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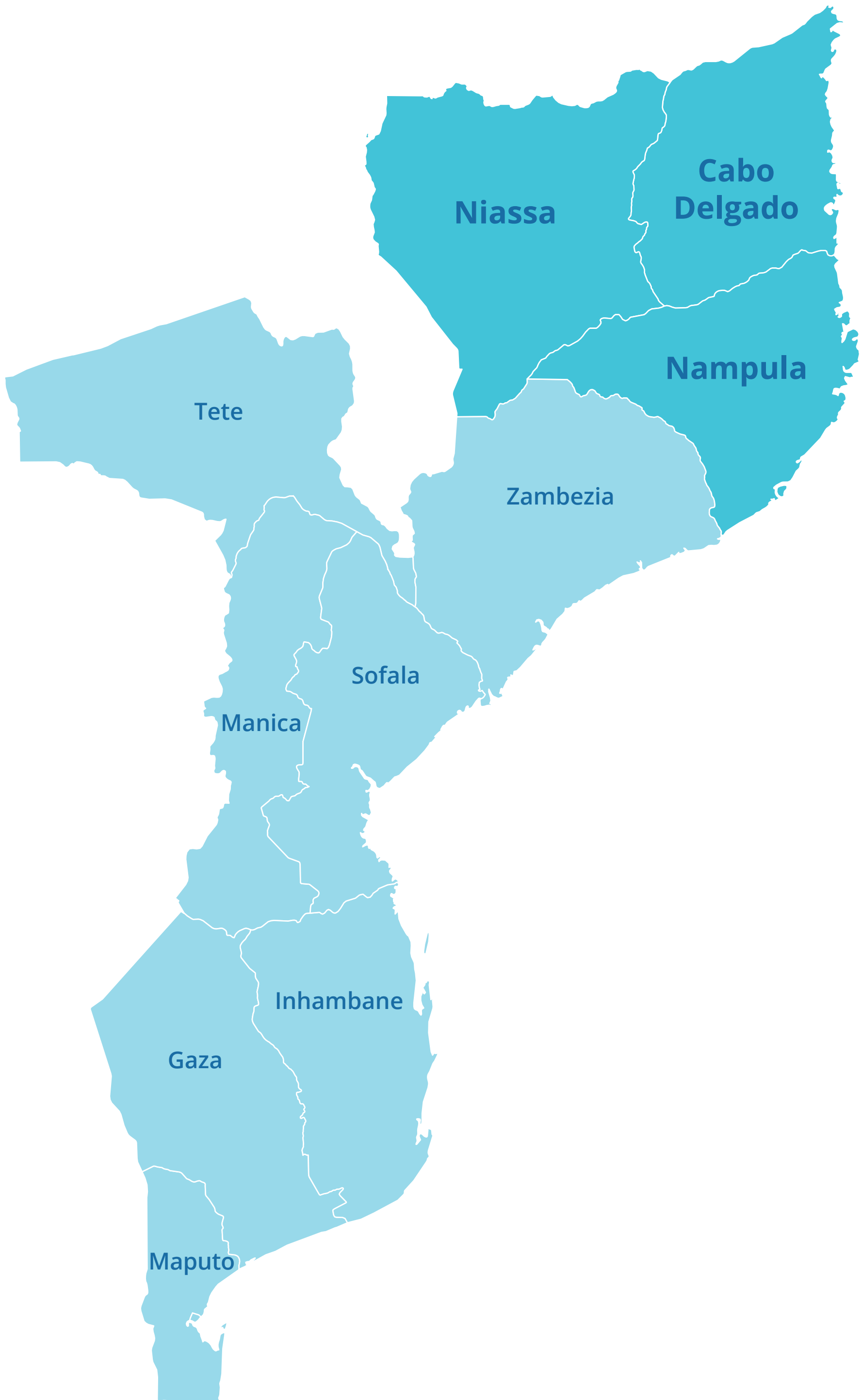
Finance for Peace

Fostering Peace-Positive Private Sector Development and Investment in Mozambique: Joint study by the African Development Bank and Interpeace

