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1. BACKGROUND INFORMATION

1.1 Partner country

Mozambique

1.2 Contracting authority

Italian Agency for Development Cooperation (AICS) - Maputo

1.3 Country background

Mozambique is in the south-eastern coast of Africa, bordering South Africa, eSwatini, Zimbabwe, Zambia, Malawi and Tanzania, with an Indian Ocean coastline of 2,700 Km. About two-thirds of its population of more than 32 million live and work in rural areas.

It is endowed with ample arable land, water, energy, as well as mineral resources and newly discovered natural gas offshore; a relatively large potential pool of labour, as its population is particularly young (the median age is 17.6 years); strategic seaports in the cities of Nacala (north), Beira (centre) and Maputo (south), as well as regional transport corridors serving its neighbouring landlock countries, which are dependent on Mozambique as a conduit to global markets, thus offering many opportunities for regional trade and economic growth.

Mozambique achieved significant economic growth between 2000 and 2015, with real GDP growth rates averaging 7%, among the highest in the continent. Mozambique's strong economic performance owes to a combination of sound macroeconomic management, several large-scale foreign-investment projects in the extractives sector and significant donor support. It also benefitted from the impact of the commodity price boom of the 2000s in the agricultural and mineral sectors. However, growth has not been equitable and has not necessarily translated into similarly gains in living standards of the population.

Since 2016, Mozambique's economic performance has experienced a sharp reversal, with a slowdown in economic growth, a worsening of the government's fiscal position and raising debt levels, mainly due to falling global commodity prices and the impact of the el Nino drought. Indeed, Mozambique ranks among the most vulnerable countries to disaster risks in the world. The country is exposed to extreme climate-related events, with floods, cyclones and droughts being the most frequent threats. These natural hazards have always been part of the country's history and have always had a long-term impact especially on the lives of the poorest due to their limited capacity to cope. However, with climate change, climate-related hazards are occurring with increasing frequency, which pose serious constraints to national development.

More recently, in 2019, Mozambique has been heavily affected by two tropical cyclones, Idai and Kenneth, that resulted in significant loss of life and widespread damage to crops and infrastructure, particularly in the provinces of Sofala, Manica, Tete and Zambezia. The productive sector was one of the most affected: in the agricultural sector, at least 715,378 hectares of cultivated land were flooded; a total of 433,056 farming families were affected, 50,902 of which in Manica, 254,450 in Sofala, 11,017 in Tete and 110,395 in Zambézia province. Restoring annual food production and cash crops for smallholder farmers and agri-businesses, including rehabilitation of infrastructure to ensure food security and income recovery for affected households and businesses is one of the priorities of the Post Cyclone Reconstruction Plan (PREPOC), under the supervision of the Post Cyclone Reconstruction Office (GREPOC). Recovery in the sector is led by the Ministry of Agriculture and Rural Development (MADER) in coordination with GREPOC and Local Governments.

Further to that, the economic crisis generated by the Covid-19 emergency has also caused serious damage to the national economic system and losses for Mozambican companies, penalized by the lockdown and other logistical restrictions related to the containment of the epidemic and the strong stagnation of domestic and global demand. As a matter of fact, Mozambique's economy suffered its biggest contraction of 1.3% in 2020. However, a recovery of 2.16% was registered in 2021 and an

increase to 3.3% is expected in 2022. This expectation is associated with the evolution in the control of COVID-19, positive effects of the global economic recovery and an intense domestic economic activity led by the agricultural sector for export.

However, food insecurity remains a considerable risk. Food price inflation was exacerbated in some countries in 2021 by currency devaluations (in Ethiopia, Mozambique, Zambia). 2021's currency depreciation and supply constraints boosted food prices by more than 20% in some countries.

Currently, the country's main challenges include maintaining macroeconomic stability considering exposure to commodity price fluctuations and making further efforts to re-establish confidence through improved economic governance and increased transparency. Moreover, structural reforms are needed to support the struggling private sector. That, and diversifying the economy away from its focus on capital-intensive projects and low-productivity subsistence agriculture, while strengthening the key drivers of inclusion, such as improved quality of education and health service delivery, could in turn improve social indicators.

1.4 Current situation in the sector

As previously mentioned, Mozambique has an enormous agrarian potential with vast land, maritime and inland waters, as well as other resources, and a young population that has a huge potential as work force in this sector, but it has not been able to transform this potential into wealth for its people. Poverty and food insecurity prevail in the country.

About 80% of Mozambicans depend on agriculture (90% of the country's female labour force) and fishing for their livelihood. Subsistence agriculture and artisanal fishing are dominant, but both have low productivity and competitiveness resulting particularly from low investment, particularly in modern technology and infrastructure.

Recognizing the importance of the agricultural sector, the government has been investing in agricultural infrastructure, irrigation, in the provision of subsidized inputs (seeds, fertilizers, pesticides, veterinary drugs), agricultural machinery, including in the sustainable management of natural resources. Despite these investments, the performance of the sector has been low, and agricultural and rural transformation is still not very visible. Food production, although improving, cannot keep up with population growth. Mozambique is still a net food importer and a small exporter of unprocessed commodities. Increased production and productivity are yet to be integrated into efficient value chains that reduce high post-harvest losses, particularly of perishable products (fruit, vegetables, roots and tubers). Accordingly, interventions along all the value chains (including production, disposal, storage, processing, and marketing) are necessary to ensure sustainable enhanced agricultural production and food self-sufficiency. The major challenges in agro-processing industry in Mozambique include:

- Seasonality;
- Lack of processing facilities;
- Deficient road network and transport;
- Poor post-harvest storage facilities and management;
- Poor consistency on quality;
- Lack of technology and skilled work force for food processing;
- Lack of adequate incentives for food processing industries;
- Poor marketing network;
- Lack of efficient value chains;
- Limited public investment, resulting in low private investment and consequent low productivity and competitiveness.

