

Rehabilitation works on the Mavuzi Dam © Tomas Cumbana

Agence Française
de Développement

MOZAMBIQUE



Mozambique

Mozambique has recorded one of the highest economic growth rates in Africa since the end of the civil war in 1992. The recent discoveries of significant coal and gas deposits and the phasing in of their production could radically change the country's economic structure by 2025.

However, Mozambique continues to be one of the poorest countries in the world: over 80% of its population, estimated at 24 million inhabitants, lives on less than two dollars a day and the Human Development Index (2014) ranks Mozambique 178th out of 187 countries. Consequently, Mozambique faces the challenge of achieving more inclusive growth, which includes improving training and access to infrastructure and basic services for the population.

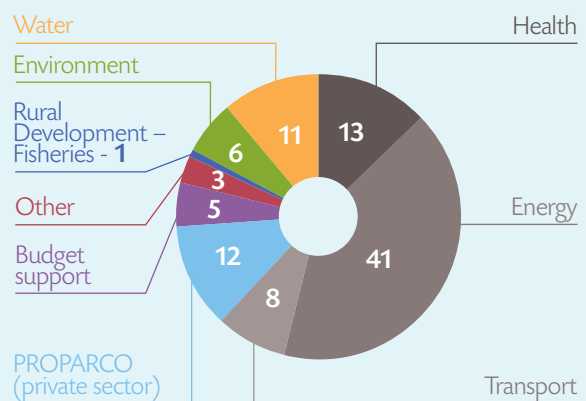
AFD's commitment in Mozambique

Agence Française de Développement (AFD) started its operations in Mozambique in 1981 and set up an agency in Maputo in November 1985, with a mandate to contribute to the country's economic and social development. AFD has committed a total of almost EUR1bn of financing in Mozambique since it started its operations.



Chimoio Market © Tomas Cumbana

Sectoral breakdown of AFD's activities between 2005 and 2015 (% per sector)



AFD's financial tools

AFD Group implements a wide range of financial instruments in Mozambique:

- Long-term loans to the public sector (State or State-owned companies) and private sector (banks, companies, microfinance institutions). The financial conditions vary depending on the type of project, the quality of the borrower and the project environment;
- Guarantees for bank lending (ARIZ mechanism) to promote access to credit for small and medium-sized enterprises;
- Equity investments to support the capital of companies (PROPARCO);
- Grants for certain subjects: support to NGOs, capacity building for the administration or companies, feasibility studies for projects concerning public services, environmental protection, the promotion of exports, vocational training.

This range of financial instruments is complemented by:

- The training provided by the Center for Financial, Economic and Banking Studies (CEFEB): professional masters programs or short-term training sessions which benefit Mozambican executives from AFD's partner institutions and companies;
- AFD's participation in the aid coordination bodies between the Government and donors (sectoral working groups in particular);
- AFD's participation in sectoral and crosscutting strategic reflection (conducting of studies).

AFD's operations in Mozambique

AFD focuses its operations in Mozambique on two priority sectors: access to basic infrastructure (energy and urban water, but also transport and health) and environmental protection. It also finances the private sector, which creates employment, via its subsidiary PROPARCO.

Improving and securing access to electricity with *Electricidade de Moçambique (EDM)*

Mozambique needs to invest heavily in the electricity sector in order to meet strong demand brought about in particular by both a proactive electrification policy and the implementation of mega mining projects. The aim is to improve and secure access to energy, both in terms of generation and of developing and reinforcing the power grid. Access to the electricity network is rising significantly but does, however, remain limited and only 1 person in 5 is connected to the grid.

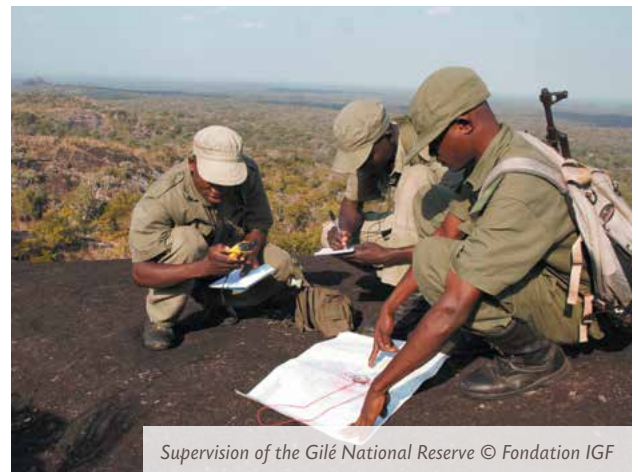
The country is endowed with substantial natural resources (hydro, solar, gas, coal) and also has the potential to play a major regional role.

