YouthStart Global is a global programme funded by UN Capital Development Fund and the Swedish International Development Cooperation Agency (SIDA).

The United Nations Capital Development Fund (UNCDF) is the UN’s capital investment agency for the world’s 48 Least Developed Countries (LDCs). UNCDF uses its capital mandate to help LDCs pursue inclusive growth. UNCDF uses ‘smart’ Official Development Assistance (ODA) to unlock and leverage public and private domestic resources; it promotes financial inclusion, including through digital finance, as a key enabler of poverty reduction and inclusive growth; and it demonstrates how localizing finance outside the capital cities can accelerate growth in local economies, promote sustainable and climate resilient infrastructure development, and empower local communities. Using capital grants, loans, and credit enhancements, UNCDF tests financial models in inclusive finance and local development finance; ‘de-risks’ the local investment space; and proves concept, paving the way for larger and more risk-averse investors to come in and scale up.

The Financial Sector Deepening-Mozambique (FSDMoç) is a 5 year (2014 - 2019) development finance project funded by the UK Government – DFID. It aims at improving access to financial services for Small and Medium Enterprises (SMEs), small holder farmers and households.

Our Vision: FSDMoç envision a dynamic financial sector offering quality services that enable resilience and economic empowerment for all Mozambicans.

Our mission: Identify and partner with key market stakeholders, offering those targeted investments and insights to unleash the potential of the financial sector to improve financial inclusion.

Our approach - facilitation role: As a facilitator, FSDMoç partners with financial sector service providers (banks, microbanks, mobile network operators, insurance companies, Microfinance Institutions, private equity funds, impact investors), as well as businesses to develop innovative financial services and products for SMEs, low-income households, rural population and along the agriculture and resource value chains, to catalyse market response to financing business and providing a broad range financial retail services to consumers as a way of broadening and deepening the financial sector in Mozambique.

Dalberg Global Development Advisors is a strategy and policy advisory firm exclusively dedicated to global development and innovation. Our mission is to mobilize effective responses to the world’s most pressing issues and to raise living standards in developing countries. Our approach combines rigorous business analytics with on-the-ground experience to help governments, foundations, international agencies, NGOs and corporations. Our services include a broad offering including developing innovative strategies, approaches and market mechanisms, reforming internal organizational processes and structures, analyzing trends and developing market-entry strategies, and coordinating and facilitating large, multi-stakeholder initiatives. Dalberg has a global network of offices, including four in Africa - in Dakar, Lagos, Johannesburg and Nairobi, as well as in Abu Dhabi, Copenhagen, Geneva, London, Mumbai, New Delhi, New York, San Francisco, Singapore, and Washington, D.C.

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DEFINITIONS, ABBREVIATIONS, AND ACRONYMS

The government of Mozambique defines youth as persons aged 14 to 35 years old. However, the UNCDF YouthStart Global (YSG) program targets youth aged 15 to 24 years, which is the United Nations (UN) definition of youth. Wherever possible, we use the UN definition. In some cases, information or data were only available for youth aged 14 to 35, and thus the government’s definition was used.

The term “SME,” according to the Insituto Nacional de Estatistica, includes micro, small, and medium enterprises consisting of 1 – 50 employees.

We conversion from the Mozambican metical to US dollars using the rate of 30.9 MZN to 1 USD.

AET Agriculture education and training
ANJE National Association of Young Entrepreneurs of Mozambique
BDS Business development services
BOP Bottom of the pyramid
CIADAJ Inter-sectoral Committee for Support of the Development of Young and Adolescent People
CFPV Centro de Formação Profissional de Vilankulo
ENDE National Development Policy
ENRC Eurasian Natural Resources Corporation
FAIZ Fund to Support Youth Initiatives
FAOSTAT Food and Agriculture Organization Corporate Statistical Database
FDI Foreign direct investment
FSP Financial services provider
FUNDEC Skills Development Fund
GDP Gross domestic product
GYIN Global Youth Innovation Network
HIIT High Impact Tourism Training
ICC International Capital Corporation
ICT Information and communication technology
INEFP National Institute of Professional Training and Employment
INJ National Youth Institute
LMIS Labor market information system
LNG Liquefied natural gas
M&E Monitoring and evaluation
MFI Microfinance institution
MNO Mobile Network Operator
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>MYS</td>
<td>Ministry of Youth and Sport</td>
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<tr>
<td>NDS</td>
<td>National Development Strategy</td>
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<td>NGO</td>
<td>Non-governmental organization</td>
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<td>NYP</td>
<td>National Youth Policy</td>
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<td>OYE</td>
<td>Opportunities for Youth Empowerment</td>
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<tr>
<td>PSI</td>
<td>Policy support instrument</td>
</tr>
<tr>
<td>PERPU</td>
<td>Strategic Program for the Reduction of Urban Poverty</td>
</tr>
<tr>
<td>SADC</td>
<td>Southern African Development Community</td>
</tr>
<tr>
<td>SIMA</td>
<td>Agricultural Markets Information System</td>
</tr>
<tr>
<td>SPEED</td>
<td>Support Program for Economic and Enterprise Development</td>
</tr>
<tr>
<td>STEM</td>
<td>Science, technology, engineering, and mathematics</td>
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<tr>
<td>TVET</td>
<td>Technical and vocational education and training</td>
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<tr>
<td>UN</td>
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<td>UNCDF</td>
<td>United Nations Capital Development Fund</td>
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<td>YSG</td>
<td>YouthStart Global</td>
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**ACKNOWLEDGEMENTS**

This report was commissioned by the United Nations Capital Development Fund (UNCDF) YouthStart Global program and developed in partnership with Dalberg Global Development Advisors. The report relies on the inputs of a broad range of stakeholders in the youth economic opportunities ecosystem in Mozambique who shared their views and advice for the preparation of this document. The authors wish to thank interview subjects from the Mozambique government, youth-serving organizations, private sector firms, members of the international donor community, financial service providers, and youth focus group participants who generously contributed their time to this study.
EXECUTIVE SUMMARY

This report is a synthesis of an assessment undertaken on the current landscape of economic opportunities and challenges for youth in Mozambique and the existing interventions to address these issues. In addition to extensive desk research and analysis of youth employment activities, the study involved multiple stakeholder interviews, youth focus groups, and a stakeholder workshop, during a two-week country visit.

CONTEXT

Mozambique’s economy has experienced fast and sustained growth for the last ten years; it is predicted to continue on this strong trajectory. Growth has been driven by a boom in the extractives industry and “mega projects” related to infrastructure. The construction industry is the third fastest growing sector, behind the extractives industry and financial services. The tourism sector is also recording strong growth driven by increased business tourism. The agriculture sector remains the largest employer—generating the majority of employment (>70%)—but accounts for only a third of gross domestic product (GDP). Manufacturing is the largest non-agricultural sector of the economy but it is not growing rapidly or creating a significant number of jobs.

This economic growth has not resulted in commensurate growth in formal or informal sector jobs. The youth labor force is increasing by almost 40% per annum but the rate at which new formal sector jobs are created remains static. In addition, there are significant challenges to entrepreneurship that exacerbate the demand constraints of the labor market. Youth unemployment varies by geographic location with roughly 8% unemployment in rural areas and 36% in urban areas, but these figures mask a high underemployment rate (80%). Young women suffer from the highest level of unemployment, a situation reinforced by their underrepresentation in socioeconomic and political structures.

To address this growing urban ‘youth bulge,’ the government has instituted the National Development Policy (ENDE) and the National Youth Policy (NYP). ENDE places emphasis on developing the agriculture, fisheries, industrial diversification, infrastructure, extractive industry, and tourism sectors; it is aimed at stimulating overall economic growth, and thus indirectly benefits youth. The NYP focuses on expanding economic opportunities for youth through employment and entrepreneurship and as well as mainstreaming youth issues into government plans and policies. The NYP has been in place as a policy guideline since 2013; the Ministry of Youth is beginning to develop an implementation plan.
Despite these policies, there is a need for more interventions and rapid actions in order to limit the negative impact of disempowerment on the youth population, and the negative impacts of youth unemployment on Mozambican society. Youth unemployment represents a sizeable economic loss stemming from unrealized human resources, foregone potential income tax revenues, and a loss of returns on government investment in education—all contributing to creating a heavy tax burden in future years. In addition, protracted joblessness increases youth disenfranchisement, which can lead to increased social unrest, political instability, and crime while increasing youth’s vulnerability to poverty.

**KEY CONCLUSIONS**

**Overall, Mozambique’s labor market is severely demand-constrained:** there is a broad consensus that self-employment and enterprise development are viable mechanisms to create more opportunities for youth:

- The youth labor force is increasing by almost 40% per year but the rate at which new jobs are being created remains static within the formal sector; therefore, three-quarters of youth are employed in the informal sector.
- Youth underemployment is a salient feature of the agriculture sector, which employs 70% of the working population.
- The regulatory and policy environment limits small and medium enterprises’ capacity to grow and create additional jobs.

**Accessing capital is a major and consistent challenge limiting youths’ ability to successfully start a business:**

- Financial exclusion is significantly higher among youth, who are considered a risky demographic by financial services providers (FSPs).
- A lack of individual awareness and understanding of the value of specific financial products and services are significant barriers to uptake.
- With that in mind, financial education and literacy have a key role to play in boosting access to finance.
- On the supply side, more needs to be done to develop and promote products that meet client needs.
The following sectors offer the most promising economic opportunities for youth:

- The **building, construction, and extractive sectors** offer significant opportunities for youth in both employment and entrepreneurship.
- The **tourism sector** offers high-potential opportunities for employment (hospitality and catering jobs).
- The **bottom of the pyramid (BOP) retail sector** is growing, particularly in peri-urban areas, creating an opportunity to engage youth as micro-franchisers.
- Finally, **in the agriculture sector**, one of the main sectors of the country’s economy, there are high-potential economic opportunities for youth in production to facilitate import substitution across sectors such as livestock rearing (pork) and crop growing (maize, wheat, etc.), among other sectors. There are further opportunities in establishing enterprises along the value chain—for example, extension service support, aggregation, and transportation.

Across the five economic opportunities we have identified, **existing programs are not fully addressing the different elements required for youth to access high-potential opportunities**. Key gaps across most programs are skills trainings (including in conceptualizing business ideas), start-up capital, and business support coaching. In addition, organizations generally struggle to address gender disparities in their programs or cater to the unique needs of both urban and rural youth.

Overall, **more comprehensive programs that support youth employment and more demand-side programs that support youth entrepreneurship are needed**. In addition, due to the high underemployment rate in rural areas, there is a great need for **more interventions supporting youth in agriculture**.
INTRODUCTION AND CONTEXT

The United Nations Capital Development Fund (UNCDF) has a unique financial mandate within the UN system, and a proven track record and expertise in inclusive finance and local development finance, with a primary focus on least-developed countries. In 2010, in partnership with The MasterCard Foundation, UNCDF launched the YouthStart Program, Building Youth Inclusive Financial Sectors in Sub-Saharan Africa, as a regional pilot.

The YouthStart program worked with over ten financial services providers in eight countries, including Mozambique, to provide access to savings for over 514,000 youth, access to loans to 71,735 young entrepreneurs, and financial literacy and other non-financial services to 502,600 youth. UNCDF has learned from the different approaches taken in its regional pilot that financial inclusion can help address the youth employment challenge; however, UNCDF has also found that in order to have a greater and long-lasting impact on youth, the YouthStart program must go beyond financial inclusion. Indeed, while young people need access to relevant and affordable financial services, they also require access to entrepreneurship training, mentoring, apprenticeships, and other relevant non-financial services that can support their transition from school to work at the right time, and allow them to secure and sustain decent jobs and/or start and sustain successful enterprises.