Summary of findings and recommendations

June 2024

Geographic coverage of study areas: *all of Mozambique, with a special focus on three northern provinces: Niassa, Cabo Delgado, Nampula.*



Background

- This joint study by the African Development Bank's (AfDB) Transition States Coordination Office, AfDB's Country Office in Mozambique, and Interpeace's Finance for Peace initiative, guided by the Ministry of Economy and Finance as part of the High-Level Steering Committee, examines challenges and opportunities to scale investments that support peace consolidation in Mozambique, particularly in the North. The study is part of the implementation of AfDB's Strategy on Addressing Fragility and Building Resilience in Africa and the Country Strategy Paper (2023-28)..
- The study reviews projects funded by the AfDB and other development finance or institutional investors in order to consider lessons learnt from positive examples in Mozambique and other countries towards addressing peace and resilience investing.
- It identifies catalytic new investments and scalable micro, small and medium-sized enterprise (MSME) projects with significant peace-positive potential, and opportunities to mobilise financing. These investments can advance security potential in fragile contexts in Mozambique.
- Investment opportunities explored further complement priorities identified under the National Development Strategy (ENDE), Integrated Development Strategy for the North (PREDIN) and Cabo Delgado Province National Reconstruction Plan (PRCD), and help catalyse resource mobilisation to accelerate implementation of these programmes.
- The report presents recommendations for development finance institutions (DFIs), multilateral development banks (MDBs) and private sector investors to support peace and resilience through a new "Peace Finance" approach, aligned with nationally owned strategies and frameworks.
- Key recommendations are provided on how policymakers, international donors, development finance actors and private investors can support a more peace-positive investment climate that reduces risks and supports long-term peace and security.

Supporting reconstruction of Northern Mozambique and creating conditions for lasting peace and prosperity: objectives of the study

OBJECTIVE 1

Review the current business and investment environment in Mozambique, along with the conflict dynamics and their impact on private sector development.

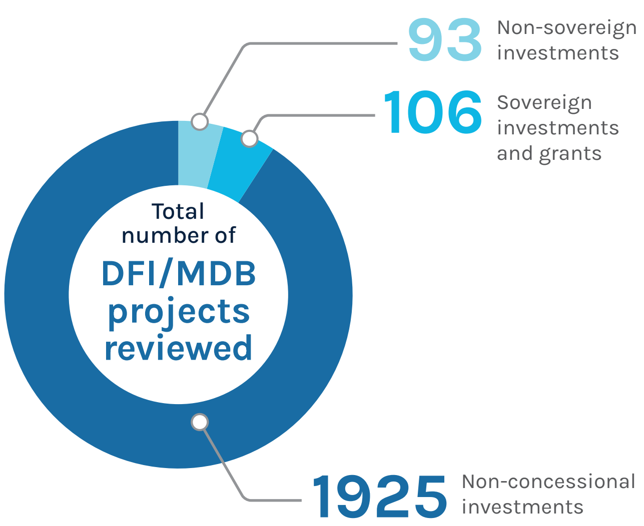
OBJECTIVE 2

Provide a macro-overview of the investment landscape by probing DFI and MDB portfolios to understand priorities and thematic focal areas in the country.

OBJECTIVE 3

In an effort to turn the ambitions of EDIN and PREDIN into reality, identify an early pipeline of potential peace-positive investment sectors and a practical number of bankable and scalable MSMEs which have potential to address local conflict dynamics.

Report in numbers



54 — **Key Informant Interviews** with MSME owners, analysts/experts, researchers, NGOs, international organisations, religious leaders, private-sector actors, DFIs, donors and Government representatives

6 — **Greenfield high-level Peace Finance investment** concepts identified

19 — **High-impact, investable investments opportunities** with greater potential to become peace-positive identified, which can enhance development and security

SECTION 1 — Mapping investment trends in Mozambique

12 key points about current DFI and investment trends

SECTION 2 — Opportunities and challenges to private sector development in Mozambique