AFD has been supporting the electricity sector since 1985 and since this date has allocated EUR 185m to finance various types of projects:

- To reinforce power generation: rehabilitation of the Mavuzi and Chicamba hydropower plants, construction of the Ressano Garcia (CTRG) gas fired power plant;
- To secure power transmission for southern Mozambique: Motraco (Mozambican transmission company) HV transmission line;
- To increase the access rate to the grid: EDAP (Energy Development and Access Program) peri-urban electrification project;
- EDM tools to manage and prioritize investments.

The environment and sustainable natural resources management

With over 20% of its territory protected, Mozambique is demonstrating its commitment to make the preservation and exploitation of natural resources a major focus for development. AFD is assisting in this effort by supporting several protected areas in the country (Quirimbas, Limpopo and Gilé), with the threefold objective of protecting biodiversity, creating economic opportunities, (tourism, sustainable agriculture) and contributing to the sustainable development of populations. AFD is also supporting the development of innovative financing (compensation, trust fund, REDD+). New operations may be developed on the basis of natural resources management such as sustainable agriculture, aquaculture.



Supervision of the Gilé National Reserve © Fondation IGF



General view of a thermal power plant © Emmanuel Hays

Ressano Garcia (CTRG) gas fired power plant project

Power generation in Mozambique is today mainly based on hydropower (Cahora Bassa Dam). Mozambique also has considerable gas resources and certain fields have been exploited for about ten years. Until now, almost all this gas was exported to South Africa, but part of the gas is now used to generate electricity: this is the Ressano Garcia (CTRG) thermal power plant project, where production started in March 2015. AFD has financed EDM's participation in this project alongside SASOL (South African company).

The 175 MW power plant has secured Mozambique's electricity supply at the lowest possible cost, while diversifying the energy mix in order to anticipate the announced impact of climate change.

Major ongoing



Global Budget Support 2010-2014
AFD (Debt Relief and Development): €10M
 GOVERNMENT OF MOZAMBIQUE

Hydropower plants rehabilitation 2012-2016
 Mavuzi & Chicamba
 hydropower plants rehabilitation

AFD: €50M || **ELECTRICIDADE DE MOÇAMBIQUE**

Health services in Sofala 2014-2018

Construction of two hospitals
 in Beira and Marromeu

AFD: €12M || **MINISTRY OF HEALTH**

Limpopo National Park 2007-2014

Support to Park development

AFD: €11M

MINISTRY OF TOURISM

Development of gas fields phase II 2008-2012

Development & extension of gas production
 and treatment from Pande and Temane gas fields