UNCDF, in partnership with the Swedish International Development Cooperation Agency (SIDA), aims to leverage the lessons learned from the regional pilot for its new program, YouthStart Global (YSG). YSG will be implemented in three phases: 1) an inception phase that entails an analysis of youth economic opportunities in four of YSG’s target countries—Rwanda, Benin, Mozambique, and Zambia; 2) a first phase that consists of selecting the right partners to work with in each country; and 3) a second phase that involves supporting selected partners in developing, testing, and scaling-up relevant, accessible, and affordable services to youth.

This report is the key output of an assessment implemented over nine weeks in four target countries, including Mozambique, as part of YSG’s inception phase. The assessment was conducted in three stages, as outlined in the Methodology section below: 1) literature review and structuring and design of research questions and tools, 2) data collection and analysis during a two-week visit in Mozambique, and 3) final synthesis of findings for the report.

The report aims to capture a complete picture of youth economic opportunities in Mozambique by 1) providing an economic overview of the employment challenge and demand for financial services, 2) presenting a comprehensive analysis of the demand for and the supply of labor, and 3) identifying high-potential opportunities for youth (Chapter 1). It also provides an overview and map of the current youth intervention landscape and the supply of financial services, as well as an assessment of key gaps for each of the high-potential opportunities for youth (Chapter 2). Finally, the report sorts through the key gaps identified and proposes a way forward for YSG (Chapter 3).
**METHODOLOGY**

**Figure 1 outlines the methodology for this assessment of youth economic opportunities in Mozambique.** This study was undertaken in three stages: 1) literature review and structuring and design of research questions and tools, 2) data collection and analysis during a two-week visit in Mozambique, and 3) final synthesis of findings. This report is the product of a number of activities including desk research, stakeholder interviews (refer to the Annex for a comprehensive list), focus group discussions and surveys, and a participative workshop with key stakeholders.

### Figure 1

**Study methodology**

| Stage 1: Literature review, structuring and design of research questions and survey tools |
| - Conducted desk research for stakeholder mapping of relevant youth-employment government, donor, and civil society organizations |
| - Designed research approach, interview guides, focus group guide, and survey tool |
| - Established selection criteria for highest priority stakeholders |
| - Scheduled in-person and phone interviews, focus group discussions, and surveys with youth |

| Stage 2: Data collection and analysis on a two-week country visit |
| - Undertook a two-person team country visit to Mozambique |
| - Interviewed 25+ stakeholders in government, NGOs, donor community, and private sector |
| - Conducted two youth focus group discussions in Maputo and in Marracuene province (rural area) |
| - Organized a workshop with 30+ attendees to discuss preliminary findings |

| Stage 3: Synthesis of findings and public dissemination |
| - Compiled detailed notes and data from interviews, focus groups, and surveys for an internal report |
| - Synthesized specific lessons and insights on youth economic opportunities in Mozambique in a report for broader public consumption |
| - Posting of report on internal and external communications outlets, including dissemination through social media, blogs, selected websites, and online journals |
| - Dissemination event with stakeholders |

The research approach was structured across five principal elements (Figure 2).

- **Demand-side analysis** focused on how the economy is generating employment opportunities and how youth understand these opportunities. This approach consists of a macroeconomic analysis of highest-potential sectors. We used data on sector growth and employment to initially identify sectors that employ the greatest number of Mozambicans, are creating jobs at scale, and/or are employing large sections of the youth population. We used qualitative insights to identify particular opportunities within each sector that are attractive and accessible to youth;
**Supply-side analysis** focused on the supply of support for youth to create economic opportunities (e.g., vocational and technical training, access to finance, etc.)

- Includes a landscaping assessment composed of interviews with key stakeholders including government actors, training or employment matchmaker services, and youth organizations, as well as a gap analysis of programmatic opportunities based on the needs identified by youth and stakeholders.
- An analysis of the principal concerns, challenges, and aspirations with regard to securing a job in Mozambique. The focus group discussions and surveys were the primary instrument for collecting data for this analysis, supplemented by secondary research and interviews with relevant stakeholders;

**Policy and regulatory environment assessment** driven by desk research covering national policy documents and external policy analysis reports, as well as interviews with government agencies and external stakeholders;

**Support functions assessment** focused on access to and usage of financial services and training, internships, and employment opportunities.

**Opportunities for engagement** aiming to identify the set of partners and opportunity areas with which UNCDF YSG should engage in order to maximize impact.

---

**Figure 2**

Analytical framework

**Demand**

- What are available services?
- What are the key challenges for youth in accessing opportunities (e.g., vocational training, access to finance)?
- What financial mechanisms are available to youth, and what are their perceptions of them?
- What do youth think are the largest gaps in terms of key support services missing?

**Data collection process:**

- Two youth focus group discussions and surveys with n=50 in urban and rural areas
- Interviews with private sector, government, and YEO stakeholders

**Opportunities for engagement**

- Who are the highest potential partners for UNCDF YEO: YEO support ecosystem and youth employment?
- What challenges within the operating context is UNCDF best placed to engage?
- What insights can be useful for the wider ecosystem?

**Policy and regulatory environment assessment**

- What services exist to assist youth employability (e.g., educational, training, or job placement/matching)?
- What is the landscape of financial services accessible to youth?
- Where are the largest gaps in YEO service provision?
- What are key trends in sectors with the largest youth employability potential (e.g., digital jobs, agriculture, and informal employment)?
- What are the primary financial and human capital challenges for employers?

**Support Functions Assessment**

Assessment of functions and infrastructure affecting access and usage of financial services by youth and access to relevant training, internships and/or employment opportunities

**Supply Side YEO actors:** YEO support ecosystem

- Two youth focus group discussions and surveys with n=50 in urban and rural areas
- Interviews with private sector, government, and YEO stakeholders

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1. Demand
2. Supply-side analysis
3. Opportunities for engagement
4. Support Functions Assessment
5. Policy and regulatory environment assessment
6. Data collection process

---

12 UNCDF YOUTHSTART GLOBAL INCEPTION PHASE—MOZAMBIQUE YOUTH ECONOMIC OPPORTUNITIES ECOSYSTEM ANALYSIS
CHAPTER ONE

YOUTH ECONOMIC OPPORTUNITIES AND CHALLENGES
SECTION 1 – ECONOMIC OVERVIEW AND YOUTH UNEMPLOYMENT CHALLENGE

Mozambique’s economy experienced rapid and sustained growth at over 7% annually from 2000 to 2014\(^1\) (Figure 1); it is predicted to continue on this strong trajectory, remaining constant in 2015 and 2016.\(^2\) Growth has primarily been led by a boom in the extractives industry and “mega projects” related to infrastructure.\(^3\) The agriculture sector remains the largest employer—generating the majority of employment (>70%)—yet it accounts for only 28% of GDP and it is not growing as rapidly.\(^4\) Higher overall economic growth rates have been a consequence of prudent macroeconomic management in fiscal and monetary policy decisions, budgetary expansion, and infrastructure mega projects.\(^5\) In addition, Mozambique has agreed to a new three-year Policy Support Instrument (PSI) program with the International Monetary Fund (IMF), which is expected to result in further economic growth.

Despite the high overall economic growth, the nature of the growth has been largely capital intensive and therefore it has not generated a proportional growth in employment. With a labor force of 12 million, the overall unemployment is relatively low, at roughly 8%, and youth unemployment at 14% (Figure 3). Both unemployment figures hide a high underemployment rate (approximately 80%), notably among casual workers and unpaid family members.\(^6\) In addition, with poverty incidence at 55%, Mozambique remains one of the least developed countries in the world.\(^6\)

Figure 3
Mozambique economic performance vs. opportunities for youth

![Graph showing Mozambique's GDP growth and youth unemployment rates from 2012 to 2014.](source: World Bank Development Indicators, Databank historical series, World Bank, 2015)

Source: World Bank Development Indicators, Databank historical series, World Bank, 2015

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3. Ibid.
4. Ibid.
The agriculture sector has been the primary focus of the policy agenda as it employs 70% of Mozambique’s working population and is projected to create nearly 900,000 new jobs by 2020. Employment within the agriculture sector is expected to grow dramatically in absolute terms, but decline as a proportion of total employment. The sector accounts for 28% of GDP (Figure 4) and is projected to grow at an annual rate of 3.2%. Currently, Mozambique has 3.5 million smallholder farmers accounting for 14% of the entire population employed in agriculture. The largest components within the sector are cassava growing, livestock rearing, and the growing of food crops. Cassava is Mozambique’s top commodity in production value and quantity, with over one million tons in quantity and USD 1.05 billion in value.

Manufacturing is the largest non-agricultural sector of the Mozambican economy, accounting for 11% of the country’s GDP in 2013, and about 4% of total employment in the same year. However, the sector is experiencing slow growth—only 2% year on year average since 2007—and its contribution to GDP decreased from 14% in 2007 to 11% in 2013. Of the manufacturing sub-sectors, the largest—food, beverages and tobacco—is experiencing growing unemployment levels. The food and beverages sub-sector accounts for 60% of the sector and nearly 70% of employment. The major products are sugar, processed cashew nuts, frozen shrimp, tea, maize meal, wheat flour, cooking oil, bread, beer, and carbonated soft drinks.

Construction industry growth has been increasing at an average of 13% each year over the same period and is the third fastest growing sector behind the extractive industry and financial services. The primary drivers of growth in the sector have been government public investment (through mega projects), private investment, and the discovery of commodity reserves. Employment in the construction sector represents 0.3% of total employment; it is characterized by low-level skills, low wages, and a scarcity of mid-level managers. The range of skills demanded varies greatly based on local needs—for instance, in Maputo, the highest demand is for plumbers, metalworkers, electricians, and auto mechanics, while the need in rural areas is primarily driven by adjacent mining activities. The extractive sector has experienced a boom driven by foreign direct investment, which has created employment opportunities in the sector, especially for skilled labor. In addition, there is a significant opportunity in providing services such as catering and retail to new mining towns.

The services sector in Mozambique comprises tourism, transport, government activities, financial services, and communications. The tourism industry is experiencing significant growth and has become a regional leader, recording the sixth highest number of international tourists in Africa in 2013. While a rise in business tourism is the largest driver of the sector (with foreign direct investment financing small guesthouses, hotels, and restaurants), the share of visitors traveling to Mozambique for tourism purposes has also increased, from just 2.6% in 2007 to 10.3% in 2013. There are opportunities for employment within the hospitality sector as demand for wait staff, domestic staff, tour guides, and game wardens, among other occupations, continues to increase. The financial services sector continues is the third fastest growing sector; however, it creates relatively few jobs.

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7 Food and Agriculture Organization Corporate Statistical Database (FAOSTAT), 2015.
9 Ibid
12 Stakeholder interviews, 2015.
The economy has benefited from a boost in exports, which rose by 16% to USD 4 billion in 2013; however, Mozambique has maintained a trade deficit for over a decade, with a deficit of approximately USD 6 billion in 2012. Raw materials and low-value-added products still represent the majority of Mozambique’s exports, while machines (21.2%) and mineral products (20.6%) constitute Mozambique’s largest imports (Figure 5). Mozambique’s major agricultural imports include wheat (2.4%), raw sugar (1.9%), and rice (1.7%) with the greatest quantity of import originating in South Africa (25.0%) and China (8.7%). There could be a potential opportunity to produce these agricultural imports domestically, as only 15% of the 36 million hectares of arable land in Mozambique is under cultivation, despite the country’s ideal climate and readily available water. In addition, the importation of products such as refined petroleum indicates that there is potential for import substitution by establishing local petroleum processing plants.

14 UN COMTRADE statistics, OECD statistics; Dalberg Research Analysis, 2015.
The size of the working age population continues to grow at a constant rate—each year 300,000 new young job seekers enter the labor market; however, the economy is unable to absorb them within formal employment. National statistics indicate that 14% of active youth are unemployed and 80% are underemployed. A majority of youth work in the informal sector, primarily employed in agriculture; however, many aspire to work enter formal employment. The formal sector is estimated to employ roughly 700,000 individuals while the labor force constitutes 11.6 million workers. This shortfall results in ~80% of the labor force working in the informal sector.

