



Country Strategy for  
Development Cooperation with

# MOZAMBIQUE 2014–2017

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**Abbreviations**

<b>APRM</b>	African Peer Review Mechanism
<b>AWEPA</b>	Association of European Parliamentarians with Africa
<b>CAADP</b>	Comprehensive Africa Agriculture Development Programme
<b>CIP</b>	Centro de Integridade Pública / Center for Public Integrity
<b>CSO</b>	Civil society organization
<b>ENDE</b>	Estratégia Nacional de Desenvolvimento/ National development strategy
<b>EDF</b>	European Development Fund
<b>ESP III</b>	Third Education Sector Strategic Plan
<b>EU</b>	European Union
<b>FASE</b>	Fundo de Apoio ao Sector da Educação / Education Sector Support Fund
<b>FDI</b>	Foreign Direct Investment
<b>G19</b>	Group of donors giving general budget support to Mozambique
<b>GBS</b>	General Budget Support
<b>GDP</b>	Gross Domestic Product
<b>GOP</b>	Government Operational Plan
<b>HoCs</b>	Heads of Co-operation
<b>HoMs</b>	Heads of Mission
<b>ICT</b>	Information and Communication Technology
<b>INE</b>	National Statistics Institute
<b>LDH</b>	Liga dos Direitos Humanos / Human rights league
<b>MCT</b>	Ministry of Science and Technology
<b>MDB</b>	Multilateral Development Bank
<b>MDG</b>	Millennium Development Goal
<b>MMAS</b>	Ministry of Women and Social Affairs
<b>ODA</b>	Official development assistance
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>PAF</b>	Performance Assessment Framework
<b>PAP</b>	Programme aid partners
<b>PARP</b>	Poverty Reduction Strategy
<b>PEDSA</b>	Strategic plan for Agricultural Development
<b>PFM</b>	Public Financial Management
<b>PNISA</b>	Plano Nacional de Investimento no Sector Agrario/ National Investment Plan for Agriculture
<b>PRODEZA</b>	Programme of Support to Rural Development in Zambezia
<b>SADC</b>	Southern African Development Community
<b>STI</b>	Science, technology and innovation
<b>STIFIMO</b>	Programme of Co-operation in Science, Technology and Innovation
<b>SUNAFOP</b>	Forest sector support programme

# 1 Executive Summary: MOZAMBIQUE

Mozambique is among the poorest countries in the world. Thanks to the gradually growing revenues derived from the exploitation of its significant natural resources, Mozambique has a historic opportunity to reduce its dependency on external assistance and invest in a better standard of living of its citizens. The Government of Mozambique has predicted that by 2025 the country would not need external assistance to balance its economy. In this transitional situation, it is essential to distribute the increasing wealth so that it benefits all citizens and all regions of Mozambique.

Mozambique is one of Finland's long-term development partners. Finland's development cooperation with Mozambique is targeted to combat poverty by promoting inclusive growth. The Strategy describes the opportunities, challenges and development plans of Mozambique and the Finnish development policy of 2012. It is based on the conclusions of the bilateral country consultations between Finland and Mozambique that were held at ministerial level in Maputo in October 2012. Additionally, it balances the objectives with the available resources.

In responding to the needs of the rapidly changing economic transition, Finland's Country Strategy in Mozambique for 2014-2017 emphasises the inclusiveness of economic growth, democracy and the rule of law, and accountability of the state to its citizens. Additionally, increased attention will be paid to tax reform and public financial management as well as to education. Consequently, Finland will increase its support to the education sector and a new programme in good governance is under planning.

The following objectives of the Strategy are derived from the Government of Mozambique's Poverty Reduction Strategy for 2011-2014 (PARP) and they contribute to the achievement of the UN Millennium Development Goals; 1) growth in the agricultural sector to alleviate rural poverty; 2) strengthened human resources and capacity to respond to the needs of economic transition; and 3) increased transparency and wider stakeholder participation to consolidate transition to democratic governance.

Collaboration with the non-state actors, including private sector and civil society, will be broadened. Finland will also increase its collaboration with the multilateral organisations and the Nordic countries. In addition, Finland aims to participate in the future EU joint programming in Mozambique. Finland focuses on poverty reduction, improvements in access to basic services, and promotion of democracy, human rights and good governance. The priority sectors are agriculture, education and governance.

The greatest risk to the implementation of this Country Strategy relates to the political governance of the country and a weak capacity to manage the public finances and widespread corruption.

## 2 Country Analysis

### 2.1 POLITICAL, ECONOMIC AND SOCIAL DEVELOPMENT

Following its independence in 1975, Mozambique has gone through many transitions, including a civil war and a relatively stable post-war period. Mozambique's mineral resource and gas discoveries have attracted foreign direct investment (FDIs), providing an impetus to a fundamental economic transformation.

Mozambique recorded a major reduction in poverty in terms of per capita consumption from 1997 to 2003 (from 69% to 54%), but official data suggest that poverty reduction has slowed down and rates remained virtually unchanged from 2003 to 2009<sup>1</sup>. Despite the sustained high rates of economic growth during the post-war period, the living standard of the majority of the population is extremely low. Approximately 43% of children aged below 5 suffer from chronic malnutrition, as shown by the Health Survey 2011. Although access to health and education has expanded significantly, the quality of services is poor. The low level of education is a major constraint to development across all sectors of the economy. Mozambique is likely to achieve several of the Millennium Development Goals (MDGs), but progress varies significantly on different indicators. Mozambique's ranking was 178th out of 187 countries surveyed in the UNDP Human Development Index in 2014. Also, natural disasters remain one of the restrainers to sustainable development.

As a result of improved domestic revenue collection and the influx of foreign direct investment, Mozambique's aid dependency is reducing. According to the 'Vision of Public Finance' published in 2012, the Government of Mozambique (GoM) plans to end aid dependency by 2025. The key challenge concerning Mozambique's promising socio-economic development trajectory relates to the political will as well as the GoM's technical capacity to promote inclusive macro-economic policies and to ensure sustainable management of the natural resource wealth.