6 key points about how to improve private sector development

SECTION 3 — Peace impact pathways for investment in Mozambique

6 pathways DFIs and investors can use to contribute to peace in Mozambique

SECTION 4 — Scoping a pipeline of prospective new investment

Practical & complementary pipeline of new and existing investment opportunities

5 SMART recommendations for DFIs, policymakers and investors

Executive summary

Mozambique faces both significant challenges but also opportunities in its social and economic transition towards peace, resilience and prosperity. Public development finance and private investment are critical in redressing key challenges related to fragility, insecurity, underdevelopment and inequality. Investment approaches that support more equitable development across the country provide critical and much-needed infrastructure, while the services they deliver and the livelihoods they create are an important part of wider nationally-led efforts to consolidate peace and security. If such investment can be based on deeper engagement with local populations and structured to share benefits more evenly while truly addressing local needs and leveraging the inherent potential of the local community, the investment can support wider social cohesion and resilience, as well as the responsiveness of the state. Investment approaches that do so may be more trusted, provide greater certainty and lower risk. A differentiated 'Peace Finance' approach is thus needed, furthering security, involving new partnerships, connecting expectations of local communities with international public and private investors and fundamentally providing greater focus on the social and political context.

This report, led by the AfDB and Interpeace's Finance for Peace initiative[1], seeks to provide key policymakers, international development actors as well as Government agencies with analysis and recommendations on how to scale development finance in a way that supports Mozambique's ongoing peace consolidation. This unique collaboration seeks to blend the complementary knowledge, analytic tools, capacities and mandates of development finance and peacebuilding to redress the deep interconnections between fragility and conflict dynamics, development and peace. By doing so, it seeks to support and advance the wider paradigm of Peace Finance and develop peace-positive investment approaches.

> *"Peace is an essential component to creating a more conducive environment for investment and sustainable economic development in Mozambique."*

Mozambique has multidimensional investment and development needs, with significant financing gaps. Public debt in the country exceeds 100% of GDP and the economy faces significant barriers to diversification. With a Gini coefficient of 0.54, it is the ninth most unequal nation in the world, and seventh most unequal in Africa. Debt constraints, exacerbated by a mid-2010s debt crisis, have strained public finances and undermined the population's trust in inclusive growth. Historical and recent conflicts have further challenged investment confidence and the social contract. In the northern region, additional pressures from the insurgency impact the region's development trajectory negatively, given the hike in risk the insecurity causes on investments. The PREDIN envisages a bold programme with almost 400 peace, humanitarian and development interventions, with an estimated budget of MZN 160 billion, approximately USD 2 billion. This is a significant gap.

1 This study is jointly funded by the AfDB and the Finance for Peace. The Finance for Peace is an initiative funded by the German Federal Foreign Office. The views it expresses do not necessarily reflect the German Government's official policies.

These factors underline why an intentional, peace-positive approach to development finance is critical in Mozambique today. Peace, stability and social cohesion are essential across the economic and structural challenges facing Mozambique. Be it in expanding the reach of public and private investment into labour-intensive sectors and MSMEs, in improving market access at the local level, in expanding labour market linkages and/or crowding in private investment into infrastructure – social and political considerations must be at the forefront. Peace is an essential component to creating a more conducive environment for investment and sustainable economic development in Mozambique.

As the 2020 declaration of force majeure of the Mozambique LNG project showed, whilst the country's rich natural resources are a critical source of revenue, the real and perceived distribution of their benefits may present major risks to reinforcing conflict dynamics. The conflict-related risks in the extractives sector are existential for these projects themselves but can also affect the entire political economy of the country. How development finance actors mitigate these externalised risks and support other complementary forms of government and international support is thus key, not only for wider peace in Mozambique but also for the success of projects on their own balance sheet.

While risks in the resources sector have realised material and reputational impacts for investors in Mozambique, it is important not to focus merely on the resources sector. When looking across the country, conflict dynamics feature across a wide range of sectors and geographies, and addressing them is key to not only mitigate risks, but also to realise bankable opportunities and unlock investment. This is especially evident in the agriculture sector, for instance. Mozambique's economy is dominated by the agricultural sector, which employs over 70% of the workforce; although it only accounts for 26.7% of the country's GDP. In addition to larger and more well-known operations, Mozambique's economy is fuelled by an estimated 4.9 million MSMEs, employing approximately 5.4 million people. The report shows that agriculture, agri-industry, aquaculture and related industries are critical leverage points for creating more direct development gains for the population and helping them to move up the value chain, while also helping the economy diversify.