While youth unemployment rates are relatively low, youth underemployment rates are high (around 80%). Mozambique’s steady economic growth has not yet translated into sufficient productive employment. In addition, youth do not view self-employment options as viable and are hesitant to pursue these options. This low demand has translated into a relatively underdeveloped self-employment sector. We see an opportunity to further develop an entrepreneurial culture for rural youth and increase access to self-employment opportunities for urban youth who tend to be more interested in pursuing entrepreneurship.

Source: Atlas of Economic Complexity – Mozambique, MIT Media Lab et al., 2013

Figure 5
Export and import maps
Youth unemployment is segmented according to location. Rural youth are less likely to be unemployed (8%) than urban youth (36%). Rural youth account for 69% of the total youth population. The dominance of subsistence agriculture across Mozambique and the co-existence of a sizable informal economy accounts for this discrepancy. Youth in rural areas are more likely to be working in these sectors while youth in urban areas look for formal employment, which is harder to come by. Young women suffer from the highest level of unemployment, which is reinforced by their underrepresentation in socioeconomic and political structures. In addition, illiteracy among women is approximately 60%, versus 30% for men.

To address this growing number of un- and underemployed youth, the government has instituted the National Development Policy (2015 – 2035) and the National Youth Policy (2015 – 2035). The National Development Policy places emphasis on developing the agriculture, fisheries, industrial diversification, infrastructure, extractive industry, and tourism. It is aimed at stimulating overall economic growth, and thus indirectly benefits youth. The National Youth Policy focuses on expanding economic opportunities for youth through employment and entrepreneurship and streamlining youth into government plans and policies. The Youth Policy has been in place since 2013; the Ministry of Youth is just now beginning to design an implementation plan. This policy environment provides an opportunity for UNCDF to be an early contributor to the overall direction and design of impactful, nationwide youth-focused programs. In addition, other policies including the Employment and Vocational Training Policy and the Financial Sector Development Strategy also strongly influence youth empowerment issues.

The government of Mozambique developed policies guiding or supporting the creation of employment and entrepreneurship opportunities. One of these policies targets youth specifically. Below is a brief overview of some of the key policies in this sector.

---

• **National Youth Policy (NYP):** Adopted in 2013 by the Ministry of Youth and Sport (MYS), this policy covers wide-ranging issues affecting youth. The objective of this policy is “to ensure that young Mozambicans live long and healthy lives, resting on the combination of decent health care, education and work, suitable remuneration and decent housing, resulting from solid, technical, professional and vocational training combined with the habits and practices of a citizenship oriented by the highest ethical standards.”20 The document calls for the establishment of “appropriate mechanisms that facilitate the effective and integrated participation of young people of both sexes at all levels in decision making bodies and in development programs.”21 More importantly, it advocates for the government “to adopt measures that encourage the initiatives of young people, which assist in the eradication of poverty, particularly in simulating income generating activities that contribute to the development of the country’s economy.”22 The Ministry of Youth and Sport is responsible for all matters related to youth, including the implementation of this policy. The National Youth Institute (INJ) provides advice to the MYS with regard to the implementation and monitoring and evaluation (M&E) of this policy. The government established the Inter-sectoral Committee for Support to the Development of Young and Adolescent People (CIADAJ), which convenes all ministries and organizations working on youth and adolescent development. A Fund to Support Youth Initiatives (FAIJ) is to be established to fund and support youth initiatives stemming from this NYP. Lastly, calls for a portion of the public funds used for income generation and job creation to be allocated to youth initiatives were made in the context of this new NYP’s launch. While an Implementation Plan accompanying the NYP is currently being developed by the MYS, very little information is available regarding progress made on various issues covered by the NYP.

• **National Development Strategy (NDS):** Covering the 2015 to 2035 period, this strategy aims to improve the living conditions of the population across the country. For example, the NDS seeks to produce an annual average growth of 7.4% during the 2015 – 2035 period, especially through the sectors of the sectors of agriculture, industry, transport and communication, construction, electricity, and water. The GDP per capita is expected to quintuple from about USD 605 in 2012 to about USD 2960 in 2035. The four pillars of this NSD are 1) the development of human capital; 2) the development of infrastructure of productive base (e.g., Special Economic Zones, roads, ports and railways, etc.); 3) research, innovation, and technological development (e.g., creation of specialized centers of research and development in key sectors of high potential); and 4) institutional coordination (e.g., improving inter-institutional coordination, law reform, etc.). This document does not identify youth as a specific target population.

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21 Ibid.
22 Ibid.
• **Financial Sector Development Strategy (2013 – 2022):** The policy aims to a) maintain the nation's financial stability through improving the fiscal and monetary policies, deepening the government debt market, and strengthening the legal framework, bank supervision, and financial sector safety nets; b) improve financial access and support inclusive growth by developing and implementing policies to promote the expansion of the financial intermediation, promoting savings and development of microfinance, encouraging rural finance, and improving access to housing finance; and c) increase the supply of long-term private capital to support development through improving the mobilization and investment of long-term funds, developing the insurance and pension sectors, privatizing state owned enterprises via Stock Exchange of Mozambique (BVM), promoting the PPPs, and supporting the development of the domestic capital market. The strategy also includes several coordination provisions such as i) a Steering Committee, chaired by the Minister of Economy and Finance and gathering several ministries responsible for policy decisions and control of the policy implementation; ii) a Technical Advisory Committee, chaired by the Treasury, and responsible for the technical aspects of implementing the Strategy; iii) a Support Implementing Unit, under the Ministry of Economy and Finance, responsible for coordinating the implementation of activities supporting the strategy; and iv) a Consultative Process with relevant stakeholders, including public and private agents, academics, civil society, and development partners. Of particular importance is the strategy's aspiration for 35% of adult Mozambicans to have bank accounts by 2022. In order to reach this objective, the government is currently working on developing a National Financial Inclusion Strategy. The commitment to develop this strategy stems from Mozambique’s adhesion, in 2012, to the Maya Declaration. The government of Mozambique also committed to launching the National Financial Inclusion Strategy in 2015. It addition, it committed to increasing “the level of financial inclusion in the country to 25% by 2019,” ensuring that a number of banking products and services “must be provided to the customers free of charge by 2014,” and completing “a demand-side survey on the access and usage of financial services” by 2015.

• **Business Environment Improvement Strategy (2013 – 2017):** This policy aims to grow the demand side for jobs by increasing the ease of doing business and in turn drawing in more foreign investment across different sectors. As part of this strategy, the government is working on “a unified website for all information related to legislation, procedures, required documents, and complementary services.”

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24 The Maya Declaration is statement of common principles regarding the development of financial inclusion policy made by a group of developing nation regulatory institutions during the Alliance for Financial Inclusion’s (AFI) 2011 Global Policy Forum held in Mexico.
26 Ibid.
27 Ibid.
• **Technical Vocational Education and Training Reform (2012):** Up until very recently, the Mozambican Vocational Training System was supervised by a number of disparate ministries and private sector entities. For example, the Ministry of Education was responsible for technical education while the Ministry of Labor oversaw vocational training. Vocational training programs are offered by various ministries and governmental institutions, such as the National Institute of Professional Training and Employment (INEFP), as well as a number of private sector agents. In 2012, the government introduced a technical and vocational education and training (TVET) reform that will culminate in 2017 – 2021 with its “consolidation phase.” This reform is intended to achieve the following: a) transform the current supply-led TVET System to respond to the needs of the labor market with the involvement of industry and other different stakeholders; b) establish an Inter-Ministerial Commission for TVET Reform (CIREP); c) create a National Public-Private Board for TVET Reform (COREP) which will be supported by a full-time Executive Secretariat; and d) develop an Integrated Program for the TVET Reform (PIREP) with financial support from the Cooperating Partners. In addition, this reform is overseeing the development of an integrated “Framework of Qualifications and Training Based on Competency Standards,” with a curriculum that aligns with the needs of industry. Lastly, the reform seeks to improve the quality of training institutions and increase access of Mozambicans to the TVET system via the FUNDEC (a competitive professional skills development fund focusing on rural areas and informal sectors).

• **Plan for the Reduction of Absolute Poverty (PARP) (2011 – 2014):** The policy aims to enhance vocational training programs with a focus on agriculture, agro-processing and industrial maintenance, and youth training program through its three key pillars: i) Increase output and productivity in the agriculture and fisheries sectors; ii) Promote employment; and iii) Foster human and social development.

• **Tourism Policy and Strategy (2003 – 2014):** The policy recognizes tourism as a major economic growth engine for employment creation and poverty alleviation. It promotes greater participation of youth in tourism by increasing opportunities for training and facilitating job creation.

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30 Ibid.
Economic and trade policies should be reviewed with the objective of ensuring that the focus is on employment creation. The current NDS should be revised to include an enhanced focus on issues faced by youth, young women, and the rural population. An integrated approach, rather than the silo approach currently outlined in the NDS, is needed in order to properly and effectively address the employment challenges and act as guidelines for all other related national policies, e.g., labor market regulations.

Indeed, there are large opportunity costs to inaction. At an individual level, failing to empower youth to become more engaged in the economy and to pursue decent livelihoods increases their vulnerability to poverty. Moreover, facing unemployment and underemployment in the early years of entry into the job market can have scarring effects on a youth’s lifetime earnings and productive potential. At the societal level, protracted joblessness increases youth disenfranchisement, which can lead to increased social unrest, political instability, and crime. Generally, youth unemployment represents a sizeable economic loss stemming from unrealized human resources, foregone potential income tax revenues, and a loss of returns on government investment in education—all contributing to creating a heavy tax burden in future years.

SECTION 2 – OVERVIEW OF THE DEMAND FOR FINANCIAL SERVICES

The major challenge facing young entrepreneurs in Mozambique is access to capital. The Youth focus groups in both urban and rural environments identified limited access to capital as a common theme. Approximately 87% of MSMEs are located in rural areas; since financial service providers (FSPs) are concentrated in the urban areas, these entrepreneurs face the additional challenge of accessibility or proximity. In addition, the high cost related to attending technical training was a barrier to youth accessing employment, particularly in the extractive industry.

The current access-to-finance landscape consists of many players, but the majority operate within the informal sector (Figure 6).

Figure 6
Landscape of financial service providers


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33 Ibid.
Within the formal sector, in addition to the large commercial banks (e.g., Millennium BIM, Barclays Bank, Standard Bank (SB), Moza Banco, Banco Comercial e de Investimentos (BCI), Banco Internacional de Comércio (ICB)), there are over 200 microfinancing operators. Mozambique was ranked 18th in sub-Saharan Africa, below the regional average, in terms of ease of getting credit. While Mozambique still ranks 127th (out of 189) in terms of doing business overall, its ranking has been improving (from 142nd in the 2014 report), a trend that is likely to support the growth of the formal financial services sector.

FSPs in Mozambique do offer some products tailored to lower-income customers, including unsecured and short-terms loans and basic credit insurance. However, these are primarily targeted at formally employed individuals. Both Moza Banco and Barclays, for example, offer products marketed at the youth population while some of the “traditional” banking products are made available to part of the youth population (minimum age requirements set at 19). For the majority of Mozambicans in seasonal or informal employment, and especially for the youth, the existing products are not readily accessible. The gap, in terms of products tailored for the youth in Mozambique, is still substantial.

Mozambicans prefer the informal financial services sector to the formal, with formal sector credit accessed by only 3% of the population. Stakeholder interviews revealed both a mistrust and misunderstanding of formal services, with individuals preferring to access credit through friends, relatives, and loan sharks. The low levels of comfort with the formal banking mechanism is further demonstrated by the fact that 60% of the population are excluded from formal financial services (Figure 7), 74% of adults being unfamiliar with insurance and 69% being unfamiliar with bank branches. In addition, while youth are aware of the government funds available to them, such as the Fund to Support Youth Initiatives (FAIZ) and the Strategic Program for the Reduction of Urban Poverty (PERPU), they do not know how to best position themselves to access this capital.

