Mozambique and the EU

Situated in southern Africa and bordering the Indian Ocean, Mozambique has a population of around 28 million and a land area of around 800,000 km², making it the 35th largest country in the world, in size.

After gaining independence from Portugal in 1975, Mozambique endured a long period of civil war that ended in 1992.

Most of the rural population survives from subsistence farming, making it vulnerable, among other things, to natural disasters and climate change.

HIV/AIDS remains a major and growing problem, which is already having an impact on the economy and on development in all sectors.

Mozambique has been an example of reconstruction after the 1992 peace agreement put an end to a protracted civil war and established a multi-party democracy.

Political & economic relations

Elections and political situation

After the signing of Agreement on the Cessation of Hostilities between the Government and Renamo in September 2014, Mozambique held its fifth general elections on 15 October 2014. President Filipe Nyusi (ruling Frelimo party) won the presidential election with 57% of the polls against 36% for the Renamo leader Afonso Dhlakama and 6% for the MDM President Daviz Simango. Frelimo also won the legislative election (144 MPs against 89 for Renamo and 17 for MDM).

The EU deployed an independent Election Observation Mission (EU EOM) of 110 observers from 19 EU member states, Canada, Norway and Switzerland, across the country to assess the whole electoral process against international obligations.

The independent EU EOM published a detailed final report on the elections with findings and recommendations for future electoral processes on 17 February 2015. The EU Delegation will continue to promote sustainable Electoral by supporting country's efforts to improve Electoral law and to implement recommendations that have been singled out in various reports, namely for the next
2018-2019 cycle.

**Economic situation**

As regards the economic and social areas, the discovery of vast gas deposits off-shore and prospects for extensive coal mining should continue to contribute to an increasing flow of foreign investment, expand national revenues and boost the economy.

Moreover, Mozambique’s current development model continues to be dependent on “mega projects”, which, alone, will not easily address all challenges to move towards a more inclusive and sustainable growth model. Fundamental shortages in terms of access to basic social services, infrastructure, energy, skilled human resources and the financial system remain a hurdle block. In this regard the weakness of Mozambican SMEs and the slow development of the agriculture sector should also be addressed as a matter of priority as they require the definition and implementation of long term policies.

The above mentioned political, economic and social challenges remain important references for EU-Mozambique relations.

**Development cooperation**

Together with Member States, the EU contributes approximately two thirds of the country’s international aid, estimated at some 20% of the national budget.

Mozambique is part of the EU-ACP Cotonou Agreement. The initial allocation for Mozambique under the [11th EDF](https://europa.eu/ewid/edf/index_en.htm) (European Development Fund) National Indicative Programme (NIP for 2015-2020), signed in November 2015 by Commissioner Mimica and former Vice-MFA Nyeleti Mondlane in Brussels, amounts to €734 million in grants, and will focus on good governance and rural development.

On a regional level, Mozambique has the potential to be a significant beneficiary of regional integration within the Southern African Development Community (SADC). The country’s geographical location is a considerable strength: a large volume of SADC goods transits through Mozambique, along corridors linking Mozambique’s ports with neighbouring landlocked countries as well as parts of South Africa.

An [Economic Partnership Agreement (EPA)](https://ec.europa.eu/dgs/trade/policy/region/africa/countries/mozambique/index_en.htm) was recently signed by the EU and six countries of the SADC region, guaranteeing Mozambique duty-free and quota-free access to the EU market and more favourable trading terms.

**Legal framework**

The legal framework for EU and Mozambique relations is provided by the Cotonou Agreement, signed in June 2000 between the ACP countries and the EU, covering a period of 20 years (2000-2020), with a revision foreseen every five years.

The Cotonou Agreement has at its core five interconnected guiding aims: 1) to enhance the political dialogue dimension between ACP and EU by developing peace-building policies, conflict prevention and resolution strategies, supporting good governance, and tackling corruption; 2) to promote a participatory approach and involve non-governmental actors in the implementation of the Agreement; 3) to reduce poverty; 4) to reinforce economic and trade relationships, in particular regional integration and partnership agreements between EU and ACP regions; and 5) to improve financial cooperation.
The partnership is centred on the objective of reducing and eventually eradicating poverty.