Although constitutionally a multi-party democracy, in reality Mozambique has been predominantly ruled by one dominant party, Frelimo, which has been in power since the country became independent. The distinction between the legislature, the executive and the judiciary tends to get blurred, and this creates possibilities to centralise the political and economic power in the same hands. However, the municipal elections of 2013 resulted in the opposition gaining ground in several major cities and thus opened more space for democracy. The 2014 General Elections was an important step for the consolidation of democracy.<sup>2</sup> Compared to some other post-conflict countries, Mozambique has made some tangible progress in improving its human rights record, but shortcomings still exist, including in women's rights, child rights and access to justice. Prevalence of corruption remains an area of concern as

<sup>1</sup> Trend in national poverty rate: from 54.1% in 2003 to 54.7% in 2009. Household Budget Survey 2008/2009 (Inquérito Sobre Orçamento Familiar) Maputo - National Statistics Institute (Instituto Nacional de Estatística).

<sup>2</sup> The 2009 APRM report takes note of the political context in the country characterizing the situation as follows: "the ruling Frelimo party appears to dominate the public sphere, blurring the distinction between state and party and thereby actively promoting corruption and impunity, as well as aggressively seeking the weakening of political opposition".

corrupt practices are present in all levels and sectors. In order to improve the governance structures that prevent corruption the GoM has introduced important reforms and policies. For example the new anti-corruption legislation package and its effective implementation are important elements in the GoM's commitment to fight against corruption.<sup>3</sup>

The importance of regional cooperation in the SADC (Southern African Development Community) area is also further emphasised, particularly concerning transport infrastructure. Mozambique plays an important geo-strategic role for the neighbouring landlocked countries. South Africa remains a key market and a source of investment. The widening cooperation with the BRICS (Brazil, Russia, India, China and South Africa) will bring both opportunities and challenges to Mozambique.

Mozambique faces also challenges caused by international crime. Trafficking in persons and drugs, as well as other forms of organised crime are major concerns in Mozambique and also in the region more widely. The failure to cope with these challenges could lead to widening inequity and insecurity.<sup>4</sup>

## 2.2 DEVELOPMENT SCENARIOS FOR THE COUNTRY

In Mozambique's current political, economic and social environment, several alternative development scenarios can be identified. In a positive scenario the Government would commit to using the strong economic growth and increasing domestic resources to the promotion of inclusive growth and its more equal distribution to the benefit of all citizens and regions. Ultimately, this scenario would end aid dependency and alleviate poverty.

However, this scenario can easily be compromised by the concentration of political and economic power with less accountability and space for democratic control. In the worst case this 'state capture' situation could lead to a widening gap between the rich and the poor, increasing political instability and social unrest, generating internal and regional tensions and conflict.

In order to support the positive scenario, Finland's Country Strategy promotes widening democratic participation, respect for human rights and good governance.

Given the potential development prospects and their variations, it is important for Finland to closely monitor developments in Mozambique, adjust the bilateral programme where and when needed, and select the instruments that best promote inclusive and sustainable development in the country in given situations. Risk management in Finland's programme portfolio is covered under section 7.2.

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<sup>3</sup> APRM 2009, EIU democracy index ranking 100/167 (2011), TI CPI 120/182 (2011), Mo Ibrahim Index on African Governance 222/52.2 (2014).

<sup>4</sup> More information on the current realities in Mozambique can be found in the Political Economy Analysis commissioned by the EU and used as a background document for the EDF-11.

## 3 The Development Context

### 3.1 NATIONAL DEVELOPMENT FRAMEWORK; DONOR HARMONISATION AND DIVISION OF LABOUR<sup>5</sup>

The strategic planning framework in Mozambique consists of a series of documents. The following documents serve as the basis for country programming between Finland and Mozambique.

- ▶ The national Poverty Reduction Paper, PARP 2011-2014, has served as the key framework document for external assistance to Mozambique and as the benchmark for monitoring the Paris Declaration commitments in relation to General Budget Support (GBS) and sector budget support. The PARP has three main objectives: (1) to increase output and productivity in the agriculture and fisheries sectors; (2) to promote employment; and (3) to foster human and social development, while maintaining a joint focus on good governance, macroeconomic stability and sound public financial management. Even if the PARP has been used as the main reference document for donors, the G19 in particular, it has its shortcomings. The PARP is disconnected from the budgetary process and lacks a proper framework for monitoring; it also needs to be updated to better reflect the Mozambican current realities. The current PARP has been extended until the end of 2015.
- ▶ In addition to the PARP, the wider scenarios for the long-term development path for Mozambique are discussed in the Agenda 2025, adopted by the GoM in 2003 and currently under revision. Also, a new National Development Strategy (ENDE, Estrategia Nacional de Desenvolvimento 2015-2035) was approved by GoM in 2014.<sup>6</sup>

The Government of Mozambique adopted the International Cooperation Policy document in 2010, concerning external assistance to the country. It encompasses all forms of cooperation targeted at poverty reduction. Furthermore, in line with the Busan Partnership for Effective Development Cooperation, a Post-Busan Action Plan has been elaborated.

Finland participates actively in the extensive donor coordination mechanisms in Mozambique, the general budget support donors (G19) being currently the most influential forum. The G19 involves donors such as the EU, the World Bank, the African Development Fund and the European Union.<sup>7</sup> The systematic and multi-level progress monitoring mechanisms of the Programme Aid Partners (PAPs) ensure a regular dialogue between the donors and the GoM on the implementation of the PARP. The PAP coordination further feeds into the monitoring of the Paris Declaration commitments. Finland and other donors promote putting more emphasis on following the progress made in the implementation of the Government's

<sup>5</sup> Based on a joint analysis carried out by the EU and the Member States for the EDF 11 programming process

<sup>6</sup> The new National Development Strategy provides the framework for the preparation of other medium-term plans such as the Five-Year Plan (Plano Quinquenal 2010-2014), the Poverty Reduction Strategy (Plano de Acção para Redução da Pobreza 2011-2014, PARP) and sector strategies. The National Development Strategy guides also the preparation of the annual Economic and Social Plan (Programa Económico e Social, PES) and State Budgets. It should be noted here that it is not always fully clear how these different national development strategies relate to each other, and how their realization is consistently coordinated.