**Figure 7**

*Product categories of financial services*

<table>
<thead>
<tr>
<th>Banked</th>
<th>Formal</th>
<th>Excluded</th>
</tr>
</thead>
<tbody>
<tr>
<td>8%</td>
<td>2%</td>
<td>60%</td>
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</table>

**Source:** Finscope Mozambique, 2014

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37 Stakeholder interviews, 2015.
38 Finscope Survey, 2014.
39 Youth focus group, 2015.
Digital financial services (DFS) offer the potential for enhancing the effectiveness of government cash transfers while acting as channels for financial inclusion, particularly for youth in Mozambique. Youth are aware of government funds that are available to them, such as the Fund to Support Youth Initiatives (FAIZ), the Strategic Plan for Reducing Urban Poverty (PERPU), the Fund to Support Young Entrepreneurs (ProJovem), and the District Development Fund; however, they believe that the process of accessing these funds would benefit from increased transparency. DFS could enhance the effectiveness of these funds by, for example, ensuring that funds are paid to the right person or eliminating the possibility of double paying an individual. In addition, evidence from neighboring Malawi shows that cash transfer recipients who are provided with bank accounts to receive their cash transfers tend to then use these accounts to not only save money but to receive person-to-person transfers (e.g., remittances) — thus making further use of financial infrastructure and services.

Low literacy rates, an underdeveloped regulatory framework, infrastructure and product ranges are some of the key challenges to implementing DFS. Initiatives targeted at improving the ecosystem for DFS include consumer education programs, promotion of interoperability amongst mobile network operators (MNOs), and technical capacity building at the central bank. The Bank of Mozambique announced in May 2015 its plans to begin implementing its Financial Inclusion Strategy, which is aimed at accelerating access to financial services in the population. The initiatives, combined with the Bank of Mozambique’s apparent support for innovation in this space, will likely support the growth of DFS.

There are a few existing DFS providers, most notably Vodacom and mCel. Vodacom can leverage its vast experience in this area, and both providers have products that can tap into the large unserved market if they are able to position their services appropriately. Banks could play an important role in the growth of DFS; however, they have been slow to venture into this market. This could be due to uncertainty about regulation and on the potential return on investment for payment infrastructure given the low economic activity in peri-urban and rural areas. For all DFS providers, access will likely be the most significant challenge due to the underdeveloped transport, energy, and telecommunications infrastructure. However, all the MNOs are currently growing their networks and expanding geographic reach and can position themselves for increased access to this market in the future.

There is limited financial management training available to youth. The use of credit shows a trend where borrowers either access credit in emergency situations or when making a long-term purchasing decision. Further, there is significantly low awareness around financial services and related offerings as a result of the unique rules that govern the informal banking sector.
Research has shown that a subset of entrepreneurs could benefit greatly from improved financial access. These entrepreneurs exhibit a desire for training in order to improve their businesses. Micro-entrepreneurs are better represented within the labor force from a financial access perspective, with only 36% facing formal and informal financial exclusion. However, 34% of micro-entrepreneurs rely solely on informal financial mechanisms.

Overall, this evidence suggests that financial education and literacy have a key role to play in boosting access to finance (Figure 8).

Figure 8
Reasons for not borrowing

Source: Finscope Mozambique, 2012; Dalberg analysis

In addition to financial education and literacy, the potential reach of digital financial services and branchless banking, such as mobile banking or agent banking, will be key to connecting the unserved rural population to financial services.

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48 Ibid.
SECTION 3 – ASSESSMENT OF THE DEMAND FOR AND SUPPLY OF LABOR

This section discusses the demand for and supply of labor and derives key gaps and implications for youth.

DEMAND FOR LABOR

The labor market in Mozambique is demand-constrained as Mozambique’s economic growth has not resulted in a commensurate growth of formal or informal jobs for youth.\(^{50}\) The youth labor force is increasing by approximately 37% per year but the rate at which new jobs are being created remains static within the formal sector; as a result of these trends, approximately 75% of youth are employed in the informal sector.\(^{51}\)

Figure 9
Youth labor force vs. new formal jobs “000

Source: Dalberg analysis

\(^{50}\) World Bank statistics, 2015.
\(^{51}\) Stakeholder interviews, 2015; Dalberg analysis.
The agriculture, trade, hospitality, and manufacturing sectors generate the highest number of formal sector jobs for youth in Mozambique (Figure 10).

Figure 10
Youth employment by sector and GDP growth

Agriculture employs a high number of youth; however, an estimated 80% are underemployed. Underemployment in Mozambique is characterized by individuals working less than 40 hours a week. There are untapped opportunities for youth employment along the various value chains in extension, aggregation, trade, and small-scale processing; however, youth have negative impression of the sector and interventions in this space will require a significant investment in facilitating a change of perception.

Source: ILO, IMF, AfDB, Instituto Nacional de Estatística

Stakeholder interviews, 2015; Dalberg analysis.
Urban youth tend to have wage-paying jobs, due to the nature of the industries that exist in urban areas, whereas rural youth have limited wage opportunities and predominantly work in the agriculture sector.\textsuperscript{52} While there has been movement away from non-wage employment over time, most youth in wage employment have been absorbed by the informal sector, particularly in low-paying jobs in the construction and domestic services sectors. The financial services sector is currently the highest paid sector in the country in terms of minimum wage, at MZN 6,817 (around USD 220); the agricultural, livestock, hunting, and silvicultural sectors have the lowest minimum wages, at MZN 2,500 (USD 80.60).\textsuperscript{54}

Small and medium-sized enterprises (SMEs) employ 65\% of the workforce, account for 97\% of all companies, and have been growing at 7\% per year; however, their capacity to grow and create more jobs is limited by ecosystem challenges. SME growth is constrained by lack of access to affordable capital, heavy red tape, and a poor business climate. Enabling SMEs to generate employment at a sufficiently high pace, either directly or through linkages, demands investment in the sector and government reforms.\textsuperscript{52}

The formal sector features several major employers (e.g., commercial banks employ large numbers of youth); however, jobs with these employers are difficult to obtain. The skill requirements for these jobs effectively exclude a large proportion of youth, the jobs are not well publicized, and there is a high expectation of youth from formal sector employment as youth envision formal employment as assuming a management role and less of doing lower level tasks such as working as a bank teller.\textsuperscript{50}

Mozambique lacks a strong culture of entrepreneurship and an enabling environment to support the growth of SMEs. Due to a combination of recent economic, financial, structural, social, and political factors, the self-employment and entrepreneurship culture in Mozambique is relatively underdeveloped, especially in rural areas where challenges related to lack of proper infrastructure exacerbate the situation. Stakeholders mentioned lack of access to finance, weak infrastructure, corruption, complex regulations, land rights as key barriers to self-employment and entrepreneurship. In addition, there are few existing initiatives designed to tap into the entrepreneurship potential of Mozambique’s very young population. Significant improvements to the business environment and the regulation of SMEs are needed in order to leverage the job creation potential of entrepreneurship, and make existing enterprises more efficient. If sufficiently resourced and properly implemented, the Business Environment Improvement Strategy will certainly represent a step in the right direction. However, current efforts seem to focus more on business registrations than on business creation and growth.

Ultimately, the market is not supplying enough jobs, yet greater investment needs to be made in the supporting environment in order for self-employment/entrepreneurship to become a viable mechanism for job creation. Entering into industry via self-employment is an option youth would need to be convinced is viable, and significant investment in training (technical, trade advisory) would be required to ensure that youth are best positioned to succeed on their own. The Mozambican government has taken steps to foster entrepreneurship through the NYP, which aims to prioritize vocational and technical education while emphasizing entrepreneurship.55

SUPPLY OF LABOR

While demand does significantly constrain youth’s access to economic opportunities, youth are insufficiently and/or inadequately prepared to access existing opportunities. Preparation consists of a number of sub-drivers, including training and education, sufficient and/or adequate motivation and awareness, skills development or capacity building, access to jobs, and follow-up or guidance.51

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MOTIVATION AND AWARENESS

Youth awareness about the number and type of economic opportunities available to them is extremely low and largely determined by their experience and environment. Youth with primary or no qualification are not well informed about jobs economy-wide; their aspirations are often driven by what they judge to be successful within their immediate community. Interest in certain jobs is often based on anecdotal evidence and inaccurate perceptions of earning potential. In part, this explains the stark differences between youth aspirations in rural and urban areas (Figure 13). University graduates, however, are usually better informed about formal sector opportunities in their field, and, through various services available at school or through youth centers, are generally better equipped with information about what skills the market demands.  

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In rural areas, youth are mostly engaged in agricultural production but aspire to move away from their current occupation into trades such as teaching (females) or commerce (males). While these occupations are more esteemed, few youth seem to know how profitable these activities actually are or consider market needs in pursuing them. Aspirations tend to be very gender-determined, reflecting cultural and societal norms. Youth report that parents expect young women to stay in the home, which creates a barrier for females who wish to engage in the labor market outside their immediate community.

Overall, information on employment, entrepreneurship, or internship/apprenticeship opportunities is limited at all levels. While youth in urban areas can find some information about formal sector jobs from local newspapers and increasingly through the internet, there remain significant challenges to accessing employment information in rural areas, where youth typically learn about opportunities through word of mouth or at the local government office.

In addition, government initiatives to encourage and support youth preparedness—for example, the NYP—have been initiated only recently; their impact has yet to be felt or determined.57

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57 Youth focus group discussions and survey, 2015; Dalberg analysis.
SKILLS DEVELOPMENT

A lack of soft and hard skills limits access to economic opportunities for youth. Few youth are qualified beyond primary level, the quality of their education tends to be low, and their skills (soft and technical) do not match labor market needs. Employers cite the inadequately skilled workforce in Mozambique as a major constraint. Youth also lack traditional soft skills that are hard to teach in the short term, such as critical thinking, problem solving, and personal presence. They also lack ‘work-readiness’ skills—such as punctuality, communication, and basic IT competency—that can be developed through targeted training and coaching.

Youth view an agreed meeting time as a mere suggestion and will show up when it best suits them.

“...Youth view an agreed meeting time as a mere suggestion and will show up when it best suits them."

- Private sector stakeholder

The technical education and vocational training system has been slow to respond to changing labor market demands, especially in the formal sector. The sluggish pace of reform exacerbates the mismatch between the labor supply and the evolving needs of the labor market, which requires more skilled workers.

ACCESS TO JOBS

Access to jobs is extremely limited in the formal sector; most youth rely on personal connections to secure positions. There is little transparency in recruitment processes and youth often have to rely on their networks to find jobs. Women are disadvantaged by this approach and often face discrimination and/or sexual harassment in the job search. Looking for work is expensive and youth—particularly those in economically unstable situations—do not necessarily have the capital to pay the middlemen who commonly facilitate employment.

“One of the main [sets of] challenges that youth [expressed] [described facing] included issues of nepotism and lack of transparency in the hiring process.”

- Youth focus group

58 Youth focus group discussion and survey, 2015.
Even for university graduates, access to formal employment is limited by the fact that employers typically seek a minimum of five years of prior work experience. As a result, taking internship positions upon graduation is commonplace. Graduates complain that many firms abuse this system to profit from free labor without assuring the intern of a full-time position on completion of the internship. It is assumed that employers are able to get away with this due to an under-supply of competing job opportunities. However, regulating the internship system may not be desirable because it could reduce employers’ incentives to train youth, which will increase the burden on government.

There is also an underdeveloped Labor market information system (LMIS): Inadequate LMIS creates a major information gap in decision-making processes related to a whole range of policies key to employment creation.

CONTINUOUS FOLLOW-UP

There is a general lack of continuous follow-up for youth as they adjust to new jobs or develop their enterprises. At the end of the employment value chain, once youth access economic opportunities, there are few formal structures or programs in place to support their professional growth—i.e., ongoing skills development, professional coaching and mentoring, linkages to professional networks, and career guidance and counseling. Employers can play a key role by recalibrating their mindsets and expectations at the outset and committing to the training, skills development, and career guidance of young people in the early stages of their working lives.