Yet, the mapping of existing DFI, IFI and private sector investment detailed in the report outlines chronic underinvestment in these industries, which is also distributed unevenly across the country. The opportunity for peace impact in these sectors is notable and, in some cases, will be a key requirement in order to unlock bankable investment opportunities. The early-phase feasibility work to scale up a pipeline of opportunities in these areas is a major contribution of this report that must be built upon.

What is a Peace-Positive Investment?

Concretely, peace positive investment can be realised in at least three ways, it can:

1. Reinforce safety and security of communities and individuals,
2. Support social cohesion between different groups in society as well as between people and the state,
3. Support wider and more formal peace processes related to political peace.

This report articulates a range of practical pathways, approaches and strategies for how development finance actors can do this through their grant or concessional loans in Mozambique.

In practice, much of the report emphasises a Peace Finance approach that influences the qualitative manner in which companies or businesses engage in the local context of their operations and design investments. The 'who', 'what', 'how' and the process through which communities are engaged in potential investments that affect them are fundamental. It is not only a matter of considering the distributional patterns of 'for whom' and 'where' jobs are created (although that is vital), but how entire communities are engaged, the real and perceived quality of the jobs and how much underserved communities benefit in the vicinity of the economic activity. Operationalising this will require going beyond narrow conflict sensitivity approaches to make peace outcomes a more intentional part of the investment design process. Getting local engagement right is key to mitigating risks and creating community buy-in.

The report proposes tools, guidance and the prevailing Peace Finance Impact Framework (PFIF) to support technical efforts in planning, implementing, monitoring and reporting on peace impact. Similar to most fragile and conflict-affected settings, addressing investment needs across Mozambique's economy presents a complex challenge where everything is a priority, from MSMEs to large-scale infrastructure. While, on the one hand, political will and intent for positive change is strong, capacities and resources on the other hand are more limited.

> **“Mozambique's overlapping development and peace challenges are a problem of collective action that cannot be solved by any single actor or institution. It requires new forms of collaboration and the reinforcement of a shared strategic vision and approach across international, national and local partners. The enormous complexity related to the range of questions discussed is acknowledged, which no single report could comprehensively capture. The report aims to stimulate positive and constructive discussion and action towards a development approach that reflects the hopes and ambitions of all Mozambicans.”**

Key findings

Section 1: Mapping investment trends in Mozambique

1. **Private and concessional investment in Mozambique has echoed conflict trends.** Periods of instability have supressed investment, leading to a boom-bust cycle. This highlights the crucial link between stability and sustainable investment. External shocks, such as the debt crisis and the COVID-19 pandemic, have further disrupted investment flows. This has underscored Mozambique's vulnerability to political and economic instability and the need for stable governance to ensure sustained investment.
2. **Despite significant scale up in sovereign, grant and non-sovereign investment, there are still challenges in integrating these investments into broader value chains that benefit a wider cross-section of Mozambican society.** Annual financing rose from an average of USD 270 million (2013-2017) to USD 1.17 billion (2019-2022). This trend emphasises the importance of not just the quantity but also the quality of investments, including their distribution and design process.
3. **Distribution of World Bank grant financing focuses largely on electricity, infrastructure and government functions, and less on private sector development and technical assistance.** Notably, only small amounts of MDB grant funding have been directed towards technical assistance and private sector development, which are critical for catalysing private-sector-led forms of economic development.
4. **Sovereign and grant financing has significantly shifted to the north of the country**, with relative neglect of central parts of the country highlighting potential macro-distributive implications for the political economy. Non-sovereign concessional investments are heavily concentrated in sectors such as electricity and extractives, driven by large-scale project financing needs. Conversely, labour-intensive sectors such as tourism, transport and manufacturing have seen comparatively less investment, limiting direct benefits for the local populations in terms of employment and economic diversification.
5. **Investment is unevenly distributed between the extractives and energy sectors, and labour-intensive sectors such as agriculture, agribusiness, aquaculture and fisheries, which attract some of the smallest amount of investment despite employing the majority of Mozambicans.** Mozambique has historically relied on megaprojects that, while tradable, have often had minimal benefits for local communities, with limited permanent jobs provided to local community members and few, if any, economic linkages developing between these megaprojects and the domestic economy. This is in part due to the high volume and quality demands of these projects, which few local firms are able to meet. This has resulted in local suppliers having very few opportunities to participate in the supply chains of some megaprojects, leading to minimal sharing of economic opportunities with local firms. These megaprojects have also tended to be export-oriented, thereby earning foreign currency for the country but not necessarily making goods and services more available, or more affordable, for Mozambicans. On the other hand, nearly three quarters of Mozambique's population (74.4%) get their main income from agricultural activities, primarily from informal subsistence agriculture,