**Dialogue with the National Authorizing Officer (NAO)**


The overall objective of the NAO's office is to ensure the effective and efficient implementation of programmes funded by the European Union. This is especially critical in light of the 'Cotonou Agreement', the recipient state must ensure funds are effectively committed, disbursed and implemented at the risk of losing allocations to other more 'efficient' ACP countries.

The Article provides for the appointment by each ACP State of an NAO Officer to represent it in all operations financed by the resources of the European Development Fund (EDF), managed by the European Commission.

The NAO of Mozambique is the Minister of Foreign Affairs, with the support of a technical team, and is the official signatory to all operations financed from the Fund resources managed by the Commission and the Bank instruments available to the Government of Mozambique and is by implication legally responsible for overseeing all cooperation agreements and projects that arise from these instruments.

Relations with the NAO are frank and result-oriented and help ensuring good management and development of cooperation programs.

Exchanges with the NAO both at technical and political levels continued to be regular, in particular due to the preparation process of the Annual Action Plans of the 11 EDF National Indicative Program, the operational reviews and the ongoing EDF NIP implementation and the PALOP-Timor Leste programming and coordination.

**EU-Mozambique relations are structured in four main dialogues:**

**Political Dialogue**

The EU holds regular political dialogue session with the Government of Mozambique, under Article 8 of the Cotonou Partnership Agreement. This provides a good opportunity for discussions on a broad range of issues concerning the political, social and economic situation in the EU, in Mozambique, and areas of common interest. Besides these formal sessions, the EU has a permanent dialogue with the authorities of Mozambique, but also with the various political parties represented in Parliament and with representatives of the civil society.

**Cooperation Dialogue**

The current donor coordination structure in Mozambique (MZ) is the result of various reforms in the last years carried out in view of simplifying it.

**Who are the main development players in Mozambique?**

Besides the 13 EU Member States (EU MS: Austria, Belgium, Denmark (phasing out development support), Finland, France, Germany, Ireland, Italy, Netherlands, Portugal, Spain, Sweden and UK) with local representation, the main players are the EU, USA, Canada, Switzerland, Norway, Japan, UN, the Bretton Woods Institutions (BWI) and African Development Bank (AfDB). The UN agencies are highly
prominent in the country, including UNICEF, UNDP, WFP and others, despite a discreet role regarding donor’s coordination.

**Donor’s Coordination Platform (DCP)**

The DCP is established, since November 2016, as an informal development partners platform, represented at the level of Heads of Cooperation (HoCs) for all traditional bilateral and multilateral donors support (EU MS, Norway, Switzerland, World Bank, African Development Bank, UN, IMF, Canada, Japan and USA). The platform was created in order to fill a void by prioritizing development effectiveness amongst all traditional donors and facilitating exchange of information, discussion and coordination of development cooperation matters, proactively seeking opportunities where donors can work jointly on priority issues.

DCP meets on a monthly basis and is currently chaired by DFID and Norway. This newly created group tries to fill up the gap and lack of aid coordination amongst donors covering all implementation modalities in MZ (GBS, common funds and project approach). Typical and recurrent topics of discussion are elections, census, complementarity between different aid modalities, mapping of the existing Sector Working Groups, etc. At the request of members, platform representatives could seek meetings or dialogue with Government to discuss overall development cooperation or dialogue on specific issues.

**Dialogue with the Civil Society**

According to the 2012 EU Communication "The Roots of Democracy and Sustainable Development: Europe’s engagement with Civil Society in external relations[CP(1) "], an empowered civil society is a crucial component of any democratic system and CSOs' participation in policy processes is key to ensuring inclusive and effective policies.

Following the indications of this Communication, in 2015 a Mapping Study of Civil Society Organisations (CSOs[CP(2) ] and a Joint Roadmap[CP(3) ] of the European Union, Member States and other partners for engagement with civil society were carried out in Mozambique with the overall objective of providing all interested parties with a comprehensive overview of CSOs' enabling environment in the country and possible options to maximise CSOs’ support as actors of governance at national and local level.