<sup>7</sup> The G19 are: the African Development Bank, Austria, , Canada, Denmark, the European Commission, Finland, France, Germany, Ireland, Italy, Norway, Portugal, , Sweden, Switzerland, the United Kingdom and the World Bank. The International Monetary Fund is a non-signatory but ex-officio member. The Netherlands, Spain, Belgium, the United States and the United Nations are Associate Members.

Economic and Social Plan (PES), which is the key planning document approved and monitored by the Mozambican Parliament.

The EU (EC and member states) represents the largest source of Official Development Assistance (ODA) to Mozambique (approximately 75% of total ODA). Among the biggest donors to Mozambique are the World Bank (IDA), the USA, the EC, the UK, the Netherlands, Sweden and Norway. The Multi-Annual Programming for the 11th European Development Fund (EDF 11, 2014-2020) has improved the possibilities for the EU to put in practice the principles concerning the division of labour. However, full EU joint programming is not yet in place.

Mozambique's aid dependency is gradually falling, even if at the moment external assistance continues to account for approximately 30% of the budget. However, the GoM has noted in several occasions its aim to reduce aid dependency. Mozambique has good opportunities to put these plans into practice as its general, domestic tax collection has improved considerably during the last couple of years, and the tax regime for foreign companies (and mega-projects) is also under reconsideration. Regarding the political dialogue, policy influence of the G19 donors is diminishing partly due to the mobilisation of domestic resources that are to replace external assistance. On the other hand, particularly the BRICS have increased their political and economic role in Mozambique. While this new partnership with the emerging economies will bring Mozambique new economic opportunities, it is important to bring the BRICS also to the dialogue of donor harmonisation.

Mozambique is a pilot country for the United Nations "Delivering as One" Initiative. Finland seeks synergies with the UN system in Mozambique and supports the UN's efforts to coordinate its functions.

Finland's programming is balanced with the set objectives and targeted to correspond to Finland's comparative advantages and division of labour among donors, as appropriate. Finland's bilateral direct ODA to Mozambique has continued to be approximately 2% of the total ODA to the country.

### **3.2 HUMAN RIGHTS BASED APPROACH AND THE THREE CROSS-CUTTING OBJECTIVES OF THE FINNISH DEVELOPMENT POLICY IN MOZAMBIQUE**

The Country Strategy reflects Finland's Development Policy which is based on a human right based approach to development. The three cross-cutting objectives; gender equality, reduction of inequality, and climate sustainability are also long-term goals of the PARP. Finland continues to emphasise responding to these objectives in its bilateral as well as jointly funded programmes (see also 5.3.3). The PARP promotes human rights, poverty reduction, and the rule of law, democratic processes and equality.

**Gender equality and reduction of inequality:** Mozambican national development plans promote such cross-cutting objectives as gender equality, poverty reduction and equality between citizens. Finland and the other G19 members seek to take gender more clearly into account in the budget support evaluation framework (PAF).

Mozambique is now EITI compliant (Extractive Industries Transparency Initiative), which is a positive step towards an appropriate taxation and licensing framework for using revenues from natural resources.

**Human rights:** The 2004 Constitution reinforced the rule of law, broadened the scope and protection of human rights, and reformed the justice administration system. The legal framework and the adoption of international human rights conventions, strategies and action plans are relatively advanced in Mozambique. More needs to be done to put the laws, agreements and plans into practice.<sup>8</sup> Access to public services has improved, particularly in education and health, although the quality of services remains low. The G19 annual review process, which monitors non-discrimination, participation/inclusion, transparency, and accountability as well as enhancement of the rule of law, shows that gradual improvement has happened particularly in relation to the legal framework. Institutional weaknesses, political influence and endemic corruption remain challenges.

**Climate sustainability:** The Council of Ministers of Mozambique has adopted the National Adaptation Programme of Action (NAPA) in 2007 to enhance the integration of adaptation measures into appropriate development cooperation actions. The NAPA gives the general guidelines also for Finnish cooperation as regards climate change adaptation. This will at the same time enhance preparedness to natural disasters.

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<sup>8</sup> EU Human Rights Strategy for Mozambique 2011; a similar analysis is also in the APRM 2010 Mozambique country report, which gives the following example: The government has displayed a strong formal commitment to human rights in recent years. The country was reviewed under the Universal Periodic Review of the UN Human Rights Council and accepted the vast majority of the recommendations. 2010 and 2011 the Government elaborated a comprehensive and ambitious mid-term national Human Rights Action Plan. National Human Rights Commission was also established by law 2009, in practice its members were nominated 2011 and it started to work in October 2012. The Ombudsman was appointed in May 2012. Both Commission and Ombudsman are still very limited in capacity. Mozambique is in process to operationalize the Ruggie principles "Business and Human Rights" by establishing National Forum and National Action Plan on the matter.

## 4 Finnish Cooperation to Date and Lessons Learned for the Future

### 4.1 FINNISH COOPERATION PROGRAMME TO DATE AND CONTRIBUTION TO COUNTRY LEVEL RESULTS; FOCUS ON THE PERIOD 2008–2011

During the period 2008-2011, the Government of Finland's country programme in Mozambique consisted of general budget support, sector support to agriculture and education (through the national programme for agricultural development and the national plan for education), bilateral project support, and support channelled through Finnish NGOs. Finland's support to the health care sector programme ended in 2010. The choice of the areas for support was based on the development objectives defined in the PARPA II 2007-2010 (and subsequently PARP 2011-2014), Finland's Development Policy Programme and on Finland's comparative advantage within the donor community.