AFD: US\$50M || **COMPANHIA MOÇAMBIQUESA
 DE HIDROCARBONETOS (CMH)**

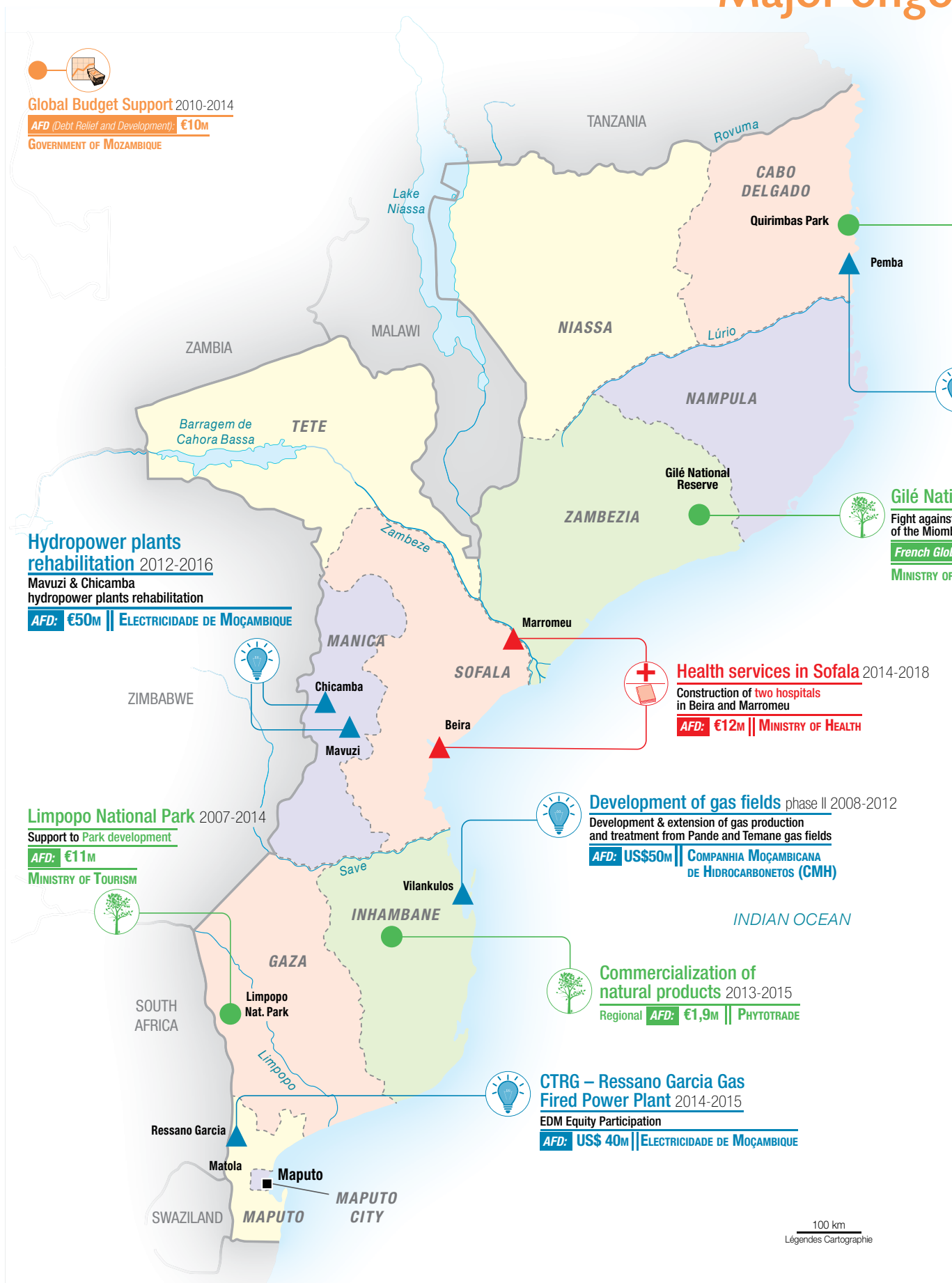
**Commercialization of
 natural products** 2013-2015

Regional **AFD: €1,9M** || **PHYTOTRADE**

**CTRG – Ressano Garcia Gas
 Fired Power Plant** 2014-2015

EDM Equity Participation

AFD: US\$ 40M || **ELECTRICIDADE DE MOÇAMBIQUE**



ing projects *



Quirimbas Park

Development consolidation 2010-2015

AFD: €4m || QUIRIMBAS NATIONAL PARK

Climate Change Adaptation 2011-2015

French Global Environment Fund: €1m

QUIRIMBAS NATIONAL PARK



Energy Development and Access Program 2010-2015

Peri-urban electrification (Pemba & Matola) - EDM Master Plan

AFD: €20m || ELECTRICIDADE DE MOÇAMBIQUE

ational Reserve 2012-2016

of deforestation and degradation
of forests (REDD+)

Global Environment Fund: €2m

TOURISM / IGF FUND

Sector :



Energy



Transport and
water infrastructures



Social sector
(education, health)



Natural resources
(environment, agriculture, fisheries)



Financial services

Financial Instrument:

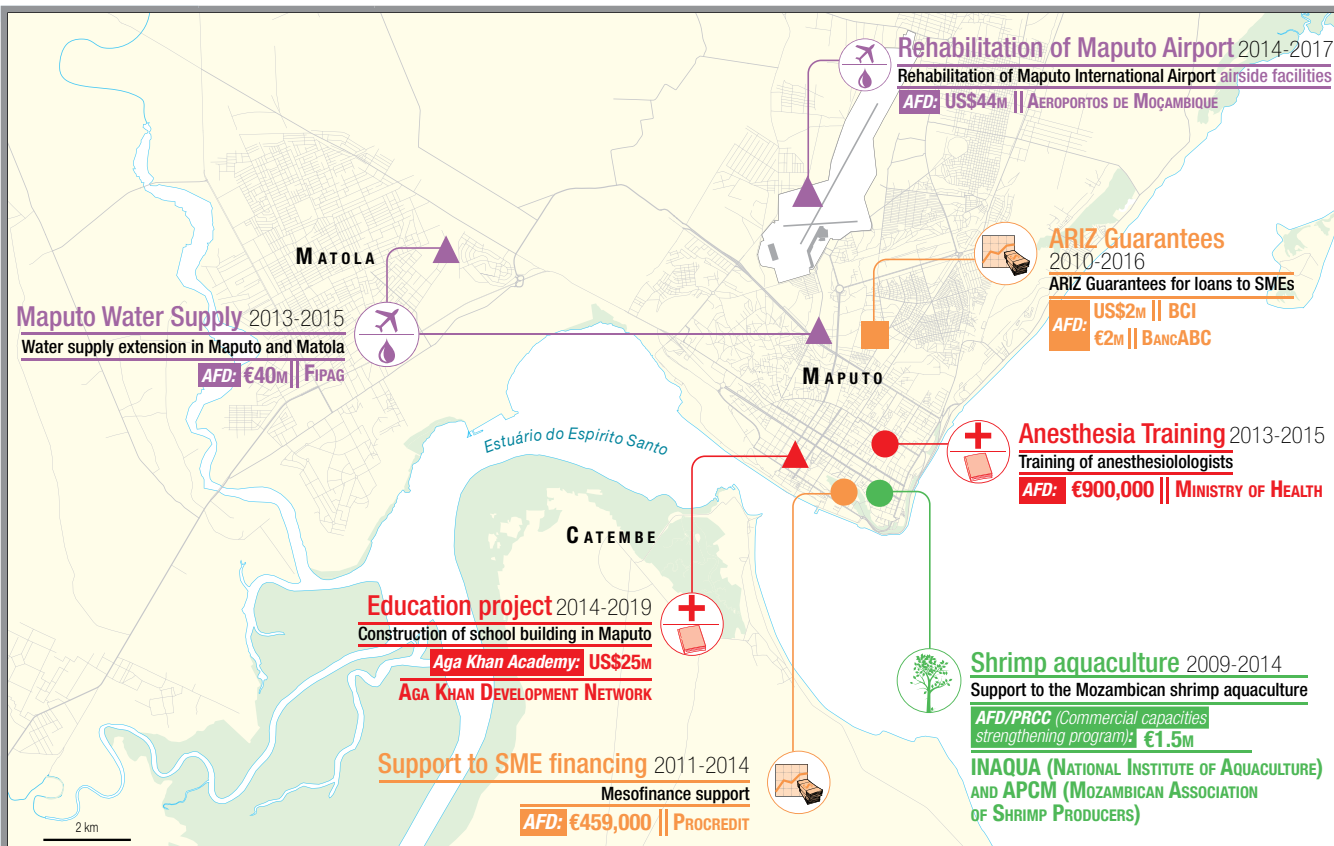
● Grant

▲ Loan

■ Guarantee

Maputo

* May 2015



Support to the private sector

AFD and its subsidiary PROPARCO provide complementary tools to finance companies. The objectives are as follows: economic growth and job creation, basic services provision to the poorest populations and the dissemination of high environmental and social standards. AFD also supports the development of microfinance institutions (CCOM and PROCREDIT) and can, in addition to PROPARCO, provide assistance to private companies that generate a particularly positive social or environmental impact. One example is an agro-industrial company that is setting up a major component for small producers.