However, despite the current limitations, Mozambique possesses favourable conditions to become one of the major agrarian producers in the Southern African region. These conditions can be summarized as follows:

A. Productive

- Favourable climate and soils to the practice of several cultures and creation of animal species throughout all the year, subdivided in 10 agro-geological zones with different aptitudes;
- Existence of about 36 million hectares (ha) of arable land, of which only 15% is being exploited;
- Existence of 104 river basins with a good water flow that can be used for irrigation on about 3.3 million ha where only 0.3% is being effectively used.

B. Human Resources

- Existence of the labour force for agriculture practice with about 75% of the active population;
- The economically active population (EAP), people aged 15 and above, in rural areas is 91.2%;
- The agriculture, forestry and fishing sectors absorb about 73.6% of the employed population;

C. Markets

- There is a growing local market due to population growth (2.3% per year), income growth and increasing demand for food by the hotel and mining industries;
- Opportunities for substitution of various agricultural imports;
- Mozambique is part of the Southern African Development Community (SADC) free trade zone, Mozambique's exports to the other members of this regional organization have potential to grow;
- Mozambique has recently signed the African Continental Free Trade Area (AfCFTA))
- Existence of international market preferences.

D. Infrastructures

- Coastal location and with three important ports namely Nacala (North), Beira (Centre) and Maputo (South) that allow easy access to international markets
- Rail-port infrastructure that facilitates the connection to regional and international markets, allowing easy and fast access to the Asian and European continents.

The proposed project is in the Manica province located in central Mozambique west of the port of Beira. Manica has an area of 61,661 km², approximately 7.7% of the total area of Mozambique and a population of 2,114,507 (1,096,960 women), with a growth rate of 3.1%. The province borders to the east with the province of Sofala, to the west with Zimbabwe, to the north with the provinces of Tete and to the south with the provinces of Gaza and Inhambane. Manche has 12 districts, namely, Bárue, Chimoio, Gondola, Guro, Macate, Machaze, Macossa, Manica, Mossurize, Sussundenga, Tambara and Vanduzi.

The Province of Manica mainly exports precious stones, honey, malambe (fruit of the baobab), fruit and vegetables, wood. The main target markets are: South Africa, Zimbabwe, Zambia, United Kingdom, Holland, China.

Currently, the export of fruit from this area is done through the multinational Westfalia (https://www.westfaliafruit.com/about-us/our-operations/westfalia-fruto-mocambique/). The local private sector aiming at export, at the moment is "forced" to use this channel, without a real advantage in earnings or to sell its production to international intermediaries who, using the South African channel, put Mozambican products on the foreign / European market, but with South African brands.

Manica represents a province with a high potential for agriculture, both for its geographical and climatic characteristics and due to the fact that there are many medium-sized producers (and even some multinational companies), sometimes from Zimbabwe and South Africa, with a strong orientation to the market and systems of coordination and integration of the production of minor producers (outgrowing) that with the improvement of infrastructures could increase both the quality and the quantity of fruit and vegetable production. Manica takes advantage of the rainy and temperate climate and of the natural topography, formed by the mountain to the west, a central plateau and the Pungwe, Save and Zambezi valleys with their tributaries.

According to the 2020 data from Manica, 529,485 tons of vegetables and 381,601 tons of fruit were produced in the 2018/2019 production season, of which 108,845 tons and 244,480 tons respectively were lost due to the poorly integrated and efficient supply chain.

In the municipality of Chimoio (capital of the province of Manica, about 373,000 inhabitants from the 2017 census), the Francisco Manhanga Market (known as Mercado 38), municipally managed (sellers pay a fixed tax) is located 3 km away from the national road N. 6 (the main corridor road that starts from the port of Beira and arrives at the border with Zimbabwe) and covers an area of 6 hectares. It is a mixed informal market (agri-food, clothing, small trade) that has grown over the last few years. The number of sellers exceeds 500. For the fruit and vegetables, there is both a space where the "producers" have their point of sale, and an open space where the purchase and sale operations are managed wholesale (transporters unload the products from the production areas, other transporters load the products with destination the city of Beira and the south of the country.

This market, being old and in an urbanized area, however, has many weak points: lack of adequate infrastructures and logistic spaces; poor sanitary conditions; speculation on the marketing of products; no adequate services for the reception, selection and storage of products; precarious structures; disorganization; insecurity; location (considering that the city has expanded).

The Beira Corridor, which is one of the 6 (six) economic corridors defined by the Government of Mozambique for the promotion of strategic investments, is one of the main transport routes in southern Africa linking Zambia, Malawi, Zimbabwe and the Democratic Republic of Congo to the port of Beira, passing through three provinces of central Mozambique, namely Tete, Manica and Sofala. The Corridor has areas of land with soil and climate suitable for growing a variety of commercial crops and has good water resources from the catchment areas of the Zambezi, Pungwe, Save and Búzi rivers, with an average annual runoff of the order of 123 billion m3, average annual rainfall of 1,200 mm and temperature between 15°- 22° C. The arable land represents an estimated area of 10 million hectares, of which only about 1.5 million are used, mostly by small farmers.

In the framework described above, this corridor is defined as one of the strategic regions for the development of agricultural product chains including fruit and vegetables with its products destined for both the domestic and foreign markets. This corridor stands out for its ecological conditions and for the infrastructure that connects it with various production regions, with the port of Beira, the second largest city in the country, and with the airports of Beira and Harare.

The port of Beira is an important reference structure for the central region and beyond. The private company that manages it (Cornelder) has announced investments over the next 15 years to make the port more competitive, doubling its cargo handling capacity and developing efficient connections with the hinterland.

These investments are complementary to recent and ongoing public investments. In particular, the restoration of the road section of the Beira - Machimanda Corridor (port of Beira - border with Zimbabwe) was completed, with the reconstruction of the intersection in the locality of Inchope, from which the N1 National Road passes, connecting the South and the Northern Mozambique; on the other hand, the rehabilitation works of the railway line that connects the port of Beira to Zimbabwe are still in progress.

Investments in the transport network (roads, railways, port, airport) are the result of strong pressures and requests expressed by the private sector. The government's proposal to extend the runway of Chimoio airport to be able to receive cargo flights, as well as up-grading towards the classification of "international airport", goes in this direction.