MATCHING OF DEMAND AND SUPPLY

Matching interventions, which facilitate the connection between labor demand and supply, are few and far between in Mozambique. There is a need to support youth in their job search through active labor market policies and by assisting job seekers in finding vacancies through employment service centers such as INEFP.

Youth in the capital city are relatively well informed about ongoing programs or initiatives aimed at helping them access economic opportunities. Youth that took part in focus groups in Maputo had heard of a wide range of interventions. However, most of the youth who took part in focus groups in rural Marracuene had less knowledge. This lack of awareness could be attributed to the poor geographic spread of institutions and the overall lack of scale of existing efforts.
SECTION 4 – HIGH-POTENTIAL OPPORTUNITIES FOR YOUTH

The Mozambican economy has been growing at over 7% per annum for the past decade, making it one of the fastest-growing economies in Africa. This growth has resulted in significant expansion in the construction, enterprise services, transportation, and communications sectors. Even though this growth has not exactly translated into the creation of more jobs, findings from our research suggest that the agriculture sector has the highest job creation potential due to its size and the country’s immediate youth employment needs. Building and construction, as well as the extractives industry, will also contribute to overall job creation and expansion of opportunities for youth.

Figure 14 summarizes high-potential opportunities for youth discussed in the sub-sections that follow.

Source: Forum National sur l’Emploi des Jeunes; www.mbour.info; YouthMap Study; YEN report 2009; Dalberg focus group interviews [Youth focus group discussions and survey]; Dalberg analysis.

Youth simply do not have access to the internet and thus they are not aware of the available opportunities.

- Youth focus group
I. OPPORTUNITIES IN AGRICULTURE

Agriculture remains an important area of the economy, yet limited value addition is taking place and opportunities for wage employment in the sector are limited. Agriculture contributes to approximately a third of Mozambique’s GDP\(^61\) and employs 70% of the workforce.\(^62\) Despite this influence, the sector is characterized by low productivity; meanwhile, Mozambique imports a significant percentage of the produce its population consumes.

### Case study: Extension service provision in Cabo Delgado

With only one to two government extension workers in the entire province of Cabo Delgado, private players are stepping in to fill this gap. The Aga Khan Foundation (AKF), for instance, is heavily involved in the provision of extension services.

AKF has developed a model whereby services initially provided by its staff in farmer field schools are now delivered by local community champions who have successfully adopted these practices. These champions serve as success stories/role models for other farmers.

Key informants from AKF stressed the need for government intervention in the provision of extension services and development of extension officers with relevant skills.

**Opportunities exist in import substitution (especially for pork, maize, and wheat).** Although pork is in high demand, especially in the south of the country, it is predominantly imported from South Africa. No large abattoirs currently exist and most slaughtering is done by local butchers. Maize and wheat are currently processed into flour in neighboring countries with little value addition occurring within Mozambique.\(^63\) Both pork and grain provide opportunities for import substitution—slaughterhouses and abattoirs could be established to spur development of the meat industry and basic mills could be set up to process maize into flour within the country. Nascent organic agriculture cultivation—particularly banana, sugarcane, and cashew cultivation\(^64\)—could potentially provide opportunities for youth employment, assuming there is adequate demand and access to capital.

**Opportunities exist in aggregating and logistics enterprises.** The lack of consolidation and the dominance of small-scale farms in the Mozambican agriculture sector provides an opportunity for youth to act as middlemen across value chains. Entrepreneurial youth could serve as door-to-door aggregators and engage in uptake, agro-dealership, or the selling of produce in rural shops. In addition, reliable logistics support, including transport networks and storage service providers, are necessary to move aggregated produce to the large processors in the south of the country. Current service providers are typically one-person enterprises; few large transport companies providing such services. This landscape presents an opportunity to incorporate youth as entrepreneurs offering transport and storage support services across various agriculture value chains.

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\(^61\) Mozambique country report, African Economic Outlook, 2014


\(^63\) Stakeholder interviews, 2015.

\(^64\) Sustainable agriculture for small-scale farmers in Mozambique: A scoping report, International Institute for Environment and Development (IIED), 2015.
Considering their general lack of interest in engaging in farm-related production activities, youth have an opportunity to play a pivotal role in the provision of extension services. Although the sector presents huge economic potential, it is characterized by low productivity and low use of inputs: Less than 5% of farmers use chemical fertilizers and pesticides. With approximately one extension officer per 7,500 farmers, there is a dire need for more staff, and the government is currently seeking ways of increasing the number of extension workers in order to increase farm productivity at large. Incorporation of technologies such as cell phones in providing price and general market information at a fee could provide potential entrepreneurship options for youth beyond basic extension services.

The following table summarizes the specific employment opportunities accessible to youth in the agriculture sector.

Table 1

Opportunities in agriculture

<table>
<thead>
<tr>
<th>Employment activities</th>
<th>Description</th>
<th>Why is it an opportunity for youth?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity 1: Import substitution</td>
<td>This includes opportunities for farming as well as providing basic processing along the wheat, maize, and pork value chains.</td>
<td>• <strong>Very strong demand</strong>: Pork, wheat, and maize are the most significant agriculture imports.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• <strong>Medium to high entry barriers</strong>: Startup capital requirements for setting up a pork farm are high, which creates some barriers for youth interested in pig farming, but capital needs are relatively low for planting and processing wheat and maize.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• <strong>Low youth interest</strong>: Data collected from youth focus group survey respondents indicate that while there was a significant interest in agricultural employment, particularly from women and girls, interest was neither enthusiastic nor resounding. Stakeholder interviews confirmed youth aversion to agriculture-based work due to the low profits and hard manual labor associated with the sector.</td>
</tr>
</tbody>
</table>

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65 Youth focus group discussion and survey, 2015.
66 [publication title?], Food, Agriculture, and Natural Resources Policy Analysis Network (FANRPAN), [year?].
<table>
<thead>
<tr>
<th>Employment activities</th>
<th>Description</th>
<th>Why is it an opportunity for youth?</th>
</tr>
</thead>
</table>
| **Opportunity 2: Aggregation and logistics enterprise** | Youth can provide aggregation, transport, and storage support. | • **Very strong demand:** There is a gap in providing linkages between farmers and large scale agro-processors  
• **Medium to low entry barriers:** Startup capital requirements for purchasing transport vehicles and rudimentary storage facilities, paying for technical training and trade support, and developing market linkages present some barriers for youth.  
• **Medium to high youth interest:** Research indicates that youth are not highly enthusiastic about employment in the agriculture sector but are open to roles along the value chain. |
| **Opportunity 3: Extension service enterprise: agriculture sector** | Given lack of enthusiasm for farm-related production, youth can capitalize on the size of the agriculture sector by providing much-needed extension services; activities in high demand include: - Provision of price / market information at a fee  
- Other IT-based extension services | • **Very strong demand:** Although the agriculture sector employs 70% of the workforce, productivity and usage rates of inputs are low. The government seeks to increase the number of extension workers and numerous non-profits seek to strengthen agriculture education and training (AET).  
• **Medium to low entry barriers:** Technical training, alignment of skills with market needs and global best practice, connection to extension service networks, and access to mobile technology pose some barriers for youth.  
• **Medium to low youth interest:** While youth seem generally averse to agriculture-based employment, incorporation of Information and Communication Technologies (ICT) and the distance from direct farm-based work may make extension services more attractive. |
II. OPPORTUNITIES IN BUILDING AND CONSTRUCTION

Sector growth has been robust, predominantly due to government-led construction of megaprojects, private investment, and the discovery of commodity reserves. Since 2007, the construction sector has been growing at an average rate of 13% per year, almost twice as fast as the overall economy. The Mozambican government has made infrastructure improvement a priority, launching a series of megaprojects to build or restore national roads, bridges, ports, and energy facilities.

**Case Study: The effect of Mozal on job creation in Mozambique**

As of 2006, the Mozal aluminum smelter had about 1,100 permanent staff and 1,600 contractors. While the project contributed to 5% of GDP a year, it employed only 0.02% of the labor force of Mozambique.

Despite such a meager proportion of national employment, the project did provide significant job opportunities during its two phases of construction (1997-99, 2001-03): during this period, 15,000 people were hired, most of whom were Mozambican.

Although the capital-intensive nature of large-scale megaprojects such as Mozal inhibit job creation, the sheer size of such projects ensures a significant contribution to the domestic economy.

A number of current and proposed projects provide opportunities for youth. The Cahora Bassa dam and the Mozal aluminum smelter provide examples of prior megaprojects that helped attract further foreign investment. A USD 7 billion deep-water port in the Maputo province—a joint project with Botswana—68—and a USD 2 billion hydraulic dam in Mphanda Nkuwa—also under consideration, despite environmental concerns—69

Wage employment opportunities exist for basic and more specialized roles, with the highest demand existing for plumbers, metalworkers, and electricians. Interviews with key stakeholders involved in vocational training in Maputo indicate that there is an opportunity to build the skills of youth around certain trades within the construction and building sector.

The range of skills demanded varies greatly based on local needs. There is greater demand for skilled tradespeople around Maputo, where there are a significant number of commercial buildings and infrastructure projects planned and underway. Demand is also great near mining areas. Such skills are less in demand in rural areas, where these categories of economic activity are less prevalent.

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68 TradeMark Southern Africa, See.
69 Zuma, Guebuza ignore effect of new hydro dam on residents, Mail & Guardian, November 22, 2014.
The following table summarizes the specific employment opportunities accessible to youth in the building and construction sector.

Table 2

<table>
<thead>
<tr>
<th>Employment activities</th>
<th>Description</th>
<th>Why is it an opportunity for youth?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity 1: Construction for infrastructure megaprojects (skilled technicians)</td>
<td>The recent construction boom offers youth wage employment through large-scale infrastructure projects; upcoming and current projects include: - A USD 7 billion deep-water port in Maputo - A USD 2 billion hydraulic dam in Mphanda Nkuwa</td>
<td>• <strong>Very high demand:</strong> Construction sector growth of 13% per year since 2007, coupled with the prioritization of infrastructure improvement by the Mozambican government, has facilitated greater demand for jobs in the sector.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• <strong>Medium to high entry barriers:</strong> Technical training and formal education for higher-skilled positions, connection to industry, and alignment of skills with market demand pose significant barriers for youth.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• <strong>Medium to high youth interest:</strong> Data collected from youth focus group survey respondents indicated that employment in the construction and building sector was not as desirable as employment in other sectors.</td>
</tr>
<tr>
<td>Opportunity 2: Skilled trades people</td>
<td>Opportunities for wage employment and entrepreneurship exist for youth in trades with various levels of skills Activities with the highest demand include: - Plumbers - Metalworkers - Electricians - Auto Mechanics</td>
<td>• <strong>Very high:</strong> There is demand for artisans with basic skills to support the construction sector as well as to provide support services to construction workers, e.g., catering.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• <strong>Medium entry barriers:</strong> Technical training and formal education for higher-skilled positions, alignment of skills with market demand, and connection to markets pose some barriers for youth.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• <strong>High youth interest:</strong> There is a very high demand for training in the short term.</td>
</tr>
</tbody>
</table>
III. OPPORTUNITIES IN EXTRACTIVE INDUSTRY

The Mozambican extractive industry is growing, driven by increased foreign direct investment (FDI). In recent years, particularly in the regions of Cabo Delgado and the Rovuma Basin, liquefied natural gas (LNG) deposits have spurred foreign direct investments in the extractive sector. Mozambique also has large coal and aluminum deposits; companies such as Minas de Revuboe, ENRC, Ncondezi, and Boabab Resources are currently considering significant investments to establish coal mines.70

While wage employment opportunities exist, they are restricted to highly skilled individuals. Although the government enacted a mining law in 2014 aimed at governing new deposits, with a clause dictating local employment and training requirements, the technical requirements of employment with mining companies would mean that such jobs would only be available to highly-skilled workers. There is a need to develop infrastructure to support the extraction process, for instance, a USD 15 – 20 billion gas terminal by Anadarko and ENI71 would require a blend of higher (technical) and less skilled (artisan) labor, providing opportunities to youth with adequate skills.