accounting for 26.7% of national GDP.[2] Yet, while these investment projects are implemented in all provinces, MDB/DFI investment in these labour-intensive sectors is comparatively small, attracting very small portfolio percentages. Even existing investment in these sectors is geographically maldistributed, with Maputo province receiving the greatest investment, followed by Gaza and Inhambane. This suggests potential areas where DFIs and MDBs could play a more supportive role, by targeting investments in sectors that not only offer financial returns but also contribute to broader development impact goals.

6. **Non-concessional private investment is highly uneven in its geographic spread, reflecting a legacy of investment centralisation in Maputo.** Non-concessional investments are primarily concentrated in the more developed regions of Maputo City and Maputo Province, with central and northern provinces attracting less private investment. This contributes to regional disparities and may exacerbate social grievances, especially in less-developed areas, highlighting the importance of the role of concessional finance in balancing geographic inequities which link to conflict dynamics in the county.
7. **Construction and public works investment is still highly centralised in the capital.** Maputo City has enjoyed seven to eight times the level of investment in construction and public works than other provinces, with 2020 being particularly significant in terms of foreign direct investment (FDI).
8. **Banking and insurance investments have been negligible or non-existent in all provinces in spite of the well-documented challenges to the local banking infrastructure.** This is challenging in a context where lack of banking and adequate financial services is critical to catalysing wider MSME investment.
9. **Relatively few infrastructure development projects exist despite their potential for broad benefits, including increased trade, economic integration and improved access to services and markets.** The long-term financing needed for infrastructure development is particularly challenging due to political instability, security concerns, weak institutional governance, macroeconomic instability and insufficient liquidity within the local financial sector. This is particularly concerning given the low stock of infrastructure and the damage caused by the civil war, the extremist insurgency in Cabo Delgado and frequent cyclones. This is all the more reason for considering a new Peace Bond approach.
10. **Reconstruction projects in the North cover a variety of key sectors but published impact figures show limited progress.** It is unclear whether this is due to the projects being relatively new or whether there are broader structural problems affecting project implementation in the North. The Northern Integrated Development Agency (ADIN) requires increased capacity to improve its ability to co-ordinate investment projects across the humanitarian–development–peace nexus, and especially to address the structural drivers of insecurity and underdevelopment in the region.
11. **The electricity sector attracts substantial investment, mainly in generation (both natural-gas power plants and renewable energy), transmission and distribution, but benefits are not trickling down to society at large, particularly to the poorest provinces**. Export earnings have not necessarily translated into improved energy access or development outcomes. Although these projects have

2 World Bank, "Agriculture, forestry, and fishing, value added (% of GDP) – Mozambique" (The World Bank Data 2023) <https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=MZ>

created some temporary job roles in construction, including for local community members, very few permanent jobs (e.g. in operations and maintenance) have been provided to Mozambicans, and those that have, have often not gone to members from the local area. This has been due in large part to the high level of skills and expertise needed in many roles in megaprojects, which Mozambicans do not often possess in areas where these projects are implemented. Renewable energy projects also require considerable tracts of land and have resulted in the displacement of communities and disruption of livelihoods. Little is known about consultation or compensation processes followed.