These documents have been elaborated through various discussions, analyses and focus group with citizens of all provinces establishing a more direct dialogue between EU and CSOs. In practice this permanent dialogue takes different forms. Meetings and seminars are called in order to integrate civil society’s view during an EU programme identification phase or for a particular burning issue as an upcoming electoral process. Citizens platforms and associations are also always consulted during the preparation of a policy paper such as the gender, democracy and human right profiles. Finally, an increasing collaboration has started with the provincial CSO’ platforms which call the EU to expose its view on a general set of considerations on civil society role and offered opportunities.

The EU CSO mapping and roadmap processes led to the establishment of a Roadmap partners group with 21 partners countries and agencies which meets four times a year. In 2018 this group will establish and engage on a structured dialogue with CSOs.
**Agreements**

Besides the [Cotonou Partnership Agreement](#) that regulates the relations between Mozambique and the EU, other agreements have been signed. For more information on Cotonou agreement, please refer to the chapter Legal framework under Political and economic relations.

In June 2016 the Government of Mozambique signed an Economic Partnership Agreement (EPA) as part of six SADC countries with the European Union. For more information on that agreement, please refer to section Trade.

**Trade**

**General context**

Mozambique has recovered well -within about 20 years- of the nearly two decades of a devastating civil war. It started to reform its trade policy in 1987 with the Economic Rehabilitation Program which put in place market-based economic policies. Mozambique is member of the World Trade Organization (WTO) since 1995 and of the Southern African Development Community (SADC) since 2008. Currently, the country is making continuous efforts to liberalize its economy, improve its business environment and investment climate, rebuild its economic infrastructure and invest in people. The recent discovery of natural resources opens up many opportunities for enhanced trade relations between the European Union and Mozambique.

The EU is also fostering the regional integration agenda of the country through its support to the SADC Secretariat but also to the tripartite (COMESA-EAC-SADC) process which is aiming at creating a free trade bloc covering their 26 countries."

**Trade flows**

The EU is a major trade partner of Mozambique, being its main export partner and the fourth import partner after China, South Africa and India.

Although Mozambique's trade balance has been largely negative in recent years, its trade balance with the European Union has remained positive, mainly due to the preponderance of aluminum exports to the European Union.

In 2016, over 30% of Mozambique's total exports worldwide were to the EU, largely on account of exports of aluminium to the EU, making the EU Mozambique’s main export destination.

The European Union imported goods worth EUR 1.3 billion from Mozambique and exported goods worth approximately EUR 700 million to Mozambique in 2016.

Mozambique's exports to the European Union have mainly been: fuels and minerals (mainly aluminum), and agricultural and fisheries products such as sugar, tobacco, nuts, vegetables and shrimp. While imports to Mozambique from the European Union are mainly manufactured goods, machinery, transport equipment, and chemicals.

Trade statistics are available at:

[DG Trade/Statistics](#) and
Trade Helpdesk:

Trade Agreement

Since the early 2000 years, the EU has been promoting a new type of regional, multilateral trade arrangement, known as the Economic Partnership Agreements (EPAs). EPAs are comprehensive trade and development agreements aiming to reduce poverty, diversify economies and create employment through enhanced intra-regional integration and through a carefully managed opening towards the world economy. In addition, EPAs are compatible with the requirements of the World Trade Organisation.

Mozambique participated in the negotiations with the EU under the SADC-EPA Group. The SADC EPA negotiations were finalized in July 2014 between the EU and the SADC EPA Group comprising Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland. Angola has an option to join the agreement in future.

On 10th of June 2016 all parties signed the SADC EPA during a ceremony in Kasane, Botswana and in April 2017 the Parliament of Mozambique ratified the Economic Partnership Agreement. Following the EPA publication in Mozambique’s Official Bulletin on 16th October 2017 (series number 161), the agreement should enter into effect in Mozambique soon after some final steps required for the agreement to enter into force. In the meantime, Mozambique continues to have access to the European Market through Everything But Arms (EBA) and the specific rules of origin of Everything But Arms (EBA) apply.