Case Study: Anadarko Petroleum Corp and employment in the extractive sector

In 2010, Anadarko made its first discovery of natural gas in the Rovuma Basin. It is also working to develop one of the world’s largest LNG projects in Cabo Delgado.

Anadarko currently has about 80 employees. Once extraction begins, the company expects to create 13,000 direct jobs, most of which will be unskilled.

The company is having difficulty bringing labor to the site due to the underdevelopment of the local area around basic services such as restaurants, babershops etc.. Such challenges highlight the opportunity for youth to act as service providers and support staff in areas of new mining ventures.

Opportunities exist in the provision of services to support new mining towns. Key interviews with stakeholders from the extractive industry revealed that there is significant room for employment in ancillary sectors. Youth could provide services such as catering, retail, and tailoring in new mining towns.

The following table summarizes the specific employment opportunities accessible to youth in the extractive sector.

Table 3

**Opportunities in the extractive industry**

<table>
<thead>
<tr>
<th>Employment activities</th>
<th>Description</th>
<th>Why is it an opportunity for youth?</th>
</tr>
</thead>
</table>
| **Opportunity 1:** High-skilled employment in mining | Well-educated and highly-skilled youth can capitalize on the growth in the extractives sector by finding direct wage employment with mining companies and companies building related infrastructure. | • **Very strong demand:** Large coal, aluminum, and LPG deposits—with significant investment under consideration from large multinational companies—provide potential for youth employment.  
• **Very high entry barriers:** Technical training and formal education required for jobs directly related to mining and extraction pose significant barriers for youth.  
• **Very high youth interest:** Data collected from youth focus groups indicated that employment in the extractives and mining industry was highly desirable. |
| **Opportunity 2:** Service support for new mining ventures | Youth who do not possess the skills necessary to find direct employment with companies in the extractive industry can work as service providers to support mining ventures and megaprojects, both formally and informally. Such activities include:  
- Catering  
- Driving  
- Tailoring  
- Work in hotels  
- Work in hospitals | • **Medium to high demand:** Mining companies require a host of service support to attract and retain workers near new mines.  
• **Medium to low entry barriers:** Proximity or convenient transport to mines and startup capital for new ventures present some barriers for youth.  
• **High youth interest:** There is a very high demand for training in the short term. |
IV. OPPORTUNITIES IN TOURISM

Tourism is a significant part of the Mozambican economy and is expected to continue to grow steadily. Unlike the agriculture sector, which is by far the single largest employment sector in Mozambique but which has experienced limited GDP growth in recent years, the trade and hospitality industry employs 7% of the labor force but contributes 12 – 15% of the GDP. The Mozambican tourism industry is the primary driver of foreign exchange earnings and is a regional leader, recording the sixth highest number of international visitors in Africa in 2013. While the majority of international visitors are not tourists, the share of visitors traveling to Mozambique for tourism purposes has increased from 2.6% in 2007 to 10.3% in 2010.\footnote{Danish Trade Union, 2014.}

The government recognizes and supports the growth of the tourism industry through national policy. The government’s Tourism Policy and Strategy (2003 – 2014) acknowledges tourism as a major engine of economic growth, particularly for employment creation and poverty alleviation. The policy worked to promote greater participation of youth in tourism, particularly as relating to training, job creation, and recreation. Tourism continues to be a focus of the government; it is currently drafting a new policy with similar intended outcomes.

Compared to agriculture, tourism is a relatively small sector but is still projected to generate a steady flow of jobs for youth over the coming years. It is estimated that nearly 6,000 new jobs in tourism will be created by 2020.\footnote{Instituto Nacional de Estatistica, 2014.} Youth surveys conducted in Mozambique showed that both male and female youth were more interested in tourism and hospitality than any other sector.\footnote{Youth focus group discussion and survey, 2015.}

Technical training and formal education, in conjunction with soft skills, are the biggest barriers to entry for youth. There is an estimated 24% skills gap in the tourism industry—that is, positions unfilled, occupied by non-proficient workers, or occupied by foreign workers represent about a quarter of existing jobs in the industry. The skills deficit is particularly acute in hospitality, which is in dire need of qualified hotel managers, wait and cleaning staff in hotels and restaurants, tour guides, technicians, and transport and other service personnel. Soft skills such as customer service, communication, punctuality, problem solving, and teamwork are also severely lacking in the sector. Entry-level service positions in the sector require competency in English and basic numeracy.

Given the relatively transferable nature of skills and training acquired in the tourism sector, trained workers have the mobility to shift to retail or other services sectors—which is not the case in sectors requiring highly specialized skills (e.g., construction).
Table 4 summarizes the specific employment opportunities accessible to youth in the tourism industry.

### Table 4

**Opportunities in tourism**

<table>
<thead>
<tr>
<th>Employment activities</th>
<th>Description</th>
<th>Why is it an opportunity for youth?</th>
</tr>
</thead>
</table>
| **Opportunity 1:** Entry-level jobs in hospitality | Youth can enter the hospitality sector in low-skill positions:  
- Room attendant  
- Reception assistant  
- Porter  
- Cook  
- Housekeeping  
- Tour guide  
- Game warden  
With experience, and additional qualifications, youth can progress to mid-level, supervisor, or managerial positions. | - **Strong demand:** Hotels represent approximately 66% of the demand in the tourism industry and business tourism continues to grow, led by small guest houses, hotels, and restaurants leading this growth; new hotels developed by the Rani Group, for example, could provide wage opportunities, driving the need for employees and placing some emphasis on rural youth employment through new developments based in rural areas—e.g., game farms.  
- **Medium to low entry barriers:** Literacy and basic numeracy are necessary and competency in English is usually required; soft skills are paramount and can be acquired on the job and through short-term work-readiness courses.  
- **Medium to high youth interest:** About half of male focus group youth reported that they were ‘very interested’ or ‘somewhat interested’ in the sector; 27% of female respondents expressed that they were ‘very interested’ or ‘somewhat interested’ in the sector. |
| **Opportunity 2:** Entry-level jobs in food services | Youth can enter the restaurant and mobile food services in low-skill, front-of-house positions:  
- Wait staff  
- Bar staff  
- Baristas  
And in back-of-house positions:  
- Cleaners  
- Food preparers  
- Back grill cooks  
With experience and additional qualifications, youth can progress to mid-level positions such as cashier, host, or coordinator in the front of the house or front grill, chef, or coordinator in the back of the house. | - **Strong to medium demand:** Restaurants and mobile food services represent approximately 20% of the skills gap in the tourism industry. The food services industry is developing rapidly with growing tourism demand, urbanization, and increased living standards.  
- **Medium entry barriers:** Literacy and basic numeracy required; front of the house requires strong soft skills, especially customer service, and agile English; back of the house requires more specialized skills that can mostly be learned on the job.  
- **Medium youth interest:** General interest in opportunities within the hospitality sector. |
V. OPPORTUNITIES IN RETAIL

The small-scale retail sector offers high-potential opportunities for entrepreneurship. Urban and peri-urban residents are looking to buy small items such as phone credit, food, and basic groceries at a kiosk that is nearby, affordable, and selling products that are relevant to their needs. The success of Peixe da Mama and A-Panela in peri-urban areas and the emergence of similar franchises indicate an opportunity for entrepreneurship.

Table 5
Opportunities in retail

<table>
<thead>
<tr>
<th>Employment activities</th>
<th>Description</th>
<th>Why is it an opportunity for youth?</th>
</tr>
</thead>
</table>
| Opportunity: Retail kiosks | Youth can operate a shop that sells, food products, phone credit, and other goods. | • **Very strong demand:** The demand for convenience stores in peri-urban areas continues to grow as more Mozambicans migrate toward cities.  
• **High entry barriers:** Start-up capital for setting up the shop is high; youth also need business training in, for example, financial management.  
• **High youth interest:** Data collected from youth focus groups indicate that youth are keen on establishing their own businesses. |
CHAPTER TWO

CURRENT INTERVENTION LANDSCAPE AND KEY GAPS
SECTION 1 – OVERVIEW OF YOUTH EMPLOYMENT INITIATIVES AND KEY GAPS

A multitude of interventions exist within the youth empowerment space in Mozambique. In order to comprehensively analyze the scopes of various activities and programs, we have adopted the Youth Employment Framework (YEF) for this study. YEF provides a conceptual framework that uses a labor-market-based approach to classify existing interventions. The framework categorizes interventions based on whether they fill the gap of demand for talent and/or supply of labor.

Demand-side interventions are those that expand employment opportunities by creating demand for labor, whereas supply-side interventions are those that focus on improving the employability of the labor supply. Comprehensive interventions are those that focus on the entire labor market and incorporate activities from the supply side as well as the demand side. Figure 17 maps in-country initiatives by intervention type and sponsor type (public, private, or non-profit) across key sectors. Figure 15 maps demand-side, supply-side, and comprehensive youth employment interventions in Mozambique by type.

Figure 15
Youth employment initiatives by sector and funding source

<table>
<thead>
<tr>
<th>Sector</th>
<th>Supply</th>
<th>Comprehensive</th>
<th>Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>• ANR Agribusiness training (e.g. extension) – National Association of Young Entrepreneurs</td>
<td>• Support Program for Economic and Enterprise Development (SPEED) - USTAD</td>
<td>• Support Program for Economic and Enterprise Development (SPEED) - USTAD</td>
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<tr>
<td></td>
<td>• Opportunities for Youth Employment Project - SNV</td>
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<td></td>
<td>• Dona Vozional Training - Young Africa</td>
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<tr>
<td>Tourism</td>
<td>• HTP Informal Sector Support – HTP</td>
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<tr>
<td></td>
<td>• Vlakoza Vocational Training - Community Development Foundation</td>
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<tr>
<td></td>
<td>• Vocational training in Cabo Delgado - CVC</td>
<td></td>
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<tr>
<td>Building and Construction</td>
<td>• Beira Vocational Training - Young Africa</td>
<td>• Beira Vocational Training and Micro Finance - Young Africa</td>
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<tr>
<td></td>
<td>• Vlakoza Vocational Training - Community Development Foundation</td>
<td></td>
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<tr>
<td>Extractives</td>
<td>• ENI University - ENI</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>• Integrated Professional Education Reform Program - World Bank</td>
<td>• Beira Vocational Training and Micro Finance - Young Africa</td>
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<tr>
<td></td>
<td>• Beira Vocational Training - Young Africa</td>
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<tr>
<td></td>
<td>• PIF: Future Life Skill Training implemented - ADC and ADE Brazil</td>
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<td></td>
<td>• Passport to Success - Life Skills Training - International Youth Foundation</td>
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<td></td>
<td>• Upaid – economic empowerment for girls - DIRD</td>
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<td></td>
<td>• STEM Skills Training for Employment - College and Institutes Canada</td>
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<tr>
<td></td>
<td>• Professional Training Project - ESSOR</td>
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<tr>
<td></td>
<td>• Maputo Youth Resource Room - Youth Employment Centre</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key: Private, Non-profit, Public

Source: Desk research; Dalberg analysis
Research and analysis conducted by Dalberg revealed the following key issues:

**There are few programs focused on expanding youth economic opportunities in Mozambique.** While certain programs explicitly target youth as the intended beneficiaries, most are more broadly focused on expanding economic and employment opportunities at large. In addition, while the scale of each program is difficult to gauge, the extent of the issue of youth unemployment in Mozambique necessitates a much larger and targeted effort. Of the larger programs whose intended targets are publically divulged, the SNV project Opportunities for Youth Employment (OYE) aims to reach around 5,600 rural, out-of-school youth.\(^{75}\)

**While the government has recently implemented a youth policy and is moving to translate it into impactful programs, more work needs to be done.** Government-funded and supported projects remain confined to the regional level with no national-level programs currently in place. In addition, the new youth policy, announced in 2013 for the period from 2014 – 2023,\(^ {76}\) has yet to be translated into action. Other governments in the region have taken more decisive action to tackle this issue—for example, the Rwandan government has made youth employment central to its policy agenda. Considering the scale of the youth employment challenge facing Mozambique, significantly greater government support is required.