Finland's country programme in Mozambique has not been comprehensively evaluated since 2002. The individual bilateral projects initiated during 2008-2011 will be independently evaluated during 2013-2016. Finland has monitored results at the country level through the mechanisms described in section 7.1. The results show that the implementation of the bilateral interventions has been slower, and the results proved to be more modest than originally anticipated.

Regarding the results of the general budget support, the OECD/DAC (2006) GBS evaluation noted that the GBS had had some positive impact on economic growth as well as poverty reduction in Mozambique. Unfortunately after 2005 it appears that poverty reduction has stagnated. The OECD Aid Effectiveness (2011) report, for its part, noted some improvements in accountability as a result of aid harmonisation and GBS. The results in public finance management have not been as promising as the G19 donors had anticipated. However, at the country level the GBS has been one of the key instruments that provide opportunity for development partners to jointly conduct policy and political dialogue with the GoM, including good governance. GBS has also provided essential funds to the priority sectors in Mozambique, but currently its relevance is gradually diminishing as Mozambique's own revenues are increasing.

The annual growth in the agricultural sector has averaged around 7% since 2003 mainly as a result of the expansion of cultivated areas rather than an increase in productivity. According to a UNU/WIDER study, agricultural productivity and rural living standards have not improved since the end of the war two decades ago despite significant donor contributions and sector programmes, such as ProAgri I and II. The major challenge in the agricultural sector in Mozambique is to increase productivity and diversification of crops enabling in this way the farmer to get rid of subsistence farming and to develop a more commercially oriented livelihood strategy. Lessons learnt through Finland's bilateral rural development project in Zambezia Province, currently in its second phase, include strengthening local capacities, that is organisations, local government and civil society organisations, and improving their economic opportunities. Special attention is paid to increasing the participation of citizens and small producers in the district level development planning through the existing decentralisation process in the country.

Finland's support to the education sector development has contributed to higher rates in access to education. Enrolment and attendance rates have increased significantly. However, the quality of education remains a major challenge.

### 4.2 AID EFFECTIVENESS: KEY LESSONS AND RECOMMENDATIONS FOR FINLAND

The implementation of the Strategy is guided by the principles of the Paris Declaration on Aid Effectiveness and the Busan Partnership for Effective Development Cooperation. According to the PAPs assessments, Finland has remained in the category of good performers among the GBS donors. It is estimated that programme-based aid was approximately 87% of Finland's bilateral aid in 2013. These funds were channelled through the GoM directly or through common fund mechanisms. In some cases, funding is earmarked to specific programmes and thematic areas. A lesson learned from the bilateral forestry project SUNAFOP, is that funding a bilateral project via national systems is problematic when public financial management in the country is of inadequate quality.

Despite some improvements in public finance management, studies have found that in Mozambique the donor community may have moved to use the national systems too early, that is, when the national institutions did not yet have the capacity to handle the high volume and various instruments of donor funding. More emphasis needs to be paid to institutional capacity building, better public finance management monitoring, as well as to a culture of 'good governance'.<sup>9</sup>

According to the conclusions of the Nordic-Mozambican Conference in May 2012, Finland is committed to supporting – in collaboration with the other Nordic countries – the promotion of inclusive growth and good governance. Towards the end of the period covered by this Strategy, an analysis of the impact of Finland's support to Mozambique will be carried out to provide background data and recommendations for planning the future cooperation with Mozambique, including programming for the next period.

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<sup>9</sup> For improvements in the PFM in Mozambique see OECD study: Aid Effectiveness 2011: Progress in Implementing the Paris Declaration – Volume II country Chapters, Mozambique; on challenges of PFM in relation to the foreign aid see the IESE study n. 9 by Paolo de Renzio. 'Can donors buy better governance?', 2011 -[http://www.iese.ac.mz/lib/publication/cad\\_iese/CadernosIESE\\_09\\_PRenzio.pdf](http://www.iese.ac.mz/lib/publication/cad_iese/CadernosIESE_09_PRenzio.pdf) and OECD/DAC GBS Evaluation

## 5 Objectives of the Finnish Development Cooperation with Mozambique

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### 5.1 COUNTRY DEVELOPMENT GOAL

In the current Poverty Reduction Strategy (PARP 2011–2014), Mozambique’s long-term development goal is “to fight poverty and promote a culture of work, with the aim of achieving inclusive economic growth and reduction of poverty and vulnerability in the country”.

### 5.2 COUNTRY DEVELOPMENT RESULTS AND FINLAND’S STRATEGIC CHOICES

The overall objective of Finnish development assistance to Mozambique is to support the GoM to combat poverty, promote inclusive growth, and to reduce the socio-economic and political vulnerability of the country.

Mozambique’s PARP defines its general development objectives as the basis for budget support. These are:

1. to increase output and productivity in the agriculture and fisheries sectors;
2. to promote employment; and
3. to foster human and social development, while maintaining a joint focus on governance and macroeconomic affairs and fiscal management.

While the objectives continue to be important for national development, there is a need to put more emphasis on the needs to realise them in Mozambique’s changing economic environment.

The current PARP has been extended to the end of 2015 and the GoM will later make a decision whether a new PARP will be prepared or whether poverty reduction plans will be incorporated into other government plans.

Despite the deficiencies of PARP, Finland will support the following objectives of the PARP:

#### 1) INCREASED PRODUCTION AND PRODUCTIVITY OF AGRICULTURE AND FISHERIES

Agriculture plays a crucial role in the development of Mozambique and a key role in poverty reduction. Poverty is concentrated in the rural areas and the vast majority of the population live on subsistence farming. Agricultural productivity is among the lowest in the world and chronic malnutrition is striking particularly among children. This objective is in line with Finland’s human rights based approach to development and it contributes substantially to the eradication of poverty and serves as the basis for a dignified human life as a whole.