Despite this potential, the fruit and vegetable sector in the province of Manica still has many weaknesses in both the production and marketing of fruit and vegetables, and we can highlight:

- Lack of storage facilities (cold rooms) for fruit and vegetables and equipment for processing these products, to add value to second choice products with consequent high waste of fruit and vegetables after harvest.
- The non-existence of an information system on the prices of fruit and vegetables.
- The limited access of small producers to the market.

- Failure to achieve quality standards and lack of certification are a further limitation, especially for export markets and organic products.

- The limited ability of small and medium-sized producers to access credit makes it difficult to introduce new technologies and equipment necessary to increase the competitiveness of agricultural businesses and to add value locally to fruit and vegetables.

- The packaging material is another big limitation as the packaging materials come from Maputo or Nampula (~ 1,200 km away) or imported from neighboring Zimbabwe and South Africa and are very expensive.

- The strong competition with the neighboring SADC countries

1.5 Related programmes and other donor activities

Strategic Plan for the Development of the Agricultural Sector 2021-2030 (PEDSA II)

The latest revised version of the new Strategic Plan for the Development of the Agricultural Sector 2021-2030 (PEDSA II) indicates three clear objectives in its Theory of Change to which the CAAM is completely aligned:

1) Modernization of agricultural production and subsistence factor markets for commercial agriculture to serve the local, regional and international market;
2) Value addition in the supply chains that shift from primary production to processing and retail sale;
3) More productive agricultural jobs.

Still in the same draft in the third pillar of the plan, on agricultural infrastructures, with regard to the priority program 3.3: Infrastructures for conservation, storage and transformation, the following strategic actions are indicated:

- SA 3.3.1. Promote the development and operation of conservation and storage infrastructures by the private sector;
- SA 3.3.2. Promote the development and operation of agricultural processing infrastructure by the private sector.

Program of the Ministry of Agriculture and Rural Development (MADER) 2020-2024

The MADER 2020-2024 Program identifies 24 strategic objectives and 84 priority actions, drawing attention to the increase in agricultural production and productivity and its competitiveness and integration in the market, enhancing the concept of supply chain and the attraction of private investments in agriculture. The MADER Program emphasizes the importance of assistance to family farming and its development, livestock farming, local economic development, the promotion of commercial agriculture, animal health and biosecurity, cooperation and markets, agricultural information and communication. Furthermore, the Program identifies private sector investment opportunities, strategic supply chains and the creation of agricultural development hubs.

Idai cyclone reconstruction and recovery program

In August 2019, the Government of Mozambique approved the Post-Cyclone Reconstruction Plan (PREPOC), currently being implemented, monitored by the Office for Post-Cyclone Reconstruction (GREPOC), an entity created specifically to guide and monitor the rebuilding process. The Plan has as its general objective over the next five years to recover the economic and social fabric and restore basic services and economic and social infrastructures damaged or destroyed by cyclones Idai and Kenneth. It contributes to the following strategic objectives:

1) Repair infrastructure and restore services in the areas affected by the cyclone;
2) Strengthen the resilience of affected communities and infrastructures (economic, social and physical).

National Program Industrialize Mozambique (PRONAI)

In August in various provinces, including Manica, events were organized for the launch, by the government of Mozambique, of the "Programa Nacional Industrializar Moçambique (PRONAI)", an instrument that "aims to contribute to the increase of industrial national production, preferably by using local raw materials, stimulating production and processing, reducing gross exports of raw materials, as well as generating employment and income ". Among the various types of projects proposed for this purpose, the CEPROCs - Agro-industry transformation and consolidation centers with their foreseen locations were mentioned, among which the one of Vanduzi in Manica stands out, which should precisely correspond at the centre to be built with the aid credit.

AICS strategy for the agricultural sector in the provinces of Manica and Sofala

Currently Italy continues to support Mozambique through bilateral initiatives in the agriculture, food security and rural development sectors, with a global budget of around 100 million euros, in addition to 35 million euros invested in the technical-professional training sector. with a focus also on training institutes in the agricultural sector.

In central Mozambique AICS strategy for the agricultural sector is characterized by a strong synergistic approach of its interventions, which is highlighted by the geographical concentration of the main projects in the three provinces of Manica, Sofala and Tete. The goal of the overall AICS intervention in the area is to create a vibrant and competitive fruit and vegetable sector through the support and the improvement of the whole system at all the different levels of the value chain. All the different projects will contribute to this objective and the latest approved project, the Manica Agri-food Center (CAAM), that is the object of this TdR, represents the final stage to achieve it.

Below is a brief description of the interventions in progress in this area:

Initiative AID 12248: "As Mulheres no SUSTENTA: sustainable development in the province of Manica through the active participation of women in the rural economy"

With the aim of contributing to peace and sustainable and inclusive development in the province of Manica, through participation of women in the local economy and capacity building of local institutions. The Italian commitment in favour of the local institutions and population on the issues of female entrepreneurship and sustainable development, will see the direct involvement of the Sistema Italia (Italian System) that links some project results to the collaboration with Italian Institutions. In fact, a partnership with the Ministry of Agriculture, Food and Forestry Policies (MIPAAF) has been activated, with the objective of creating lasting collaborations with the Mozambican institutions, with MADER; additionally, the collaboration with NGOs with well-developed good practices in the inclusion of women in local socio-economic development processes and active in the area, will be considered.

With the assistance of MIPAAF, part of an AICS - MIPAAF Agreement, capacity building program will be structured on specific needs and requests of MADER and should represent the basis for an institutional "twinning" between the two Ministries (MIPAAF and MADER). MIPAAF will provide the necessary know-how in the priority areas of collaboration jointly selected: female entrepreneurship, quality of agri-food products and certification.

Initiative AID 11671 "Improving the inclusive and sustainable development of agricultural supply chains, including typical Ibo coffee" (Mais Valor)

Carried out by UNIDO, with the aim of increasing income generation for small farmers in Cabo Delgado and Manica, through the promotion of inclusive and sustainable value chains in the fruit, vegetable and coffee sector, with a focus on the aggregation and processing aspect.

