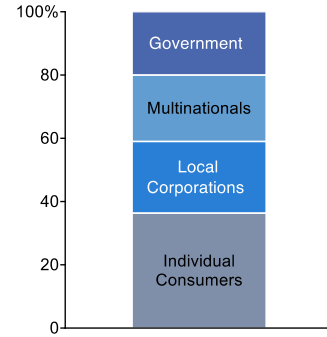
Companies by size
(% of respondents)



Companies by formality
(% of companies)

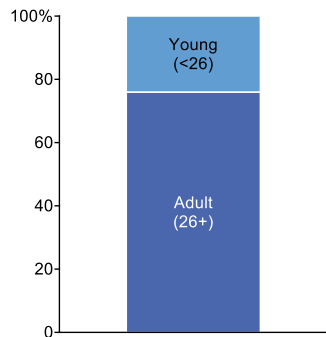


Customer base
(% of self-reported customer breakdown)

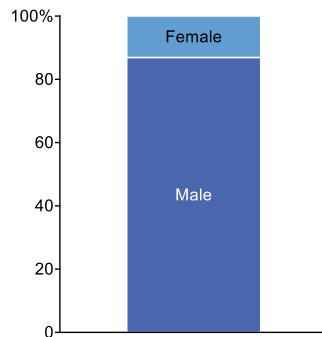


Industry: Demographics of respondent firms' workforce

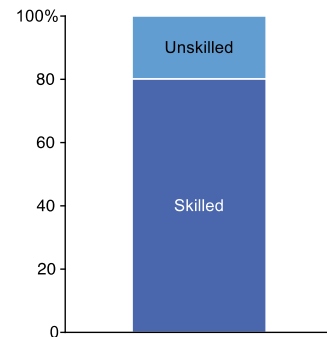
Worker reported age groups
(% of reported workforce by age)



Worker reported gender
(% of reported workforce by gender)

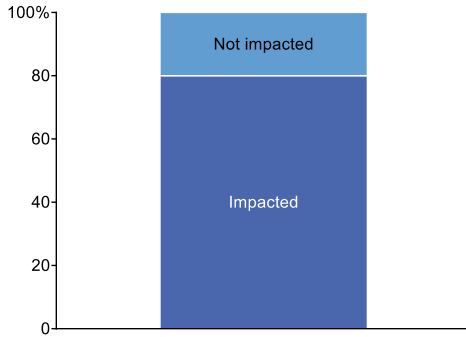


Worker reported skill level
(% of reported workforce by skill level)

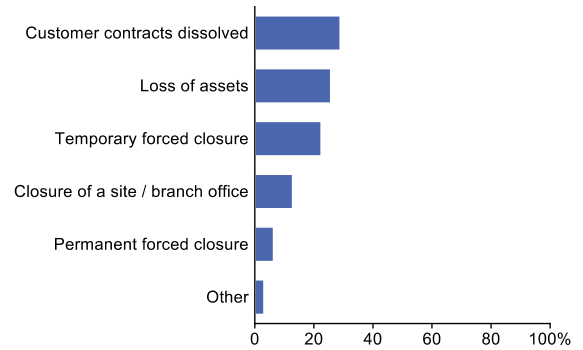


Industry: 80% of companies impacted by conflict with primary consequence being loss of customer contracts

Company impacted by conflict
(% of companies with reported revenue impact due to insurgency)

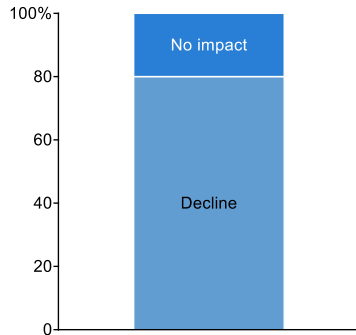


Conflict impact on business
(% of companies reporting impact)

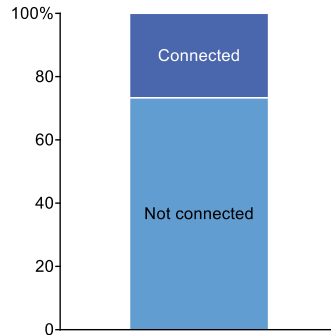


Industry: Conflict impacted 80% of respondent firms negatively, of which less than 30% were directly linked to the LNG ecosystem

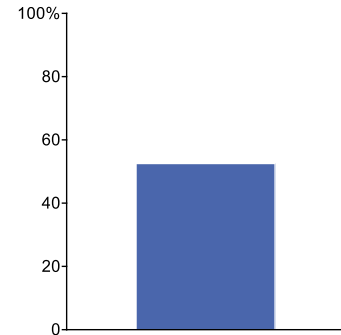
Conflict impact on revenue
(% of reporting firms)



Connection linkage to the LNG ecosystem
(% of companies with self-reported linkage)

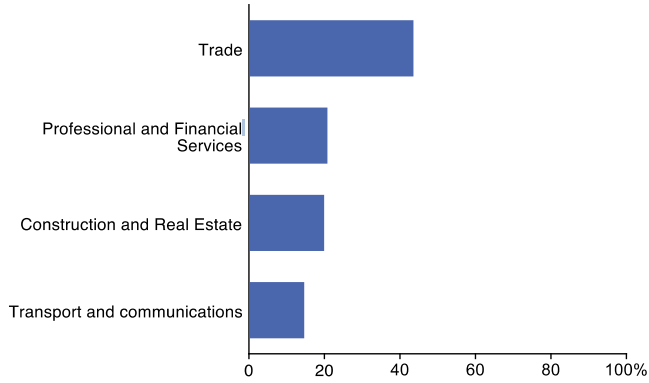


Revenue dependence of companies linked to LNG
(% of reported revenue dependence on LNG)