Within the framework of the EPA Mozambique will have guaranteed duty free and quota free access to the EU market complemented with more improved regulations on cumulation of origin, infant industry protection, trade safeguards to protect national interests and other provisions to take into account Mozambique’s development stage and its aspirations to reinforce its economic integration within SADC and Africa. At the same time, the EU will benefit from improved access to the Mozambican market, for the benefit of consumers of final and intermediate products and investors.

Mozambique and the EU have agreed to progressively remove import duties on a wide range of products with a significant degree of asymmetry in favour of Mozambican products. Due to the importance given to developmental priorities, the asymmetric nature of the EPA means that the African signatories will not be required to respond with the same level of market openness as the EU will provide. Moreover, the EPA will contribute to improve business climate between the partners by providing companies with a stable and forward looking framework, not only in Mozambique but in the whole Southern African region.

EPA Information Sessions are regularly organized in Mozambique for the private sector, government and civil society, please contact the EU Delegation to enquire about the next information session.

EPA Info sources

- **EPA SADC Agreement** is published in the Official Journal of the European Union. It is available in all the official languages of the European Union at:

  The list of products benefiting from EU duty-free and quota-free market access is published in the EPA’s Annex I and the list of products benefiting from Mozambique’s progressive removal of import duties is published in the EPA’s Annex III.

- **Economic Partnership Agreements in a nutshell**
• **Press release**: Economic Partnership Agreement with southern African countries enters into effect on 10 October 2016

• **Press release**: EU signs Economic Partnership Agreement with Southern African countries on 10 June 2016

**Information on export requirements to the EU**

The EU is the world's largest single market and the Trade Helpdesk is your online portal to access information on how to export to the EU.

Want to export your product to the European Union and get access to a market of 500 million consumers in 28 countries? The online Trade Helpdesk is free of charge and especially designed for businesses like yours, based outside the EU or importing into the EU:

Besides providing information on import tariffs, import requirements, and trade statistics, the site offers details on the preferential arrangements in place between the EU and developing countries.

The Trade Helpdesk also provides a series of tools to further assist exporters in developing countries to take advantage of the export opportunities offered by these agreements. This is particularly interesting for SMEs who wish to export to the EU but are still unfamiliar with the Union’s import rules. This website is available in English, Portuguese, French and Spanish.

**Other useful links:**

- Positive examples of EPA Implementation in several countries: [Putting partnership into practice](#)
- [Exporting Chemical Substances to the EU](#): European Chemicals Agency
- [DG Trade / SADC relations](#)
- [WTO Trade Policy Review: Mozambique May 2017](#)
- [Enhanced Integrated Framework: Mozambique Diagnostic Trade Integration Study 2015](#)
- Mozambique Community Network (MCNet), is a Public Private Partnership, with the main objective to facilitate international trade and enhance the business environment in Mozambique with innovative solutions designed to facilitate international trade. [www.mcnet.co.mz](http://www.mcnet.co.mz)
- Mozambican Tax and Customs Authorities:
- [DG Trade/Statistics Mozambique](#)

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**Technical and financial cooperation**

The 11th EDF (2014-2020) allocation is the main source of funds to support cooperation with
Mozambique. About half of the envelope is allocated to the Good Governance and Development area through General Budget Support (GBS). Roughly the other half is allocated to Rural Development through grants and about 3% of the national indicative programme is used for support to Civil Society.

The EU regularly updates the information on its disbursements in the on-line database ODAMOZ:

For more details on the specific activities financed by the Commission, please refer to separate chapters.

**Good Governance and Development Sector**

Mozambique has a long-standing experience with General Budget Support (GBS) programs since the early years 2000. This mechanism has been instrumental in setting up a comprehensive dialogue structure between development partners involved in Budget support operations and the Government. The last Budget Support Evaluation (covering the period of 2005-2012) shows that GBS has been fundamentally successful in Mozambique, with positive contributions to critical priority sectors (e.g. Education) and key reform processes (Public Financial Management reforms, submission of anti-corruption legislation).

The latest national household survey estimates that 46.1% of the Mozambican population still lives below the national poverty line (approx. 30 Meticais per day). While this is progress compared to higher poverty rates in the past (51.7% in 2008/9), the absolute number of poor people has remained relatively constant at approximately 11.8 Million people.