Shopkeeper who has benefited from the arrival of electricity in Chimoio © Tomas Cumbana

PROPARCO, AFD's private sector financing arm, has been operating in Mozambique since 1993. It has allocated some EUR 100m of financing in the infrastructure, banking, hotel and agro-industry sectors. PROPARCO's strategy focuses on long-term investment and it offers a complete range of financial instruments tailored to the specific needs of investors in the South by financing:

- Business investments in the form of loans, equity or guarantees. PROPARCO provides long-term support to responsible investors

by adapting its range of products to its clients' constraints and to the depth of the market. It has, for example, financed the "Aquapesca" shrimp farm;

- Core infrastructure: PROPARCO has cofinanced the ROMPCO gas pipeline which now allows electricity to be produced in Ressano Garcia.

PROPARCO also provides medium and long-term financial resources to banks. This allows them to finance SME investments.



ARIZ bank guarantee

AFD, via its bank guarantee instrument ARIZ, is supporting the development of the national economic fabric in Mozambique, which is a source of growth and job creation. This mechanism guarantees the investment loans allocated by banks to private small and medium-sized enterprises (SMEs) and microfinance institutions (MFIs).

ARIZ thereby encourages banks to finance investment projects of all sizes, as well as projects that are deemed to be more “risky”. It facilitates business start-up or development projects, as well as MFI refinancing.

BCI, a partner of AFD Group

PROPARCO has allocated a USD 20m credit line to BCI and in 2014, AFD allocated a USD 2m ARIZ guarantee to support the credit line for women entrepreneurs.

BCI Fomento Group, a subsidiary of Portugal’s Caixa Geral de Depositos, is the country’s second largest bank with 28% of the market.



Tailors (microfinance project) © Tomas Cumbana

Partnership with NGOs in Mozambique

AFD finances French NGOs that support national sectoral policies, with a focus on four sectors:

- Health: Douleurs Sans Frontières (Pain Without Borders), pain management and palliative care;
- Agriculture, education and training: nursery school project (ESSOR), peri-urban agriculture, vocational integration, rural family schools, neighborhood development, social services;
- Access to water: Inter Aide, access to drinking water, sanitation and hygiene in Nampula Province;
- Conservation and local development: IGF Foundation/ ETC Terra/AgriSud, biodiversity protection, agroecology, REDD+.



Children at nursery school in Maputo (ESSOR project) © Tomas Cumbana

Agence Française de Développement (AFD), a public financial institution that implements the policy defined by the French Government, works to combat poverty and promote sustainable development. AFD operates on four continents *via* a network of 71 offices and finances and supports projects that improve living conditions for populations, boost economic growth and protect the planet. In 2014, AFD earmarked EUR 8.1bn to finance projects in developing countries and for overseas France.



City of Maputo – Avenue Joaquim Chissano © Tomas Cumbana



GRUPE AGENCE FRANÇAISE DE DÉVELOPPEMENT

PROPARCO, AFD's subsidiary dedicated to private investment, promotes private investment in emerging and developing countries in order to boost growth, promote sustainable development and reach the Millennium Development Goals. Its financing is tailored to the specific needs of investors in the productive sector, financial systems, infrastructure and private equity investment.

www.proparco.fr



FONDS FRANÇAIS POUR
L'ENVIRONNEMENT MONDIAL

The French Facility for Global Environment / Fonds Français pour l'Environnement Mondial (FFEM) is a bilateral public fund initiated by the French Government in 1994. The FFEM secretariat and its financial management are entrusted to Agence Française de Développement (AFD). FFEM co-finances projects that encourage the protection of the global environment in developing countries. Its co-financing is exclusively *via* grants and is used for the implementation of pilot projects that combine environmental protection and economic development in the recipient countries. FFEM is an influential strategic instrument for the French policy on Official Development Assistance regarding global environmental protection. Its activities focus on the topics of biodiversity, international waters, the climate change, land degradation and desertification, persistent organic pollutants and the stratospheric ozone layer. By the end of 2014, FFEM had co-financed 275 projects with EUR 317m. Two-thirds were earmarked for sub-Saharan Africa and the Mediterranean.

www.ffem.fr - ffem@afd.fr



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