Initiative AID 9021 "Rural Development Support Program (PADR) in the Provinces of Manica and Sofala"

Implemented directly by MADER through the Agricultural Development Fund (FDA), with the aim of improving income and the social conditions of the populations in the provinces of Manica and Sofala, through the increase in income-generating activities for the family agricultural sector (small and medium-sized), associations of producers, processors and traders, linked to agricultural production. One of the major activities still to be implemented by the project before its end in 2024, is providing access to credit and grants for the small and medium enterprises in the horticulture and poultry sector.

DELPAZ

Is an EU initiative (28 million Euro) in the central provinces of Manica, Tete and Sofala, with the objective of "Contributing to the consolidation of peace at the subnational level in Mozambique" through inclusive governance and local economic development, part of the European Union support package for the peace process in Mozambique. Specifically, with a budget of € 11,300,000, AICS will work, in five districts of the province of Manica (Barue, Gondola, Guro, Macossa and Tambara) and two districts of the province of Tete (Doa, Moatize and Tsangano), to promote local economic development and infrastructural interventions, with an estimated pool of over 60,000 beneficiaries. The expected results from the component delegated to AICS are: 1) increase in public investments and supply of services in the selected rural districts and municipalities; 2) increase in the adoption of agricultural technologies and practices adapted to the climate and which improve the productivity of communities affected by the conflict; 3) increasing the integration of communities into the market and promoting non-agricultural economic activities.

Two new initiatives, “Integrated Agriculture Development Program of the Beira Corridor – ProDAI” with FAO and “Improving the inclusive and sustainable development of agricultural value chains” with UNIDO have been approved in March 2023 and will start their activities in the second half of the year.

Additionally, another initiative is under development with WFP and a new 15 million credit for MADER is under discussion. Finally, FAO regional office in Harare is preparing a transboundary project between Mozambique and Zimbabwe on agricultural trade between the two countries with a particular attention to the new opportunities offered by the AfCFTA.

All these new initiatives will have as their main goal supporting the CAAM, by working on productivity, production, quality, aggregation and pre-processing of fruit and vegetables in the Beira Corridor. The funds committed by AICS for the agricultural sector development in Beira corridor till 2026 are more than 100 million Euro.

The main economic activity in Manica Province is agriculture, in addition to small-scale mining and energy production. In this province, the fruit and vegetable sector has great potential for development but is still constrained by the limited capacity of its supply chain. A fragmented supply chain, often with long distances and numerous intermediaries, results in losses of up to 30-40% of fruit and vegetables and 20% of cereal crops. Within the same supply chain, there is often no integration and therefore each level of the chain often ignores what the requirements of the next level are. As a consequence, farmers and small-scale processors have little incentive to produce high quality products, as well as to improve product handling and transport, invest in high quality inputs or adopt good agronomic practices.

In 2019, the country was devastated by Cyclone Idai, which caused the destruction of several economic and social infrastructures, particularly in the provinces of Sofala, Manica, Tete and Zambézia.

In this context, the Italian Government granted to the Mozambique Government a reconstruction loan of € 35 million at highly concessional conditions. The Ministry of Agriculture and Rural Development (MADER), in coordination with the Post-Cyclone Reconstruction Office (GREPOC) and the Ministry of Economy and Finance (MEF), submitted a request to the Italian Embassy in Maputo for the allocation of this loan for the revamping of marketing and the modernisation of the entire fruit and vegetable sector in the province of Manica and, in particular, for the construction of the Manica Agri-Food Centre (CAAM).

The request was accepted and MADER submitted to AICS a project proposal for the development of the agri-food centre (Annex 1). The proposal was evaluated and approved in December 2021 and a €35 million soft loan was granted to the Mozambican Government. Further to this, a grant component of €3 million was also approved, to be directly managed by the Italian Agency for Development Cooperation (AICS) in Maputo, to guarantee the needed technical assistance to MADER in the implementation of the project.

Therefore, to realize the CAAM, the Italian Government is currently funding two complementary initiatives, for an overall value of **€38 million:**

a) A **€35 million soft loan** granted to the Government of Mozambique for the construction, in the Province of Manica, of an agri-food centre for the collection, sorting and processing of fruit and vegetables.

b) A **€3 million grant** to provide the Government of Mozambique with technical assistance in the management of the aforementioned soft loan. This second component is needed to carry out in depth pre-feasibility studies necessary to launch the tenders for the construction of the CAAM, and to ensure effective management of the construction works and provide technical assistance to MADER and the Project Management Unit (PMU) throughout the entire implementation of the initiative (software component, i.e. territorial governance).

The consequentiality and integration of the two initiatives, grant and loan, is depicted in the figure below:

The CAAM will be a centre for the collection and sorting of fruit and vegetables, offering storage and processing opportunities to producers and agricultural SMEs, producer associations and marketing agents, and will provide services to various stakeholders including quality and organic certification. The overall initiative will contribute to the development of the Beira Corridor in Mozambique, which is one of the strategic areas for the development of agricultural supply chains and one of the main transport routes in southern Africa linking Zambia, Malawi, Zimbabwe and the Democratic Republic of Congo

to the port of Beira. This project is part of the government's commitment to improve infrastructure in the agricultural sector, which is considered strategic for rural development, the restoration of local productive capacity and the food and nutritional security of the population, an issue that assumes even more importance today given the Covid-19 pandemic.

The CAAM will have to be a sustainable and resilient marketing centre and be part of the socio-economic transformation for the benefit of the territory and the local population, with a focus on strengthening the role of farmers/emerging market agents, ensuring the inclusion in the value chains of all local economic stakeholders (including youth and women). In addition to that, the CAAM will also result in a green and circular economy model: it will be designed and implemented considering a modern approach both in construction and in the operational model, which will be inspired by the circular economy approach, to minimise impacts on the environment and maximise the sustainable use of natural resources. Therefore, the CAAM represents a strategic solution for increasing the competitiveness of local products and to achieve that it must be designed and run as an agribusiness centre from the beginning, trying, as much as possible, to create a conducive business environment for investors and private entrepreneurs.