**There is a clear focus on supply-side interventions.** As reflected in Figure 15, a majority of the current youth employment-related programming is focused on the supply side, aimed at increasing the quantity and quality of employees in the labor market. These programs are mainly training-related, seeking to enhance workers’ skills or provide them with new skills to improve the prospects in the job market.

**More demand-side programs, particularly in support of youth entrepreneurship, need to be implemented; existing programs must be scaled up to reach a larger number of youth.** Figure 15 also reflects a clear gap in the number of demand-side interventions seeking to expand the job market through formal employment or entrepreneurship.

**More comprehensive programs would add the greatest value.** Interviews with key informants close to the YouthStart team, combined with Dalberg’s understanding of youth unemployment in the African context, revealed a strong need for comprehensive programs that seek to both increase the labor market and the quantity and quality of employees while also placing trainees and employees with employers. Programs in which private sector partners develop tailored curriculums would help bridge the gap between under-skilled labor and unfilled jobs. An initial mapping is needed of such curricula and the training and placements they provide.

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Figure 17 details demand-side, supply-side, and comprehensive youth employment interventions in Mozambique by geographic characterization, demonstrating a greater concentration of programs in rural areas.

Figure 17
Youth employment initiatives in Mozambique by geography

Source: Desk research; Stakeholder interviews; Dalberg analysis
SECTION 2 – OVERVIEW OF THE SUPPLY OF FINANCIAL SERVICES AND KEY GAPS

Supply-side information and analysis is important to effectively determine physical access to financial institutions, products and services on offer, requirements for uptake, and the extent of eligibility for financial products and services. Overall, proximity and eligibility are severely binding constraints on financial inclusion in Mozambique, with low uptake of financial services primarily due to high rates of poverty—particularly in rural areas—and limited incentives for formal providers to service low-income groups.

Despite government efforts to increase financial access for low-income and excluded populations, 78% of Mozambicans do not have access to formal financial services, with 60% of the adult population lacking access to any service, both formal and informal. The situation is currently one of a ‘citadel economy,’ as described by the Center for Financial Regulation and Inclusion (Cenfri), in which there is a stark difference between the ‘insiders’ who have access to financial services—predominantly the formally employed, urban, and educated—and the ‘outsiders’ who lack such access—predominantly the under- or unemployed, rural population with limited education.

Severe proximity access barriers exist, particularly in rural areas. Despite a government emphasis on rural branch-based expansion, geographic location is a key determinant of financial access, with 77% of the banked population living in urban areas (Figure 18). Farmers have perhaps the greatest need for financial access, yet of the 4.6 million farmers in Mozambique, just 9% access formal savings mechanisms, with 7% saving in-kind. Moreover, 92% have no access to formal or informal credit, and 96% have no access to formal or informal insurance.

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78 Ibid.
79 Ibid.
Heavy reliance on cash and checks for both high- and low-value transactions serves as another constraint on the supply of financial services. Cash, used both formally and informally, and checks, used in the formal sector, drain deposits and hinder liquidity.

Eligibility requirements severely restrict credit access and financial inclusion for most Mozambicans. Eligibility requirements tend to be very demanding, often including minimum income requirements in conjunction with extensive required documentation such as identity documents, tax documents, proof of income, or proof of address. Research found that 83% of rural adults and 17% of urban adults without access to a bank did not have any of these documents. Moreover, such requirements tend to remain unchanged across providers. Requirements for mobile money accounts, for example, are the same as requirements for transaction bank products. While informal lenders such as agiotas provide more flexibility to lenders, uptake is still low—FinScope found that only 6% of respondents had previously received credit from agiotas.
Usage of savings, credit, pension, and insurance products is still very low, but potential for growth exists. Although savings products are the most commonly used products, overall savings is still low primarily due to a lack of surplus income. There is little incentive for banks to service clients at the lower end of the market and thus informal savings mechanisms are ubiquitous among all segments of the population except government workers. Uptake of both formal and informal credit is low, with the formal credit market dominated by four large banks focused on high-value retail and corporate clients, and the microbank and microfinance providers also beginning to move upstream to focus operations on under-served middle-income earners.

Although the pension market is still in its infancy, the insurance market has experienced significant growth since 2008, largely driven by compulsory lines of credit for life and vehicle insurance. Access to insurance remains extremely limited, particularly outside major urban centers and among the informally employed: only 3% of adults have formal insurance coverage, and just 5% of adults have some form of informal insurance.\(^{81}\) Transaction products, particularly for remittances, are the most commonly used bank products, with 12% of adults using banks for remittances.\(^{82}\)

Figure 19
Role of the informal financial service sector

![Role of the informal financial service sector](image)

Source: Finscope survey, 2009

While the advancement of financial inclusion in Mozambique will require significant time, effort, and resources from numerous stakeholders, certain key priorities should be addressed first. Promoting alternative distribution channels and increasing the footprint and interoperability of the payments system would reduce inefficiencies and help facilitate the expansion of formal providers. Additionally, providing financial access to smallholder farmers through farmer associations and aggregators would mitigate the risk of lending to individual farmers while increasing access to rural areas. The establishment of an effective credit bureau, and proportional regulation for differing credit providers—e.g., commercial banks and microcredit facilities—would help improve the environment for lending. More broadly, efforts need to target the expansion of formal financial services and products by addressing physical and geographic barriers and adapting legislation to meet the particular challenges of the country.

\(^{82}\) Ibid.
SECTION 3 – KEY GAPS FROM CURRENT INTERVENTIONS WITHIN HIGH-POTENTIAL OPPORTUNITIES

Existing programs are not fully covering the different elements required for youth to access high-potential opportunities. Expanding skill trainings, alleviating constraints on start-up capital, and increasing the provision of business support coaching would help reduce youth unemployment.

Figure 20
Opportunities, challenges, and interventions

<table>
<thead>
<tr>
<th>Opportunities for youth</th>
<th>Skills training</th>
<th>Start up capital</th>
<th>Business support/coaching</th>
<th>Policy</th>
<th>Rural gap</th>
<th>Gender gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Agriculture import substitution</td>
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<tr>
<td>2 Aggregation and transportation</td>
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<tr>
<td>3 Extension services</td>
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<td></td>
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<tr>
<td>4 Building, construction and extractive technicians</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>5 Building, construction and extractive artisans</td>
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<tr>
<td>6 Skilled trades people</td>
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<tr>
<td>7 Retail shops</td>
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<tr>
<td>8 Entry-level jobs in hospitality</td>
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<tr>
<td>9 Entry-level jobs in food services</td>
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</tr>
</tbody>
</table>

Source: YouthMap Study; YEN report 2009; Dalberg focus group interviews and surveys; Dalberg analysis

Skill-building

- Youth lack adequate soft skills, technical knowledge, and business expertise, and face significant barriers to skills development across opportunities.
- The challenges youth face in skill-building include:
  - Lack of information or knowledge about skills needed or their potential benefits.
  - Lack of access to facilities due to cost, poor geographic spread, or the absence of training facilities altogether.
  - Poor quality of the training on offer.
  - Mismatch between training and labor market needs.
  - Poor employer awareness or recognition of qualifications acquired, e.g., TVET.
- Program coverage is limited for all activities, but particularly so in agriculture and construction relative to the size of the opportunities available in these sectors.
Start-up capital

• Accessing start-up capital is a major and consistent challenge that limits youth’s ability to successfully start their own businesses. High job search costs (e.g., opportunity cost, hiring facilitators) often force youth to accept positions that do not match their qualifications or to abandon their search permanently.

• Informal financial services—such as saving groups known as xitiques—predominate in Mozambique, while formal financial institutions have very low penetration rates.

• Youth face significant capital constraints including:
  ° Financial illiteracy and lack of information about financial systems and benefits.
  ° Lack of access to financial service providers due to poor geographic spread.
  ° High costs of borrowing, e.g., high interest rates or fixed cost of opening an account.
  ° Lack of collateral or guarantee.
  ° Short repayment schedules.

Business support/coaching and matching:

• A large number of interventions in the youth opportunities ecosystem provide skills training, offer finance, or place youth in jobs without mentoring, coaching, or business support.

• There are no systems in Mozambique to facilitate matching between employers and potential employees, or ease market linkages, for example, by connecting entrepreneurs to suppliers or distributors.

Geography and gender:

• Organizations struggle to address gender disparities in their programs, and rural areas tend to receive insufficient coverage.