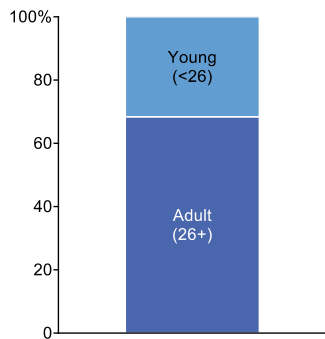
Other Sectors: Respondents' distribution by sector

Companies Surveyed by Sector
(% of companies impacted)

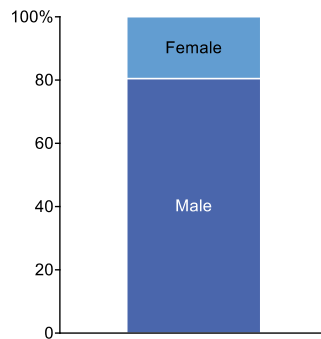


Other Sectors: Demographics of respondent firms' workforce

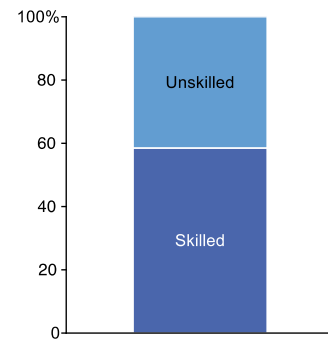
Worker reported age groups
(% of reported workforce by age)



Worker reported gender
(% of reported workforce by gender)

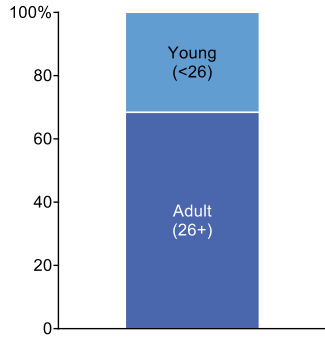


Worker reported skill level
(% of reported workforce by skill level)

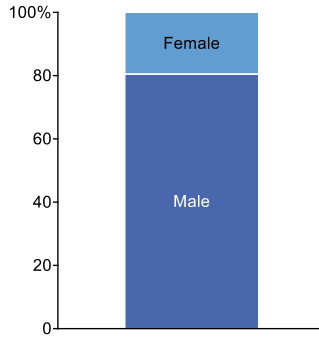


Other Sectors: Demographics of respondent firms' workforce

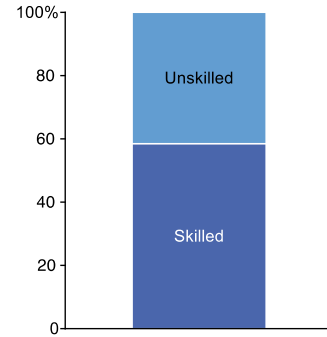
Worker reported age groups
(% of reported workforce by age)



Worker reported gender
(% of reported workforce by gender)

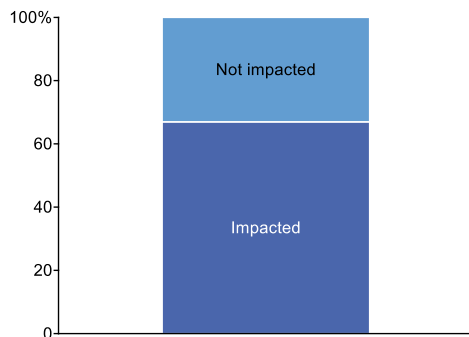


Worker reported skill level
(% of reported workforce by skill level)

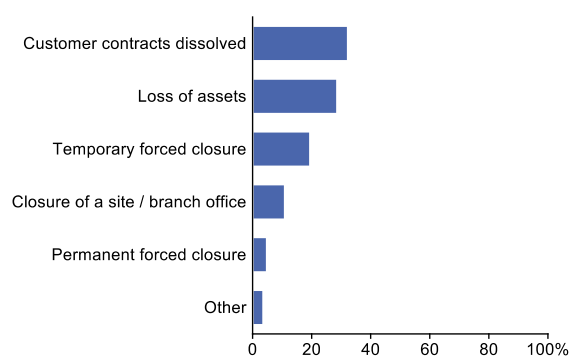


Other Sectors: Majority of companies reports firstly as an impact of conflicts the loss of customer contracts

Company impacted by conflict
(% of companies with reported revenue impact due to insurgency)

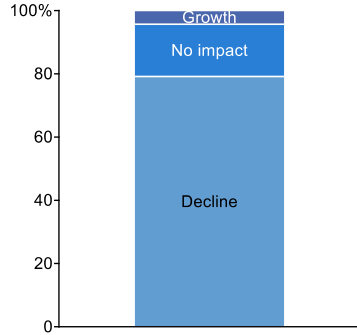


Conflict impact on business
(% of companies reporting impact)

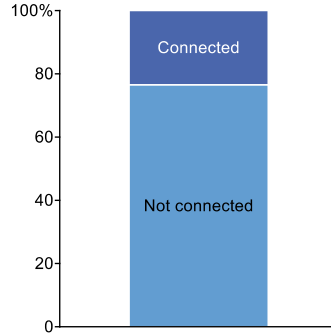


Other Sectors: Majority of firms reported no exposure to the LNG ecosystem and majority of revenues from non-LNG sources

Conflict impact on revenue
(% of reporting firms)



Connection linkage to the LNG ecosystem
(% of companies with self-reported linkage)



Revenue dependence of companies linked to LNG
(% of reported revenue dependence on LNG)