#### 2) HUMAN AND SOCIAL DEVELOPMENT

The low level of human skills and capacities is one of the greatest challenges in the country. The low average level of formal education per capita, the poor quality of the education, and general lack of vocational training are major concerns. These challenges hinder the possibilities for inclusive economic growth and limit the livelihood opportunities of people.

Finland will increase its contribution to this sector with a particular emphasis on bilingual education and early childhood development. This objective is in line with Finland's emphasis on advancing the rights of children and young people, particularly girls, to education from early childhood all the way up to higher education. A good level of education is also seen as a cornerstone for strengthened civil society and wider democracy in Mozambique.

### **3) GOOD GOVERNANCE, MACRO-ECONOMIC POLICIES AND PUBLIC FINANCIAL MANAGEMENT**

State accountability and transparency towards its citizens and a vibrant civil society are key requirements for inclusive development. In Mozambique, there are several challenges in the area of good governance that may jeopardise the equality, poverty alleviation and, in general, fair distribution of public resources and respect of human rights. A new programme in good governance is under planning and will include a component on improving natural resource management through policy research and capacity building for economic and development policy analysis. The programme will also empower civil society to contribute to democratization and social justice and strengthen parliamentary oversight of natural resources management and inclusive growth in Mozambique. This objective is in line with Finland's emphasis on the principles of the rule of law, good governance and transparency. It is a foundation for sustainable development in all sectors and for the effective use of aid and public resources.

### **5.3 FINLAND'S OBJECTIVES**

Finland's objectives are presented below, under the Country Development Result which they contribute to. These strategic choices were made based on Finland's previous experience in Mozambique and the expertise gained, the know-how accumulated from Finland's own development, the division of labour among donors in Mozambique and the particular challenges of the country in transition.

#### **COUNTRY DEVELOPMENT RESULT 1: INCREASED PRODUCTION AND PRODUCTIVITY OF AGRICULTURE AND FISHERIES**

Finland's objective under this country development result is:

##### **Increased agricultural production and improved rural livelihood strategies**

With this strategic choice Finland aims at decreasing rural household poverty at the grassroots level. Increasing agricultural production and improved rural livelihoods reduce poverty and inequality and empower rural families. This strategic choice corresponds to the Mozambican Strategic Plan for Agricultural Development's (PEDSA) strategic objective 1: improved agricultural productivity and increased production, improvement of competitiveness and enhancement of food security, reaffirmed in the agricultural investment plan PNISA; and to the Comprehensive African Agriculture Development Programme (CAADP) pillar III: production and availability of food, reduction of hunger, productivity and emergency relief.

##### **Finland's specific objectives are:**

- ▶ increased small-scale rural entrepreneurship in Zambezia and Sofala Provinces
- ▶ improved food security for farmer families in Zambezia and Sofala Provinces
- ▶ enhanced value chain for agricultural products, including increased production and
- ▶ improved market access in Zambezia and Sofala Provinces

### **Inputs, instruments and resources**

Finland's objectives are promoted by means of participation in and influence through dialogue with the GoM.

Finland supports the value chain of various agricultural crops, farmers' organisation and food security among farmer groups. Finland also supports good governance by building the capacity of the public administration to improve the quality of district planning processes. Intention is also to include farmer organisations in the decision making processes regarding development of agricultural value chains.

Finland's overall support to rural development has been revised in order to identify new ways to reach rural populations. One outcome of this is the Farmers' Club project with the NGO ADPP, aiming at reaching the poorest farmers with an integrated array of activities ranging from alphabetization, sanitation and food security to marketing agricultural surpluses in Sofala. A special emphasis is placed on women as the main agricultural producers and guardians of the family food safety. This Country Strategy focuses on activities based on local economic development that increase agricultural production and food safety, income generation and entrepreneurship. Small-scale producers will be supported to establish more organised ways of functioning, such as cooperatives – an area where Finland has a long experience – helping them to strengthen entire value chains of key products from farms to the markets. It is also important that the organisations of rural populations, be it cooperatives or other forms of organisations, participate in the planning concerning local and regional development. In this way they will get opportunities to discuss matters of importance to their livelihoods with the Government. Instruments and implementing partners can include NGOs, local and provincial development strategies, PNISA -investment plans and multilateral organisations. The remaining part of Finland's support to the forestry sector, the IKI-project FORECAS continues its collaboration with the Eduardo Mondlane University (UEM) and the Agrarian Research Institute of Mozambique (IIAM) to improve forestry research in the country.

### **COUNTRY DEVELOPMENT RESULT 2: HUMAN AND SOCIAL DEVELOPMENT**

Finland's objective under this country development result is:

#### **Improved education and science, technology and innovation systems**

Through this strategic choice Finland contributes to promoting human development and supports Mozambique in responding to challenges at all levels of the education chain. Finland's long experience and internationally recognised achievements in education as well as the highly developed technology sector bring added value to this work. The importance of this sector is further highlighted by the economic transition and the need for educated labour and innovations that would benefit the whole population.

#### **Finland's specific objectives are:**

- ▶ improved quality and reduced regional disparities in basic education decreased gender disparities in basic education
- ▶ implementation of MOSTIS (Mozambican Science, Technology and Innovation Strategy)

### **Inputs, instruments and resources**

In its Education Sector Strategic Plan 2012-2016 (ESP III) the Government of Mozambique sets a long-term vision for the national education system. The sector struggles with severe problems of quality, poor financial management, inadequate infrastructure and major geographical inequalities. Based on lessons learned and analyses, Finland's support to the education sector programme (FASE) will continue throughout this Strategy, contributing to the comprehensive development of the sector as set out in the ESP III. Finland will increase its contribution to this sector.