12. **Similarly, value-added industry and services investment is highly uneven geographically**. Industry investments vary significantly across provinces, ranging from Maputo Province receiving almost USD 800 million to Manica Province having received a mere USD 16 million over the seven years assessed. Tete, Inhambane and Niassa have also all received less than USD 100 million each since 2016. Maputo City also dominates investments in the services sector, having received cumulative investments of almost USD 1.4 billion since 2016, while Gaza and Zambezia both received less than USD 1 million each, and Niassa and Manica around USD 2.5 million each during the same period.

Section 2: Opportunities and challenges to private sector development in Mozambique

1. **Address the several structural investment constraints in Mozambique upstream to support the effectiveness of the wider investment climate.** These are principally in four key areas: (1) addressing regulatory barriers especially in the tax system, (2) addressing the lack of MSME access to finance, (3) improving access to the market across a range of sectors through infrastructure, and (4) improving horizontal and/or vertical linkages[3], and building human capital and investing in skills development, especially in science, technology, engineering and mathematics (STEM).
2. **De-risk through a peace-intentional approach to enable private investment in infrastructure**: To catalyse much-needed private investment in infrastructure, DFIs/MDBs and donors should de-risk projects through intentional peace efforts, benefit-sharing with communities/government, and linking humanitarian/development/peacebuilding efforts to change risk perceptions beyond just financial de-risking. This requires proactive peace approaches and robust monitoring mechanisms to assess and mitigate potential negative consequences of infrastructure projects, for example inadvertently facilitating illegal activities such as logging and smuggling. An investment pipeline of Peace Bonds properly aligned to the established Peace Bond Standard should be developed to operationalise these approaches.
3. **Renew focus on creating domestic benefits and local content especially from extractives.** To support wider economic development, a substantial portion of revenues from natural gas and other extractives must directly benefit domestic socio-economic development. It is critical these contribute to national

3 Horizontal linkages refer to longer-term cooperative arrangements among firms that involve interdependence, trust and resource-pooling in order to jointly accomplish common goals. Vertical linkages are defined as backward linkages with the local supply industries and forward linkages with customers.

development goals and peace, rather than being exported. More work needs to be done to enhance linkages between extractives megaprojects and the domestic economy to enable MSME participation in supply chains and foster more inclusive economic opportunities.

4. **Echoing findings in Section 1, investment in the agriculture sector needs greater focus, as there are missed opportunities in significant underexplored value chain development and other areas to create more inclusive and peace-positive outcomes.** Thanks to being spread broadly across the country, agriculture provides more inclusive opportunities for social cohesion, especially in places like the northern province of Cabo Delgado. Agriculture is the main economic activity of Cabo Delgado, making it a critical entry point for development finance approaches seeking peace impact. At the same, value chain analysis indicates that despite some foreign investment, the potential of Cabo Delgaldo's agricultural sector (in light of the availability of good soils, water and favourable climate) has not been reached.
5. **To scale up investment in agriculture, structural factors need to be addressed to also support peace.** There is a need to adopt a "whole-system approach" linking large and small enterprises, as well as technological innovation to boost productivity and forge stronger linkages. Greater investments in value addition through agro-processing should be made to increase domestic value capture. Alongside this, private sector development and capacity support need to be scaled to help facilitate access to finance, markets, skills training and inclusive business models for smallholders and MSMEs. With respect to conflict and tensions emanating from within the sector, smallholder farmers often do not have land rights, while internally-displaced people in particular face difficulty accessing land to cultivate, and are therefore not able to benefit from the potential agriculture can provide. In the absence of possible land reforms, intentional peace-centred approaches are critical when designing agriculture investments.
6. **The study identifies important opportunities in the agricultural sector, as well as recommendations within five key sub-sectors – (1) cashew, (2) poultry, (3) cotton, (4) macadamia and (5) forestry.** These sub-sectors represent significant economic development opportunity for Mozambique, being also a value-adding industry that has significant peace-impact potential. In each of these sub-sectors peace-intentional approaches are both necessary and highly additional, as they create vital collaborative networks and trust needed to scale up investment in these areas.