The CAAM project is a unique opportunity to combine, on the one hand, the successful experience of Italian Agri-Food Centres in qualifying specific territorial productions and offering access to the national and international market to small producers through the continuous search for quality and the use of appropriate technologies and, on the other hand, it can combine the experience of Mozambique's neighbouring countries such as South Africa and Zimbabwe, where small producers are encouraged to enter the market with the support of technical and commercial agents who ensure a higher quality of production to reach wider and more profitable markets.

The Italian model, which was previously analysed and then utilized by MADER to develop their proposal, could be adapted to the Mozambican reality in due course and constitutes the starting point for the establishment of the CAAM, taking into account Italy's experience in services and processes to add value to local agricultural production duly certifying the quality, according to international standards.

The Italian agri-food centres are a meeting point between supply and demand and can be the nodal point to monitor the agricultural commodities market prices and at the same time to get information on the real value of the same product.

In addition, these markets appear today as the great promoters of healthy and quality food and being also an important point of access to them, they are guarantors of freshness and quality.

The fact that they are the central hubs of agri-food distribution has led wholesale markets to a radical transformation, from simple infrastructures for the sale of fresh products to logistics platforms and multifunctional centres capable of carrying out product quality certifications and activities of export. They are also product collecting and distribution centres for local farms, processing laboratories, training and learning centres, semi-automated logistics points, packaging and product processing companies, from the IV to V range products, banana ripening for customs clearance.

The management of the Italian wholesale markets is very particular because it represents a mix of public-private partnership that offers the following services and manages the structure:

- Lease of buildings, spaces and/or land to private companies;
- Maintenance of facilities;
- Equipment maintenance;
- Cleaning "public" areas;
- Temperature Control Ventilation - which includes air conditioning, refrigeration, heating, etc.;
- Lighting of public areas inside and outside buildings;
- Provision of basic services: such as electricity, gas, hot and cold water, drainage, sewage, etc.
- Personal hygiene spaces: including toilets, sinks, showers, changing rooms, etc. when they are inside public areas;
- Waste collection and removal;
- Pest control;

2. OBJECTIVES & EXPECTED OUTPUTS

2.1 Overall Objective

The overall objective (Impact) to which this action contributes is:

“To provide the Italian Agency for development Cooperation (AICS) in Maputo and the Ministry of Agriculture and Rural Development (MADER) of Mozambique of all the information needed to for a sound evaluation of the opportunity of building an Agri-Food and Logistic Center in the Province of Manica, economically and environmentally sustainable in line with international standards and perfectly integrated into the territory”.

This objective will be achieved by completing the studies as described in the present ToR.

2.2 Specific objective(s)

The project proposes and defines the construction of an agri-food and logistic center in the province of Manica (called CAAM) with multifunctional characteristics suited to the qualitative and commercial enhancement of local agricultural productions and strongly inserted into a value chain and agri-business approach.

As a way of recovering the productive sector in the central area and enhancing the potential of the agricultural sector in the same area, with particular attention to the fruit and vegetable chain, it is proposed to establish an Agri-Food and Logistic Center in the Province of Manica (CAAM), starting from the Italian experience in centers of aggregation and commercialization of this nature. The development of this CAAM idea, which was developed by MADER during the ongoing cooperation activities with AICS - that included visits to some agri-food centers in Italy during the 2021 edition of MACFRUT fair in Rimini - could be adapted to the Mozambican reality in due course and constitutes the starting point for the establishment of the CAAM, taking into account Italy's experience in services and processes to add value to local production, duly certifying quality, according to international standards. Additionally, to what it is normally seen in the Italian agri-food centers, the CAAM should attract also private investors interested in developing processing plants, or other private business related to the agri-food sector, in the same physical space.

In relation to what has been analyzed above, with the implementation of this project and the construction of the CAAM, it will be possible to have a strong impact on the fruit and vegetable supply chains and in particular:

1- Create a new market area for the wholesale market activity and consequent closure of the wholesaler activity at the old city market of CHIMOIO (MERCADO 38) which will be transferred to this new area;

2- Improve the commercial enhancement of local productions through:

a. Better organization of the supply chain;

b. Qualitative improvement in the field;

c. Quality control and certification;

d. Management of the cold chain in all stages of the supply chain, from the collection stages to the first conditioning near the production sites, to transport, to the creation of cold rooms in the market area;

3- Definition and coordination of marketing policies for local agricultural and agri-food products, with the aim of achieving a clear improvement in the competitive positioning of the entire country in the AfCFTA scenario and towards exports to the EU;

4- Significantly reduce, by virtue of point "2.d", waste and product dispersions, both through a more effective control of the supply chain, and through the transformation and processing of both the product and its waste, with the objective of a rebalancing of market conditions (supply, demand, prices).

5- Contribute to reducing the import of agri-food products (fruit, vegetables, fresh and processed products), especially towards the central region of the country;

6- Retain in the country, for the benefit of national operators, the benefits deriving from the export of local Mozambican products, allowing local entrepreneurs to more effectively exploit both the Regional Free Trade Agreement (AfCFTA) which has recently been ratified by Mozambique, both the Economic Partnership Agreement with the EU operational since 2018;

7- Improve working conditions (quality, safety, health) in the markets and along the supply chain.

8- Improve the economic, social and environmental sustainability of the population by creating new jobs positions particularly for women and youths, functioning as a pivot for further development of start-ups and private businesses.

9 – Contribute to create a regional system of agricultural and agri-food products´ price monitoring, regulation and setting.

10 - Enhance opportunities for private entrepreneurs interested in investing in the fruit and vegetable sector in the country.

Finally, the CAAM project will also include other components that will contribute to its realization:

- The creation of a Multistakeholder Platform with all the major actors related to the fruit and vegetable sector in the Beira Corridor, to start sharing and discussing from the very beginning about the CAAM objectives and how each actor can contribute to and benefit from its success;
- The creation of an IT platform for information sharing about the fruit and vegetable sector;
- The creation of a fund for entrepreneurs interested in being part of the CAAM.

2.3 Expected outputs to be achieved by the contractor

The expected outputs to be delivered in the framework of this contract are related to the **grant component** of the CAAM initiative (€3 million) and are the following.