At the policy level Finland will contribute to the dialogue in the area of bilingual education and early childhood education, both of which is one of the priorities of the ESP III. Finland will closely monitor the inclusion of the cross-cutting objectives within the sector, in particular the realisation of gender equality and reduction of regional disparities.

Finland's support to the Ministry of Science and Technology (MCT) through the programme Stifimo will finish at the end of 2014, as planned. During the last year of implementation Stifimo will focus on its most successful activities in order to consolidate them and ensure sustainability.

### **COUNTRY DEVELOPMENT RESULT 3: GOOD GOVERNANCE, MACRO-ECONOMIC POLICIES AND PUBLIC FINANCIAL MANAGEMENT**

Finland's objective under this country development result is:

#### **Enhanced state-society accountability**

In the current transitional situation in Mozambique, non-state actors and particularly the Mozambican civil society, need additional support.. The strategic objective includes supporting the appropriate monitoring of the use of the public resources and the natural resources. This involves support to improved audit functions of the democratic institutions (for example the Parliament, municipal assemblies), enhanced tax systems through policy research, increased civil society participation, and wider policy development in support of inclusive and equitable growth and development.

#### **Finland's specific objectives are:**

- ▶ improved public financial management and audit function
- ▶ strengthened oversight and monitoring mechanisms
- ▶ increased civil society organization and participation

### **Inputs, instruments and resources**

Finland will contribute to these specific objectives, with a focus on supporting research based natural resource management, enhancing democratic institutions and civil society. The Government of Finland cooperates with Mozambican civil society actors in order to find synergies and complementarities. Efforts will be made to deepen the collaboration with Parliament to enhance transparency and accountability between the state and society at large.

Finland's support to the capacity building of the highest, independent Audit Court (Tribunal Administrativo) has contributed towards this third strategic objective. While the main pur-

pose of general budget support is to alleviate poverty, it also offers the G19 budget support members a channel for dialogue with the Government of Mozambique. This channel is to discuss governance issues and to work jointly for the improvement of the public finance management. In addition, there is an urgent need to increase the national monitoring capacity by the CSOs and citizens themselves. Governance issues are also central regarding forests and other natural resources and all other sectors.

Finland supports the IESE (Institute for Economic and Social Research) in Mozambique, and cooperates with other research institutions (UNU WIDER, etc.). This research produces relevant knowledge for citizens and state institutions to build their capacity. It also increases access to relevant information and helps to increase the demand for state accountability.

In support of effective implementation of this strategic objective, Finland continues active participation in several working groups at the country level.<sup>10</sup>

#### **5.4 HUMAN RIGHTS BASED APPROACH AND THE THREE CROSS-CUTTING OBJECTIVES OF THE FINNISH DEVELOPMENT POLICY AS PART OF THE COUNTRY STRATEGY**

The main objectives of Finland's human rights based development policy are to alleviate absolute poverty, increase equality between the citizens, and to widen democratic participation. Increasing attention will be paid to democracy and rule of law, management of natural resources and related revenues. This includes property rights, land tenure, labour rights, cultural and communal rights, problems of forced displacements/replacements, etc. Increased support to civil society is aimed to help citizens to monitor the use of their resources and to promote accountability. Support is also needed to improve the capacity of the duty-bearers to service the citizens.

Access to information and education is key to wider democracy. Finnish support to the education sector and the innovation, science and technology sector contributes also all the three cross-cutting objectives by promoting gender equality (equal opportunities for girls for education and life-choices) and climate sustainability through education and awareness.

Finland promotes green economy through a sustainable use of natural resources. The aim is to combat climate change and its adverse effects on development – promoting “climate smart” development. This Strategy responds to the funding needs concerning climate change in the innovation, education and rural development sectors as well as via GBS.<sup>11</sup>

The agriculture supports social equality by providing opportunities for marginal regions.

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<sup>10</sup> These include the Audit working group, the Governance Platform and the Anti-corruption working group. Finland continues to participate in the relevant EU and G19 groups, particularly those related to accountability and human rights issues.

<sup>11</sup> In 2011, climate change funding within the Finnish cooperation portfolio with Mozambique amounted to EUR 1.022 million, of which EUR 670 000 to adaptation and EUR 330 000 to mitigation.

### **5.5 POVERTY REDUCTION AS PART OF THE COUNTRY STRATEGY**

Finland's annual official development assistance (ODA) in Mozambique feeds into the poverty reduction efforts stated in the Mozambican Poverty Reduction Strategy (PARP) extended to 2015 and other relevant documents, as described in section 3.1.

Finland's project support interventions are selected to complement the current areas of budget support and sector support cooperation: agriculture and education, which are both key areas with regard to overcoming poverty in Mozambique. As productivity in the agriculture sector is low, Finland will focus on programmes that will improve it. Since the quality of education is still poor in Mozambique, Finland will support efforts to enhance it via FASE funding mechanism. Finland's support to good governance, for its part, is crucial to ensure participation and service implementation in any area.

## 6 Management of Strategy and Programme Implementation

### 6.1 PARTNERSHIPS

The GoM is the main partner in the management and implementation of Finland's Country Strategy. Finland works in close collaboration in particular with the Ministry for Foreign Affairs and Cooperation, the Ministry of Planning and Development, Ministry of Education, Ministry of Science and Technology, Ministry of Agriculture and Ministry of State Administration. Dialogue is conducted with other state actors as well as with the private sector. The enhanced focus on supporting the state-society accountability in Mozambique leads to broadened cooperation with civil society actors.