Section 3 – Peace-impact pathways for investment in Mozambique

1. **Building on and complementing the various notable efforts by national and international partners to date, the research suggests clear pathways through which DFIs and MDBs and broader private sector investment can support peace in Mozambique**. Peace impacts can be realised in three domains: (1) safety and security, (2) social peace and (3) political peace. In terms of safety and security, development finance can indirectly contribute to mitigating various forms of violence, conflicts over resources, gender-based violence and intercommunal violence through employment opportunities, skills development, infrastructure development, and by supporting fair resource management practices.
2. **DFI and MDB investment can play a major role in several opportune areas where it can support social peace in Mozambique,** especially supporting trust-building between the state and society, improving access to basic services and addressing economic exclusion. Much of this can occur through investment approaches that focus on unlocking SMEs' potential (through technical assistance, direct lending programmes, local financial institutions support, etc.) to contribute to peace intentionally. Investment approaches can address marginalisation, support infrastructure development, diversify the economy, engage communities, promote collaboration and benefit-sharing, and support the ongoing reintegration process of former civil war combatants. Critical to this are more participatory and locally-situated design processes that engage communities to understand needs and foster a sense of agency in development that affects them.
3. **Development finance can also play a role supporting the still vital need to consolidate political peace and security in Mozambique.** There are clear under-utilised entry points to support the consolidation of the 2019 Maputo Accord for Peace and National Reconciliation through the reintegration process which requires former combatants to be given economic opportunities as part of the reconciliation process.

4. **In response to key opportunities and challenges, DFIs and MDBs should seek to mainstream key peace-positive investment strategies across their approaches in Northern Mozambique.** The report details six key areas for this: (1) mainstreaming the promotion of inclusive growth and social development approaches, (2) targeted investment in underserved sectors, (3) building a human capital approach, focusing on skills and employment, (4) embedding a climate resilience lens, (5) scaling up capacity-building and institutional strengthening, and (6) developing new approaches to partnerships and collaboration with local non-governmental and civil society organisations and communities.
5. **DFIs and MDBs should take a strengths-based approach, seeking to leverage the multiple positive trends that have been identified in this report**. A SWOT analysis outlined in the report highlights strengths such as the recently approved investment law, abundant natural resources and TVET institutions, as well as opportunities including regional integration, potential revenues from extractive projects, and infrastructure development that can be capitalised on to develop bankable peace-positive outcomes.
6. **There is a distinct need to focus specifically on challenges at the intersection of youth and peace**. Young people, especially in conflict-affected regions, are often impacted due to private sector actions such as exploitation in labour markets and environmental degradation. High rates of poverty, unemployment and a lack of public services, particularly in Northern Mozambique, contribute to radicalisation and violence. Women face added challenges due to cultural norms that limit their educational and economic opportunities, exacerbated by high rates of gender-based violence and displacement due to conflict. There is a critical need for more inclusive investment approaches to ensure young people's and women's full participation in the economy and decision-making processes.

Section 4: Scoping a pipeline of prospective peace-aligned investment

1. **Six catalytic greenfield investments have been identified, including in logistics and transportation, aquaculture development and the connected fish feed industry, cold chain food storage, fertilizers and in road construction.** The report considers binding constraints at upstream levels (policy environment), midstream levels (critical infrastructure), and in downstream activities (facilitating investment finance through non-sovereign operations (NSOs) and support for financial intermediaries) necessary to catalyse peace-positive private investments, including FDI, domestic private investments, and small-scale businesses. These concepts outline potential sectors, geographies and thematic areas for investment opportunities but require further development.
2. **Nineteen MSME investments which have significant peace-positive potential have been identified for scaling.** In complementarity with existing pipelines such as of PREDIN, these projects are notable for being bankable as well as opportune to foster greater peace impact. While some opportunities are presented as case studies, others are anonymised for the purpose of this public report.