• Women traditionally do not engage substantially in the construction and, to a lesser extent, the agribusiness sectors.
<table>
<thead>
<tr>
<th>Opportunity areas</th>
<th>Gap size</th>
<th>Specific challenges</th>
<th>Potential implications for UNCDF and like-minded organizations</th>
</tr>
</thead>
</table>
| 1. Import substitution in agriculture (specific focus on pork, wheat, and maize) | Skills   | • Lack of competitiveness of Mozambican farmers compared to other partners of the Southern African Development Community (SADC) regional block, which allows for cheaper and better quality produce to come in from more economically advanced neighbors, e.g., meat products from South Africa and semi-processed maize from Malawi.  
• Limited exposure to ideas and information on profitable farming practices, with few farmers engaging in new and innovative farming that can result in import substitution.  
• Students in technical colleges or university are not trained in innovative farming practices.  
• Lack of information and skills to develop successful agribusiness.                                                                                       | • Advocate for stricter enforcement of policy on agriculture imports.  
• Support the development of an incubator system that provides access to capital as well as business advisory and linkages for youth working on sectors that facilitate import substitution.  
• Develop an entrepreneurial spirit in schools, including business planning and financial management in curriculum.  
• Capture success stories and establish role models to facilitate the change of negative perceptions around agriculture.  
• Support and advocate for demonstration plots that allow youth to learn by doing.  
• Lobby government to improve the current model for disbursing funds targeting youth enterprise such as FAIZ, PERPU, etc.  
• Partner with the private sector to increase youth access to capital available through banks and challenge funds.                                                                                   |
|                                                       | Capital  | • Youth lack access to capital to start their own enterprise and thus cannot support the farming of pigs or basic processing of wheat and maize.  
• Financial service providers often require collateral or harsh repayment terms.  
• Youth are perceived as having poor financial management practices.                                                                                       |                                                                                                                                                                                                                                                                                       |
<table>
<thead>
<tr>
<th>Opportunity areas</th>
<th>Gap size</th>
<th>Specific challenges</th>
<th>Potential implications for UNCDF and like-minded organizations</th>
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<tr>
<td><strong>Agriculture value chains</strong></td>
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| Business support / matching |         | • Lack of access to markets, backward linkages to the farmer, and forward linkages to the market.  
• Lack of knowledge on how much output can be sold on the market and where it can be sold. | • Partners with FSPs to support development of asset loans or micro-leasing for processing equipment.  
• Partner with training institutions to provide financial management training for youth.  
• Encourage the use of SIMA and other agriculture market information systems providing information on market demand and pricing. |
| Policy | • Mozambique's borders are relatively porous, allowing for the illegal flow of produce.  
• Lack of policy supporting the development of a micro-leasing industry. |                                                               |
| Geographic | • Agriculture is the primary economic activity in rural areas. |                                                               |
| **Opportunity areas** |          |                     |                                                               |
| Agriculture value chains |          |                     |                                                               |
| 2. Aggregation and transportation | Capital | • Lack of start-up capital as enterprises within the agriculture value chain are considered high risk.  
• The start-up capital required is relatively high, particularly if focused on transportation services. | • Lobby government to invest in developing road and rail infrastructure to connect the arable land in the north and west with the industries and market in the south.  
• Create mobile/online platform where aggregation needs are openly shared.  
• Partner with training institutions to ensure that aggregators can ascertain the quality of produce they collect.  
• Partner with the private sector to increase youth access to capital available through banks and challenge funds (to which the UNCDF could be an influencing donors).  
• Create a platform to share data on the quantity demanded and location |
| Business support / matching | • Lack of information and training on assessing the quality of produce aggregated.  
• Knowledge on the quantity demanded and current market price is centralized in big cities (Maputo). | • Lobby government to invest in developing road and rail infrastructure to connect the arable land in the north and west with the industries and market in the south.  
• Create mobile/online platform where aggregation needs are openly shared.  
• Partner with training institutions to ensure that aggregators can ascertain the quality of produce they collect.  
• Partner with the private sector to increase youth access to capital available through banks and challenge funds (to which the UNCDF could be an influencing donors).  
• Create a platform to share data on the quantity demanded and location |
| Policy | • Poor infrastructure makes this an unattractive option given the high recurring costs of running this business (though there are plans in place to develop infrastructure along pre-defined corridors). | • Lobby government to invest in developing road and rail infrastructure to connect the arable land in the north and west with the industries and market in the south.  
• Create mobile/online platform where aggregation needs are openly shared.  
• Partner with training institutions to ensure that aggregators can ascertain the quality of produce they collect.  
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<th>Specific challenges</th>
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| Agriculture value chains | Capital | • Lack of capital to fund technical training and to purchase mobile phones to access up-to-date data, etc. | • Improve the quality of extension education by partnering with training institutions.  
• Provide access to mobile platforms (e.g., SIMA) that would allow youth to access up-to-date pricing, weather, and other information.  
• Partner with current public and private sector extension service providers to increase awareness on available opportunities.  
• Capture success stories and establish role models to facilitate the change of negative perceptions around agriculture.  
• Increase awareness of opportunities through the use of media, schools, and government channels.  
• Partner with FSPs to support the development of asset loans targeting youth.  
• Generate and disseminate information on opportunities for urban-based youth to return to these employment opportunities in rural areas. |
| 3. Extension services | Skills | • The agriculture sector is characterized by low productivity and low use of inputs, with an insufficient number of extension officers often offering outdated information.  
• Youth are generally uninterested in engaging in farm related production activities but lack the skills and networks that would allow them to be successful extension workers. | |
<p>| | Business support / matching | • Lack of knowledge on the quality of output required by large processors. | |
| | Policy | • Lack of information on the opportunities for employment within the government extension scheme despite the government’s current efforts at expanding the system. | |
| | Geographic | • How to engage urban youth, given that this employment opportunity is concentrated in rural areas. | |</p>
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| Building, Construction, and Extractive | Capital    | • Lack of training facilities: there are 16 centers across the country and limited private training centers.  
• Students in technical college or university do not have work experience and lack equipment to learn their trade.  
• Curriculum in the formal sector is not up to date with latest techniques.                                                                                                                                                                                                                                                                                                                                                   | • Support the development of construction courses and encourage enrollment through incentives such as scholarships.  
• Partner senior students with construction cooperatives that need technicians and engineers to bid for tenders.  
• Develop internships and apprenticeships that lead to concrete job outcomes.  
• Link experienced construction technicians to the formal education system to offer practical teaching stints, or ‘train the teacher’ sessions.  
• Develop partnerships between microfinance institutions (MFIs) and private business development services (BDS), which can ease MFIs’ need to monitor loans; youth benefit from BDS support and are less likely to default; BDS need a financial stake in the business they support.  
• Train youth/cooperatives to apply for local construction contracts.  
• Connect education providers (e.g., TVETs) to harmonize curriculum and pool equipment and expertise.                                                                                                                                                                                                                     |
| 4. Technicians                         | Capital    | • The cost of education can be prohibitive.  
• Default is common as youth lack business skills, loans are too expensive, and repayment periods too short for businesses that need incubation.                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                        |
| Capital                                |            | • Most government tenders are won by foreign construction firms.  
• Lack of coordination between education providers in the construction field leads to overlap.                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                        |
<p>| Business support / matching            |            | • Skills training is mostly offered in at INEFP centers—located in the provincial administrative capital—which excludes a number of youth given the geographic spread of Mozambique.                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                        |</p>
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| Building, Construction, and Extractive Industries | 5. Artisans | Skills • Most learning happens on the job; construction workers lack formal training in order to specialize due to the paucity of training institutes and the prohibitive cost of education.  
• TVETs cannot absorb all the demand for training, given the recent boom in the sector. | Give employers vouchers—that cover some but not all costs—to send entry-level hires to training; give employees stipends for apprenticeships.  
• Partner with FSPs to support development of micro-leasing products or asset finance for tools and other equipment in the construction sector (for example, for cooperatives).  
• Support INEFP in efforts to increase outreach to workers.  
• Encourage certification of construction workers so they are able to access better jobs and pay.  
• Link youth with artisans in less practiced but needed trades; provide incentives to create apprenticeships.  
• Generate and disseminate information about training services, as well as potential business opportunities, available in rural areas.  
• Develop incentive schemes such as scholarships to encourage women to attend training to become construction technicians.  
• Disseminate to youth information on upcoming tenders. |
| Capital | • Artisans lack access to capital to start their own enterprises; financial service providers often require collateral or harsh repayment terms. | • Construction work is precariously; it is difficult to find out where the next jobs will be.  
• Employers cannot easily assess workers' skills.  
• Artisans make choices on trade often without a clear understanding of the market need. | |
| Business support / matching | | | |
| Policy | • INEFP certification of construction workers is very slow.  
• The construction industry is still highly informal, leading to low pay and often poor construction quality. | |
<p>| Geographic | • Employment is mostly generated in Maputo for specific skills; demand for skilled artisans varies significantly in the provinces. | | |
| Gender | • Women traditionally do not look for jobs in the sector; when they do, they are open to working within male dominated roles such as carrying cement, etc.. | | |</p>
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| 6. Skilled tradespeople—e.g., tailors, caterers, housekeepers, etc.—who would support mining towns | Skills | • Limited exposure to ideas and information on profitable business ideas.  
• Lack of short courses on basic business management. | • Support the development of basic business management courses and encourage enrollment through incentives such as scholarships.  
• Develop partnerships between MFIs and private BDS, which can ease MFIs’ need to monitor loans; youth benefit from BDS support and are less likely to default; BDS need a financial stake in the business they support. |
| | Capital | • Lack of access to start-up capital. |                     |
| | Geographic | • Mining towns are typically in rural areas with limited support services and infrastructure. |                     |
| **Retail** |          |                     |                                                               |
| 7. Retail shops | Capital | • Lack of start-up capital to purchase initial goods.  
• Lack of credit / saving history that could act as collateral. | • Partner with experienced training providers to develop a short-term, low-cost soft skills course focusing on the essentials of managing a retail business.  
• Identify successful innovative retail models and disseminate, e.g., O Peixe de Mama.  
• Develop working capital loans for youth in retail.  
• Partner with the private sector to ease access to goods.  
• Partner with BDS to provide youth with assistance in bringing an enterprise to the next level through networks. |
| | Business support / matching | • Difficulty sustaining and expanding business beyond first success. |                     |
| | Geographic | • Demand for goods and services is more common in peri-urban areas. |                     |
| | Skills | • Lack of training facilities offering short-term, low-cost basic business skills courses—e.g., accounting, marketing skills, customer service, etc.  
• Restricted access to ideas and information on ways to develop the best product mix / partnerships. |                     |
## Opportunity areas

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| 8. Entry-level hospitality jobs | Capital  | • Job searches are expensive, causing youth to accept positions that do not match their qualifications or to abandon the search permanently. | • Support the scale-up of existing training institutions.  
  • Mitigate job search costs through employment service centers (such as INEFP); build and share a database of employers.  
  • Establish an industry mentoring scheme with seasoned professionals and events to develop youth networks.  
  • Establish a platform for stakeholder collaboration that truly connects actors whose incentives align, e.g., private sector, training institutes, government. |
|                       | Business support / matching | • Lack of continued mentorship once placed in a job. | |
|                       | Policy       | • Limited collaboration between stakeholders in hospitality skills training, leading to significant overlap. | |
|                       | Skills       | • Paucity of hospitality management courses. | |
| 9. Entry-level food services jobs | Capital  | • Job searches are expensive, causing youth to accept positions that do not match qualifications or to abandon the search permanently. | • Develop a vocational training course with experienced partners in skill-building for the food services industry.  
  • Diminish job search costs through employment service centers; build and share a database of employers.  
  • Establish an industry mentoring scheme with seasoned professionals and events to develop youth networks.  
  • Engage the government on developing standards and the skills needed to uphold them; make sure the policy is not intrusive but supportive—that it does not hinder employment. |
|                       | Business support / matching | • Lack of continued mentorship once placed in a job. | |
|                       | Policy       | • Lack of direction on standards and regulations. | |
|                       | Skills       | • Lack of soft skills for front-of-the-house jobs; available training is formal and slow (3 – 4 years). | |

*Source: Desk research; Stakeholder interviews; Dalberg analysis*
CONCLUSION

MOVING FORWARD
Overall, Mozambique’s labor market is severely demand-constrained; it is broadly accepted that self-employment and enterprise development are viable mechanisms for creating more opportunities for youth:

- The youth labor force is increasing by approximately 37% per year but the rate at which new jobs are being created remains static within the formal sector; it is not surprising, then, that three-quarters of youth are employed in the informal sector.
- Youth underemployment is a particular feature of the agriculture sector, which employs 70% of the nation’s working population.
- Small and medium enterprises’ capacity to grow and create additional jobs is limited by the regulatory and policy environment.

Accessing capital is a major and consistent challenge that limits youths’ ability to successfully start a business:

- Financial exclusion is significantly higher among youth as they are considered a risky demographic.
- A lack of individual awareness and understanding of the value of specific financial products and services are significant barriers to uptake.
- With that in mind, financial education and literacy have a key role to play in boosting youth access to finance.
- On the supply side, developing products to meet client needs and generating awareness is necessary.

The following sectors offer the most promising economic opportunities for youth:

- The building, construction, and extractive sectors offer significant opportunities for youth in both employment and entrepreneurship.
- The tourism sector offers high-potential opportunities for employment (e.g., hospitality and catering jobs).
- The bottom of the pyramid (BOP) retail sector is growing particularly in peri-urban areas, where there is an opportunity to engage youth as micro-franchisers.
- Finally, in the agriculture sector, one of the main sectors of the country’s economy, there are high-potential economic opportunities for youth in production across sectors such as livestock rearing (pork), crop growing (maize, wheat, etc.), among other sectors; there are also opportunities to establish enterprises along the value chain—for example, extension service support, aggregation, and transportation.
In the five economic opportunities identified, existing programs are not fully addressing the different elements required for youth to access high-potential opportunities. Key gaps across most programs are skills training (including the conceptualization of business ideas), start-up capital, and business support coaching. In addition, organizations generally struggle to address gender disparities in their programs or cater to the unique needs of both urban and rural youth.

Overall, more comprehensive programs are needed in support of youth employment and more demand-side programs are needed in support of youth entrepreneurship. In addition, more interventions in rural areas supporting youth in agriculture are needed, given the high number of youth engaged in the sector and the 80% underemployment rate.

This report is a key input in YSG’s inception phase in Mozambique. The next, and first, phase consists of convening the necessary partnerships between actors in the youth economic opportunities ecosystem for interventions that will be developed from this research. Specifically, it will involve building the capacity of partners to develop high-quality proposals, conducting required due diligence, convening another stakeholder meeting in September 2015, and, finally, securing the government’s endorsement.

Once the first phase just described is complete, the second phase will involve awarding grants to intervention consortia, supporting and monitoring selected partners in implementation, and capturing and disseminating knowledge acquired in this process.
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