Finland is an active member in the international donor community. Finland's key partners there are the Programme Aid Partners (PAPs), that is, the GBS donors, the EU, the UN, international financing institutions and the Nordic countries. Nordic cooperation will be strengthened. In Mozambique, Finland acts as the focal point and coordinator among the Nordic countries on issues concerning the Multinational Development Banks (MDBs) to strengthen multi-bi-cooperation. This cooperation focuses in particular on aid effectiveness and the overall performance of the MDB field offices. Finland cooperates closely with the UN organisations as part of the wider donor coordination mechanisms. Efforts are made to enhance cooperation and exchange of information with the emerging donors to ensure effective implementation of the Strategy. The EU will be a key partner for Finland particularly in agriculture as this sector figures prominently in the plans for the EDF-11.

Finland also pursues partnerships with a wide range of Finnish state and non-state institutions such as universities and other research institutions.

### 6.2 AID MODALITIES, IMPLEMENTATION AND AID EFFECTIVENESS

During 2007-2011, programme-based aid (GBS and common funds) accounted for approximately 90% of Finland's total assistance to Mozambique. Finland's cooperation with Mozambique will be focused on three sectors (see section 8).

The main purpose of GBS is poverty reduction, and the implementation of the PARP has been supported through it. In addition it allows Finland to contribute to better governance and accountability of the state vis-a-vis the citizens. Finland's current GBS agreement has been extended to the end of 2014. According to the recent OECD/CAD evaluation on GBS, the instrument has brought positive results particularly in education and governance. Finland is planning to continue with general budget support and a new GBS agreement is foreseen to cover the years 2015-2016. Mozambique's adherence to the underlying principles of GBS is a key prerequisite to this cooperation.

In order to enhance better governance of public resources, Finland has also provided support to the state audit office (Tribunal Administrativo). Support to national research institutions and civil society actors has also constituted an increasingly important component of Finland's cooperation with Mozambique. One important tool is the institutional cooperation

instrument (ICI), allowing for exchange of knowledge, skills and experiences between researchers, students and teachers in higher education and research centres. In line with the Government's Development Policy Programme, the collaboration with civil society and other non-state actors will be expanded, and better coordination is explored in this regard. The support channelled to NGOs working in education and rural development complements in a significant way Finland's collaboration with Mozambique.

A significant amount of Finnish ODA is channelled to Mozambique via the World Bank, the African Development Bank (AfDB), the EU and through the UN system. Synergies with the World Bank programs in Mozambique in the fields of innovation and education will be fully utilised. Regionally, Finland supports the Aid for Trade (AfT) Programme and other regional development programmes.<sup>12</sup> Globally, Finland pursues policy objectives in the governing bodies of the respective organisations.

Finland will continue to support the Finnish private sector in establishing and maintaining commercial relations with Mozambique through available cooperation instruments, such as Finnpartnership. Contacts with Finpro in South Africa will be strengthened via a joint Team Finland strategy. As the natural resource sector is growing rapidly, these commercial contacts are likely to increase.

### 6.3 MAIN FORUMS OF POLITICAL AND POLICY DIALOGUE

The main forums for bilateral political and policy dialogue consist of regular country consultations and high-level official visits.

The key forums for political and policy dialogue and donor coordination mechanism in Mozambique are: the Programme Aid Partners (PAPs or 'the G19'), the EU HoMs/HoCs, and the Development Partners Group (DPG). In view of the importance of the emerging donors, the role of the DPG as the central donor coordination forum is likely to increase over time. Other forums are explained in section 6.1 under "Partnerships".

Finland participates actively in all these forums at appropriate levels.

### 6.4 INTERNAL MANAGEMENT ARRANGEMENTS

The Country Strategy is internally managed by a team of civil servants in the Ministry for Foreign Affairs in Helsinki and in the Embassy of Finland in Maputo. The internal management arrangements are defined and regularly updated by the MFA (Department for Africa and the Middle East) and the Embassy. The expertise available in the Unit for Sectoral Policy will be used to support the implementation (and review) of the Strategy. The members of the team will participate in skills training based on needs identified. The division of labour within the team, which includes the Unit for Southern Africa and the Embassy of Finland in Maputo, is updated when needed.

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<sup>12</sup> These include BIOFISA, which is a joint support programme of South Africa and Finland to a third party: New Partnership for Africa's Development (NEPAD) / ABI and its SANBio network; the Energy and Environment Programme (EEP) and the Southern African Innovation Support Programme (SAIS).

## 7 Strategic Steering

### 7.1 MONITORING AND REPORTING OF RESULTS AT COUNTRY LEVEL, AND OF FINLAND'S PERFORMANCE

Measuring progress towards well-defined desired results and using information on results to improve decision-making and performance is an important aspect of all Finland's interventions in Mozambique. Finland will actively participate in sector evaluations and reviews and use this data in the results-based reporting. Lessons learnt are used to improve current programme/project activities and in designing new ones.

**General budget support:** According to the monitoring by the GBS donors (G19)<sup>13</sup> of the budget execution by the GoM, the allocation of state resources is mainly in line with the PARP priorities.

A GBS review and an analysis of progress made in poverty reduction as well as an assessment of sector support is carried out and conducted annually. On the basis of the conclusions of the relevant reviews an evaluation of the attainment of the Performance Assessment Framework (PAF) targets will be prepared. The Programme Aid Partners (PAPs, G19 members) will assess the performance together with the GoM. Selected key issues are taken up in the political dialogue with the Government. Also, the GoM carries out an assessment of the PAPs performance (following the Paris and Accra principles on aid efficiency and harmonisation) and this process also feeds into the political dialogue. A key challenge is that the PAF indicators at the moment do not directly measure the overall poverty reduction but rather more narrow sectoral development. With the current PAF it is also difficult to clearly show results in governance issues. Thus, Finland works together with the G19 in order to develop a better monitoring framework for GBS.

The OECD/DAC carried out a GBS evaluation in Mozambique in 2013-2014 as was explained under chapter 6.2. Sector Support: The sector programmes are monitored by active participation in the relevant donor and joint working groups. Budget execution of relevant ministries is reported quarterly and performance is analysed annually. Use of funds is audited annually. Similarly, Finland's support to the Tribunal Administrativo is monitored within the GBS PAF framework, and in addition, a mid-term review will take place in 2014/15.