Given the significant levels of poverty, and with the expectation of large revenue inflows from extractive industries in the future (notably gas), a Good Governance and Development Contract (GGDC) was signed with the national authorities in January 2016 for a period of 4 years. This is a General Budget Support operation which provides for an opportunity to focus dialogue on critical issues for the sustainable and inclusive development of Mozambique. Through policy dialogue, the European Union, together with other GBS partners, can engage with the authorities on addressing the challenge of preparing well for managing these resources, further strengthening Public Financial Management (PFM) systems, enhance social service delivery, all geared towards the promotion of the inclusive growth agenda, as well as improve transparency and governance at large. A more strategic and focused GBS policy dialogue has been ensured through the adoption of a new Memorandum of Understanding (MoU) on the provision of General Budget support, endorsed by all the GBS partners and the authorities in 2015.

Within the area of "Good Governance and Development", the European Union supports the consolidation of the Rule of Law, essential to consolidate the democracy. Citizens must have trust on the State institutions, feel that laws are equally applicable for all and consider that they belong to the State to achieve their involvement for the development of the country. In this area, specific support is given to key institutions as the Prosecutor’s Office, the Supreme Court and Parliament. Activities for the Anti-corruption service are also reinforced.

With our support, the European Union is looking for reinforcing the justice system, to allow everybody to feel as protected by justice institutions and to increase the resources of the institutions to enhance the equal, efficient and timely application of laws.

Furthermore, with our support addressed to Parliament, to the representatives of the citizens, the European Union strengthens the legitimacy of the institution through activities supporting the capacities of the elected representatives and the institution, improving their resources.
Rural Development Sector

In Mozambique, almost 70% of the population lives in rural areas and more than 50% of those below the poverty line. The record levels of growth of Mozambique during the last decade have resulted in only moderate poverty reduction and widening inequalities. Between 2003 and 2015, the gap between urban and rural poverty has doubled, from 6.8 to 12.7%. Nowadays, several provinces in the North (including the Provinces of Zambezia and Nampula) have poverty rates of over 45 percentage points above Maputo city (with 11.6%), while in 2003 this gap was below 7%. Underlying the failure of sharing prosperity across the country are the large inequalities between urban and rural households in terms of human capital, economic opportunities, assets and access to basic services and markets.

Besides, while 75% of the Mozambican population still depends on the agricultural and fisheries sectors as the main source of food and income, these sectors only contribute to approximately 25% of GDP. The annual growth for these sectors has been plummeting in recent years as a consequence of low productivity, limited market-based growth, and the lack of support and investment.

The overall objective of the rural development sector is to foster sustainable, inclusive and broad-based economic growth and sustainably reduce poverty in two provinces, Nampula and Zambezia, through: a) improving food security and nutrition status and b) enhancing rural competitiveness.

In order to contribute towards these objectives, the EUD to Mozambique is formulating an integrated approach to rural development, with programmes structured around three pillars and geographically concentrated in the areas of Nampula and Zambezia in order to maximize synergies, economies of scale and impact.

3 Pillar integrated rural development approach:

Identified Programmes:

Pilar I: Access to Energy

Energy Project Preparation Facility (PPF) - € 10.5 Million

Mozambique's Renewable Energy Atlas (2015) has proved that the country is endowed with an extraordinary mix of renewable energy sources. The least cost effective generation projects identified by the Atlas that could be developed in the short term add up to 7 GW. This potential could satisfy both Mozambique's internal electricity demand and the current deficit of the South African Power Pool (SAPP) making Mozambique one of the energy key players in the SADC (Southern African Development Community) region. Anyhow, current energy access rate in the country is amongst the lowest in the region, with 26% rate connection to the grid and less than 10% to the off-grid.