- Output 1.1: an in-depth analysis of selected value chains (fruit, vegetables and tubers) and of the relevant stakeholders of these value chains of the central region of Mozambique, as per point 4.2.a
- Output 1.2: an economic and financial analysis and the development of at least three different business models, as per point 4.2.b
- Output 1.3: architectural sketches (at least three) and technical dimensioning of the CAAM, as described in 4.2.c)

These outputs will constitute the basis for another tender to be launched soon after the end of the present one related to the design (preliminary and final design, topographic and geotechnical services, as well as socio-environmental impact assessment) of the full structure with annexed equipment and the preparation of the tender documents for its construction.

3. ASSUMPTIONS & RISKS

3.1 Assumptions underlying the project

The following main assumptions have been considered:

- stable political and social situation in Mozambique and the region;
- efficient cooperation among all the Stakeholders;
- provision and mobilization of properly qualified counterpart staff and necessary administrative infrastructure from the Contracting Authority and End Recipient in order to allow the taking over of the works at the time of completion.

3.2 Risks

The following potential risks related to achievement of the anticipated results have been identified:

- Economic situation of Mozambique, the EU region and global economy; and
- Natural disasters such as cyclones and floods.

4. SCOPE OF THE WORK

4.1 General

Within the CAAM grant initiative, technical assistance for the start-up and design of the CAAM is provided, specifically, by performing the following activities:

- Economic and Financial Analysis, as well as elaboration of the Business Model (Value Chain Analysis, Stakeholder Analysis, Economic Cost Benefit Analysis, Investment Scenarios, Risk Analysis, Business Plan, Governance, socio-cultural acceptability, etc.).
- Drawing of at least three alternative architectural sketches of the facility.

See for detailed description chapter 4.2

4.1.1 Description of the assignment

The scope of activities to be performed within this consulting services is to carry out studies and research activities to identify the business model for the Manica Agri-Food Centre (CAAM), including the architectural sketch of the centre and the suggested governance model. The study will have to include:

- Identification of potential suppliers of raw materials and finished products, with a break down for different agriculture value chain;
- Identification of potential, investors and entrepreneurs willing to operate within the CAAM;
- Quantitative and qualitative analysis of the availability of agricultural products for the Agri-Food Centre, in particular in the provinces covered by the study;
- Description of the processes and the mechanisms of value adding along the value chain;
- Definition of the structural components and activities to be carried out by the CAAM in terms of services provided and processing lines;
- Definition, together with MADER of the main functions of the laboratory and consequently of the equipment needed;
- Development of different scenarios (at least three) with relatives Business Model and Business Plan for the CAAM, including a detailed budget, a cost benefit analyses and a risk analysis;
- Carrying on a market analysis in order to identify and recommend appropriate technology to operationalize the various components of the project including potential suppliers of equipment, accessories and technical assistance;
- Project siting evaluation of the suitability of the development area to host the proposed CAAM unit and its operations, and site selection together with local authorities;
- Design at least three architectural sketches for a low emission building including the technical dimensioning considering a sustainable use of resources such as water, energy and waste, following the principles of circular economy;
- Proposal of the institutional and financial structure of the CAAM, including the identification and recommendation of a public private partnerships (PPP) for the functioning of the different project components;
- Definition of an operational implementation plan.

4.1.2 Geographical area to be covered

The CAAM will be built in the Manica Province, therefore the study area should include this province but also the nearby Sofala and Tete, as they will constitute the immediate supply areas for the centre. Particular attention should be given to the Beira corridor and the Beira port for logistic reasons and to the trade with Zimbabwe. Finally, Maputo should be included as well as part of the research activities, as it's important to meet various stakeholders including the representatives of MADER and MIC, MozParks, other donor agencies and private sector.

4.2 Specific work

The tasks of this consultancy will include an in-depth analysis of the local fruit and vegetable sector to elaborate a sustainable business model that will permit to correctly size the CAAM. This information will be pivotal for the development of the next components of the project, that is to create a dynamic and inclusive territorial governance and start the design phase of the CAAM. Among others, the following sub-activities will be carried out by the consultants:

a) **Analysis of selected value chains (fruit, vegetables and tubers) and of the relevant stakeholders of these value chains** to understand:

- who are the various stakeholders in the value chains;
- the added value in the various steps of the value chains
- its distribution among the stakeholders;
- their weaknesses and strengths;
- the prices of agricultural products, services and taxes and fiscal levies taking into account the current regulations;
- the market potential and the bottlenecks;
- and to forecast on the amount of production, in the short and long term, that will be channeled through the CAAM.

It will be necessary to assess the quantities and types of products, as well as the sales channels, from which it will be possible to derive an objective and functional estimation of the size of the CAAM, to host, as an example, the following facilities: wholesale market, processing centre, cold storage rooms, management centre, private logistics areas, quality lab, waste collection area. The network of peripheral collection centers (PCCs) will also be estimated, considering not only production and flows but also the capacity to aggregate production and concentrate flows, in relation to the growth processes of small producers and partnerships with large producers. This analysis, that should consider other existing facilities in the area, as well as other PCCs planned or constructed by partners organizations like UNIDO and FAO, will also assess the possibility of renovating, modernizing and/or building PCCs in locations with high collection potential and define their function (simple or refrigerated collection, packaging, etc.).
The possibility of penetrating domestic, regional, and international markets for both fresh and processed products, as well as the type of products required by each market should also be assessed.

Particular attention should be given on the fact that often major infrastructure investments to strengthen the agricultural sector (to create added value for local products and by-products through quality certification, processing and improved market access) focus their efforts on the so-called *hardware component*, i.e., the physical construction with all the expected equipment. There is often not so much attention to the so-called *software component*, essential to ensure that the new infrastructure does not remain an isolated element in the local reality. On the contrary, it is of paramount importance to well understand and work in a system, to involve from the beginning the various stakeholders in a participatory process, to create together an adequate socio-economic structure for the starting-up and the economic viability of the structure. In this phase of engagement, the various actors of the different value chains will be interviewed to carry on a need assessment concerning the local fruit and vegetable sector. Similarly, the interviews will help to understand how to integrate and link their interests and activities to the development of the new centre, as well as to identify possible obstacles to this integration. The study will apply a gender approach and will be

the starting point for the multi-stakeholder platform that will be created to accompany the establishment and functioning of the CAAM in the years to come.