Summary of key SMART recommendations

Recommendation 1: Scale up investment in technical assistance to originate a pipeline of peace-positive investment through a Peace and Security Investment Hub

- **Specific:** Establish a Peace and Security Investment Hub in Mozambique focused on improving the conflict sensitivity and peace impact of both existing and future investments.
- **Measurable:** Develop and implement at least ten peace-positive investment projects within the next three years, with clear metrics for conflict reduction and community benefits.
- **Actionable:** Engage local communities through participatory processes to identify specific investment needs, conflict dynamics and opportunities for economic development.
- **Realistic:** Leverage existing national and international development plans and priority needs, such as the Northern Mozambique Resilience and Integrated Development Program (PREDIN) and Cabo Delgado Province National Reconstruction Plan (PRCD), to ensure alignment.
- **Timebound:** Launch the Peace and Security Investment Hub within six months, with the goal of achieving full operational capacity within one year.

Recommendation 2: Scale up efforts to improve access to finance for MSMEs

- **Specific:** Increase MSME lending in northern Mozambique, with a particular focus on the agriculture, agri-industry, aquaculture and fisheries sectors.
- **Measurable:** Provide USD 50 million in MSME loans, supporting at least 200 MSMEs over the next two years, and track the impact on employment and local economic growth.
- **Actionable:** Develop and implement special credit lines, loan guarantee funds and microcredit institutions specifically designed to support MSMEs in underserved regions.
- **Realistic:** Partner with local financial institutions such as Banco Nacional de Investimentos (BNI) and Gapi Sociedade de Investimentos (Gapi-SI) to ensure the effective distribution and management of funds.
- **Timebound:** Initiate the MSME lending programme within six months, with the goal of reaching the lending target and supporting MSMEs within two years.

Recommendation 3: Invest in new ways to unlock capital markets for infrastructure financing

- **Specific:** Introduce Peace Bonds to fund large-scale infrastructure projects that include peace-enhancing mechanisms and social stability components.
- **Measurable:** Issue USD 500 million in Peace Bonds and complete at least three major infrastructure projects within five years, with measurable impacts on local stability and economic development.

- **Actionable:** Design and structure Peace Bonds with embedded mechanisms to support specific peace outcomes and attract private investment, ensuring accountability and transparency.
- **Realistic:** Collaborate with international financial institutions, government agencies and large NGOs to structure and issue Peace Bonds effectively.
- **Timebound:** Develop the Peace Bond pipeline within one year and issue the first Peace Bond within two years, ensuring timely implementation of infrastructure projects.

Recommendation 4: Apply a peace lens to all new and existing concessional investment at both strategic and asset- specific level

- **Specific:** Integrate peace impact assessments into all concessional investments in Mozambique to ensure that investments support long-term peace, security and stability.
- **Measurable:** Conduct peace impact assessments for 100% of new investments and review at least 50% of existing investments within two years, using clear indicators for peace and stability impacts.
- **Actionable:** Utilise the Peace Finance Impact Framework for due diligence and investment design, ensuring that all investments are aligned with peacebuilding objectives.
- **Realistic:** Invest in capacity building for DFIs, MDBs and local partners to implement peace-aligned investment strategies effectively.
- **Timebound:** Start integrating peace assessments within a year, with the goal of completing initial reviews of existing investments and ensuring all new investments undergo peace assessments within two years.

Recommendation 5: Develop a more integrated approach to the traditional levers of development finance

- **Specific:** Prioritise grants over loans to avoid exacerbating Mozambique's debt burden, and enhance transparency and reporting standards for all development finance projects.
- **Measurable:** Increase grant funding by 30% and achieve 100% compliance with enhanced reporting standards for all DFIs and MDBs within three years.
- **Actionable:** Implement uniform data transparency standards across all development finance projects and scale up loan guarantees to de-risk investments and attract private finance.
- **Realistic:** Implement coordination mechanisms between the IFC, World Bank, African Development Bank at the international level, and with other stakeholders to optimise financing strategies and ensure effective implementation.
- **Timebound:** Establish enhanced reporting standards and begin scaling up loan guarantees within one year, with the goal of reaching full implementation and increased grant funding within three years.

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