Joint EU analyses, the UN's MDGs and Human Development progress review reports, and reporting by the MDBs provide valuable and reliable data on the status of Mozambique's development. Independent research by various academic institutions, research done in particular sectors, and individual projects provide additional tools in monitoring.

**Bilateral Projects:** The progress made by bilateral projects is continuously monitored via agreed reporting, mid-term reviews and audits, and management arrangements, including Steering Committee meetings. Fragmentation is not a major challenge for this Country Strategy. Finland has exited the health sector, which reduced the number of sectors and

<sup>13</sup> The G19 are: the African Development Bank, Austria, Canada, Denmark, the European Commission, Finland, France, Germany, Ireland, Italy, Norway, Portugal, Sweden, Switzerland, the United Kingdom and the World Bank. The International Monetary Fund is a non-signatory but ex-officio member. The Netherlands, Belgium, Spain, the United States and the United Nations are Associate Members

interventions. In 2014 the number of on-going interventions in the Mozambique bilateral country budget is eight and the average size of an intervention is roughly EUR 2.5 million. However, it will be important to be restrictive in terms of the number of interventions also in the future.

### 7.2 RISK MANAGEMENT

Many of the risks related to the implementation of the Strategy are external and related to the transitional stage of Mozambique in economics, politics and governance. Finland aims to mitigate these risks mainly by contributing to the partner country's own risk management capacity and by increasing cooperation with the civil society.

While strong, the recent economic growth in Mozambique has not succeeded in reducing income poverty as rapidly as expected. Thus, there is a risk of deepening urban-rural, rich-poor and south-north divisions that may lead to social and political instability. By constantly monitoring the situation and taking up the threats in both technical and political dialogue, Finland tries to support Mozambique to better commit to social justice.

Agricultural production depends also on natural factors, as Mozambique is vulnerable to extreme weather conditions and effects of climate change.

One of the main challenges across the sectors is poor public financial management as well as wide-spread corruption. The recent audits of donor-funded programmes have revealed several problems in the management of funds.<sup>14</sup>

In addition to the risk of corruption, there are a number of political risks related to the intertwinement of the ruling party Frelimo and the state ("state capture"). While it is difficult to mitigate these risks in the short term, Finland aims to contribute to wider democracy in the long term by channelling more support to governance programmes and to civil society participation.

Finland is working together with the PAPs on various 'risk management mechanisms' and capacity building in public financial management and democratic governance with regard to the poor performance of Mozambique in terms of corruption, regulations, respect for the rule of law, and administrative efficiency as shown by the PAF indicators. Information on and technical solutions to the financial management issues are developed within the G19 donors, in respective audits, governance, EITI, and other working groups. Civil society initiatives to monitor the use of public funds and increase the access to information are supported by G19 and the EU. Other studies and information on these developments are provided also by the World Bank and the IMF.

Governance and corruption are brought up in the political dialogue directly with the Government of Mozambique through the G19, the EU Article 8 political dialogue and bilaterally.

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<sup>14</sup> These include the health sector PROSAUDE audit, and the bilateral forest support programme SUNAFOP audit in 2012.

## 8 Tentative Financing Plan (Budget)

The aid budget for Mozambique is decreasing in 2014-2017. In 2013 17.88 million euros disbursed and the annual budget will decrease to 20 MEUR/year in 2016, and to MEUR 21/year onwards.

Budget proposal of Finland's Country Strategy for Development Cooperation in Mozambique in 2014-2017 is presented below. As several interventions contribute towards achieving more than one country development result, the budget is presented per sector.

### Budget estimates for Finnish development cooperation with Mozambique 2014–2017 (in MEUR)

AGRICULTURE AND FORESTRY	2014	2015	2016	2017
<b>Project name</b>				
PRODEZA II (Support to Rural Development Zambézia Province )	2			
ADPP	1.2	2	2.2	1.8
Forecas (ICI)	0.5			
<b>Sector Total (million Euros)</b>	<b>3.7</b>	<b>2</b>	<b>2.2</b>	<b>1.8</b>
<b>EDUCATION AND SCIENCE, TECHNOLOGY AND INNOVATION</b>				
<b>Project name</b>				
Support to Education Sector (FASE) Science, Technology and Innovation (STIFIMO)	7	9	9	9
<b>Sector Total (million Euros)</b>	<b>7</b>	<b>9</b>	<b>9</b>	<b>9</b>
<b>HUMAN RIGHTS AND GOVERNANCE SUPPORT</b>				
<b>Project name</b>				
Institute for Social Studies (IESE)	0.5	0.5	0.5	0.5
Other governance support		0.94	1.5	1.5
<b>Sector Total (million Euros)</b>	<b>0.5</b>	<b>1.44</b>	<b>2.0</b>	<b>2.0</b>
<b>GENERAL BUDGET SUPPORT</b>				
<b>Project name</b>				
General Budget Support	6	6	6	6
<b>Sector Total (million Euros)</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
	2014	2015	2016	2017
<b>Funds under planning</b>	<b>2.493</b>	<b>3.7</b>	<b>0.8</b>	<b>2.2</b>
<b>TOTAL BILATERAL BUDGET (million Euros)</b>	<b>19.693</b>	<b>22.14</b>	<b>20.00</b>	<b>21.00</b>

All figures above are subject to change.

In addition there will be annual calls for proposals for the Finnish NGO`s administered by the NGO Unit in the MFA. Due to the independent nature of NGO projects it is impossible to estimate exact figures for NGO co-operation for the planning period. In the last few years the annual financing through NGOs to Mozambique has been EUR 2 million.

The instrument of Fund for Local Co-operation (LCF), which is administered by Embassies, is not used in Mozambique. The institutional cooperation instrument (ICI) has been in the range of EUR 0.5 million annually.

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