Furthermore, the analysis should assess the capacity of the new centre to boost the local development process by attracting private companies and service providers and how to support them to be integrated in the CAAM. A comprehensive Theory of Change concerning this process should be elaborated.

b) **Economic and financial analysis and development of at least three different business models.** This step should include the cost-benefit analysis, the investment scenarios, the risk analysis, the business plan and management model, considering, when possible, similar experiences developed in the region, or at least in Africa. The profitability of the different components of the CAAM will be crucial for the technical dimensioning of the centre. Considering that the available funds are part of a soft loan that MADER has received from the Italian Government, it should be indicated a financial recovery plan of the initial investment as well as possible finance institutions to partner with to raise the initial and operation capital. Integration with the private entrepreneurial actors should be thoroughly assessed to support already existing commercial strategies rather than to create new ones and/or to introduce innovative solutions. It will be necessary to identify the modalities of collaboration between the public and private sector and the management mechanism of the CAAM which, depending on the results of the previous analyses, may vary towards a model managed either by a public body, by a private 'anchor investor' or through a public-private partnership modality. The agro-industrial transformation of lower quality products into fruit juices or pulp and IV range products, as well as the options for the use of the center's waste according to a circular economy perspective, will be assessed in relation to specific business plans, considering the sustainable dimension of the operational projects, both at an economic, social and environmental level.

Annexed to the CAAM there should be a laboratory able to provide quality and health certification of the products. The functions and services of the lab should be analyzed and included in the business model.

If it is deemed necessary to integrate the CAAM with new PCCs, as mentioned in point 4.2.a, the business model will also have to consider the costs related to the renovation or construction of the PCCs. The business model should also propose different models of organizational management for the operation and maintenance of the facilities, specifying the technical and administrative staff required to manage, operate, and maintain the CAAM, so as to ensure long-term efficiency.

For the elaboration of the business models the different proposed functions of the CAAM, including the laboratory for quality and health certification, should be considered, with clear options for the development of PPPs with private investments, a recovery plan for the initial loan, and the institutional and financial structure.

c) **Project Architectural sketches (at least three) and technical dimensioning**: based on the business models presented and on the formulation of the structural components and activities, the contractor should produce three different architectural sketches of the centre that includes the foreseen spaces with the necessary equipment, including the identification and recommendation of appropriate technology to operationalize the various components of the project, together with a list of potential suppliers of equipment, accessories and technical assistance, previously identified through a market analysis; the sketches should also include the quality assurance laboratory and the equipment needed for it.

To produce the architectural sketches, the contractor should additionally:

- Indicate which units are forecasted for the center's operations.
- Draw up an outline of an architectural plan for the proposed investments in terms of civil engineering and outdoor facilities (roads, parking, green spaces, etc.) while dimensioning the different components of the proposed plan.
- Define, evaluate and establish the physical location of the CAAM together with the local authorities and other stakeholders based on at least the following parameters:
    - Access from the main road (including presence of toll booth
    - Availability of water and power

    - Lack of human settlements
    - Distance from markets
    - Destination of use
    - Size
- Preliminary needs for utilities necessary for the proper functioning of the market and support and management services (water, electricity, gas, waste station, fuel supply station, etc.) identifying appropriate technologies to satisfy the CAAM needs.
- Establish the necessary equipment and material to guarantee the different CAAM services and the necessary space needed.
- Establish a waste management and recovery plan by prioritizing the use of renewable energies and referring to a circular economy approach.
- Define the needs for means of transport and handling necessary for the proper functioning of the market.
- Establish how the marketing of agricultural products (national and international) will have access to highways, railways, airports, etc.

4.3. Project management

The Italian Agency for Development Cooperation, Maputo Office, will be the Responsible body for the overall management of the contract.

The Technical Assistance Unit (TAU) will be managed by AICS and will work under the direct supervision of AICS Team Leader.

TAU's main tasks will be:

- Regularly collect data on process/progress/ of project activities;
- Ensure coordination with MADER, cooperation partners, agencies and all stakeholders involved;
- Provide technical assistance to the implementing party in the preparation of its activities.

5. LOGISTICS AND TIMING

5.1 Location

The operational base for the project will be Maputo, Mozambique, with fields activities for data collection in Manica, Sofala and Tete Provinces.

5.2 Start date & period of implementation of tasks

The intended start date is 20/11/2023 and the period of implementation of the contract will be 6 months from this date. Please see Articles 19.1 and 19.2 of the special conditions for the actual start date and period of implementation.

6. REQUIREMENTS

6.1 Staff

The ideal Contractor should be an international company with proven experience in performing similar tasks in developing countries. Particularly the company should have designed the business model of at least other two agri-food centres and/or similar structures in developing countries in the past 7 years. The proposed team should be composed of multidisciplinary and interconnected experts able to design and implement the full task in a logical sequence. Additionally, to English (at least some of) the team

members should be able to communicate in both Italian and Portuguese to guarantee clear interaction with the Donor and the local stakeholders.

Furthermore, the Contractor shall ensure the availability of a team of qualified experts, until the completion of its activities, as required for each of the different tasks defined. Note that civil servants and other staff of the public administration of the partner country, or of international/regional organisations based in the country, shall only be approved to work as experts if well justified. The justification should be submitted with the tender and shall include information on the added value the expert will bring as well as proof that the expert is seconded or on personal leave.

If it deems it convenient, the Contractor may hire - with the prior authorization of the Contracting Authority and at its own cost - trusted professionals to perform a particular technical activity.

The Contractor's Team shall include at least the experts listed below:

KEY EXPERTS
Team Leader
Agri-logistic expert
Economist/Agricultural Economist
Architect/Civil engineer
OTHER EXPERTS
Agricultural and agri-business legal/tax expert
Marketing Specialist

All experts performing an essential function for the execution of the Contract are referred to as Key Experts.

Key experts

Key experts are defined and they must submit CVs and signed statements of exclusivity and availability.

All experts who have a crucial role in implementing the contract are referred to as key experts. The profiles of the key experts for this contract are as follows:

Key expert 1: Team leader

Qualifications and skills:

Minimum MSc in economics, agriculture, agricultural economics, agri-logistic or related fields with significant project management skills and communication skills. Knowledge of English and Portuguese language is required.

General professional experience:

At least 15 years of relevant experience in the design and implementation of similar projects in the field of agricultural development, agro-processing or agri-business.

Specific professional experience:

He/she must provide evidence of experience in managing multidisciplinary work groups, excellent facilitation and experience in developing countries, particularly in sub-Saharan Africa, expertise in developing investment projects and designing studies in the agro-processing and agri-business sectors. Working experience in the private sector is a plus.

Key expert 2: Agri-logistic expert

Qualifications and skills:

Minimum MSc in agriculture, agricultural economics, agri-logistic or related fields.

General professional experience:

At least 15 years of experience in the development of agricultural projects related to agri-businesses and/or agri-logistics.

Specific professional experience:

At least 10 years' experience of which five in developing countries, working in agri-business development, agro-processing, market development and in the development of agro-food platforms and networks.

Key expert 3: Agricultural Economist

Qualifications and skills:

Minimum MSc in economics, agricultural economics or related fields.

General professional experience:

At least 15 years of experience in the development of agri-businesses.

Specific professional experience:

At least 5 years' experience in developing countries, working in agri-business development, agro-processing, agri-food markets with development of business models, business plans, managerial structures for agro-industries etc.

Key expert 4: Architect/Civil Engineer

Qualifications and skills:

Minimum BSc in architecture, civil engineering, or related fields.

General professional experience:

At least 10 years of experience in the design and implementation of similar projects, particularly the development of agro-industrial facilities.

Specific professional experience:

At least 7 years' experience in the field of development of collective spaces and multifunctional projects (wholesale markets, steel frame sheds, packaging units, slaughterhouses, food industries, etc.), designing of food processing facilities and plant layout.

Other experts, support staff & backstopping

CVs for experts other than the key experts should not be submitted in the tender but the tenderer will have to demonstrate in their offer that they have access to experts with the required profiles. The contractor shall select and hire other experts as required according to the needs. The selection procedures used by the contractor to select these other experts shall be transparent, and shall be based on pre-defined criteria, including professional qualifications, language skills and work experience.

The costs for backstopping and support staff, as needed, are considered to be included in the tenderer's financial offer.

Agricultural and agri-business legal/tax expert: BSc in agriculture, agribusiness law or related fields and at least 5 years of experience with agribusinesses, organizational structure development, agricultural legislation and taxes.

Marketing Specialist: BSc in agriculture, agribusiness, agricultural marketing or related field with at least 5 years' experience in developing marketing plans for agribusiness in developing countries.

6.2 Office accommodation

Office accommodation for each expert working on the contract is to be provided by the contractor.

6.3 Facilities to be provided by the contractor

The contractor shall ensure that experts are adequately supported and equipped. In particular it must ensure that there is sufficient administrative, secretarial and interpreting provision to enable experts to concentrate on their primary responsibilities. It must also transfer funds as necessary to support their work under the contract and to ensure that its employees are paid regularly and in a timely fashion. Remember that global price contract does not entail reimbursable/incidental expenditure.

6.4 Equipment

No equipment is to be purchased on behalf of the contracting authority / partner country as part of this service contract or transferred to the contracting authority / partner country at the end of this contract. Any equipment related to this contract which is to be acquired by the partner country must be purchased by means of a separate supply tender procedure.

7. REPORTS

7.1 Reporting requirements

The Contractor will present the following Reports including the drawings, in Portuguese, in three originals and one printed copy, and in digital format:

No.	Description	Time (month) from the Start of Activities
1	Study planning (Inception Report)	0.75
2	Value chain Interim report	2
3	Value chain Final draft version of the report	3
4	Business Interim report	3.5
5	Business Final draft version of the report	4
6	Architectural Interim report	4.5
7	Architectural Final draft version of the report	5
8	Final draft report	5
9	Final report	6

Inception Report: Detailed inception report, to be submitted within 21 days of signing the contract, containing: the updated methodology, the planning and schedule of the proposed activities, performance indicators and the draft structure of the final report and a preliminary list of subjects to be contacted,

The contractor will have to produce three different, interconnected documents related to the activities as described in chapter 4.2:

- **Value chain report**: An in-depth analysis of the different value chains (fruits, vegetables and tubers), including the related-stakeholder analysis as per point 3.2.a.
- **Business Report**: The economic and financial analysis and a business model, as per point 4.2.b.
- **Architectural report**: The dimensioning and the architectural sketches of the CAAM, as described in 4.2.c.

For each of the three products listed above, the following documents must then be elaborated:

- Interim report
- Final draft version of the report

The three documents will each be presented and discussed with AICS, MADER and any other relevant stakeholders.

The **Final Draft report** should be presented in a small workshop to AICS, MADER and other selected stakeholders for validation and the **Final Report** should incorporate any comments received from the workshop participants.

7.2 Submission and approval of reports

Each report must be submitted in digital format with an ordered listing of files. Additionally, the Final Draft Report and the Final Report should be also delivered, at no additional cost, on an External Hard Disk(s) and in 4 printed copies, signed and stamped.

The above, mentioned products, should be submitted to the Team Leader identified in the contract, by email to maputo@aics.gov.it, who is responsible for their approval and can ask for clarifications and suggest improvements.

The printed copies and the hard disks for the Final Draft Report and the Final Report, should be delivered to:
Agenzia Italiana per la Cooperazione allo Sviluppo (AICS)
Rua Damião de Goís, 381, Maputo, Moçambique

8. MONITORING AND EVALUATION

8.1 Definition of indicators

In order to monitor the progress toward the expected results to be achieved by the contractor, AICS will carry out periodic evaluations of the intermediate products that will have to be delivered within the established time periods.

8.2 Special requirements

Not applicable