The Government of Mozambique is showing a significant commitment to improve the current picture by developing available resources. Besides the implementation of the National Five Year Plan (Plano Quinquenal do Governo (PQG) 2015-2019), the Government is relying in the elaboration of a National Electrification Master Plan and a New National Energy Strategy, the restructuring of the Energy National Fund (Fundo de Energia (FUNAE)) and the creation of an Energy Regulatory Authority (ARENE) to tackle this challenge. In addition, Mozambique has subscribed both the SE4All objectives
and the SDGs with the main objective of providing universal access to energy services by 2030. The Government's recent signature of the Joint Declaration on Renewable Energy with the EU and its member states present in Mozambique at the COP22 in Marrakesh is a proof of the country's commitment to the renewable energy sector development and the fight against climate change.

Universal access to modern, sustainable, affordable and clean energy services has been identified as a necessary condition to support the approach agreed for rural development focal sector in the framework of 11th EDF NIP. A programme in two phases has been designed, being the Project Preparation Facility (PPF) the result of this design for the first phase. The specific objective of the PPF is to achieve and improve access to sustainable and affordable energy to population (gender equitable) and private sector operators, particularly in rural areas, by an enabling environment towards leveraging investments. The PPF will try to address major barriers identified in the energy sector to facilitate the development of vast untapped renewable energy resources, mainly: i) low institutional capacity to deal with this new source of energy; ii) lack of an appropriate regulatory framework limiting the participation of the private sector; and iii) absence of tools that could contribute to mature projects up to the level of active development and/or financial close.

The PPF will address concerns from both the public and the private sector while paving the way for quick investment. At a later stage, projects supported by this Facility should feed financial instruments such as ElectriFI, the Africa Investment Facility (AfIF) or the EEIP (European External Investment Plan) under a Mozambique specific window or a direct investment programme funded by the 11th EDF NIP. € 10.5 million are earmarked for this first phase that should start as of 2018.

**Energy Services Access Programme (MESAP) - € 83.5 Million**

The Mozambique Energy Services Access Programme (MESAP), the second phase of the EU Access to Energy programme, should be understood as the logical continuity to the energy Project Preparation Facility (PPF). MESAP aims to support direct investment on projects supported by the PPF first phase,
but not limited to it, with a clear objective of increasing rural electrification. MESAP is under preparation but it will possibly consider direct investment on the development of mini-grids and stand-alone solar home systems projects. Potential contribution to grid densification, energy efficiency, improved cook-stoves promotion and productive use of energy projects are also being assessed. Participation of the private sector through innovative financial instruments such as ElectriFi, the Africa Investment Facility (AfIF) or the new European External Investment Plan (EEIP) will be key for the implementation. Over € 83 million are earmarked for this second phase that should start as of 2019.

**Pillar II: Rural Transport**

**Rural Development through Improved Rural Transport in Mozambique - € 94 Million**

The classified road network of Mozambique comprises 30,464 km of road (7,344 km surfaced; 23,120 un-surfaced) of which 64% is considered to be in good or reasonable condition, 21% in poor condition, 9% in very poor condition and 6% not transitable. In addition there is a network of unclassified roads, mostly rural roads in very bad condition. The length is not known but estimated to be >20,000 km. Road density is 4 km/100 km2 of land, compared with 28 km/100 km2 in Kenya and 9 km/100 km2 in Tanzania. Estimates for the Rural Accessibility Index (RAI) for Mozambique are about 19% compared with 58% in Kenya. However, the road network is generally well planned, with classified roads provided to all significant population centres and administrative posts. The shortage of roads is most pronounced in rural areas, especially in the poorest parts of the country, where most roads connecting villages to district centres remain unpaved and in poor condition. About 14.5 million Mozambicans are isolated from the main urban centres, markets and public infrastructure. Most of the classified road network receives some annual maintenance but some roads remain in a poor condition. Rough roads contribute to high transportation costs and damage to produce between farm and market. The road network is highly vulnerable to disruption during the rains due to washouts of drainage structures and embankments.

Within the framework of the Rural Transport Pillar, rural road works will be implemented in Zambézia and Nampula Provinces of Mozambique to support Rural Development, as part of a targeted and integrated approach to rural development. The works will be implemented on low traffic rural roads providing climate adapted all weather access to areas of economic growth, particularly in the agriculture and fisheries sectors. The works will include a mix of routine and periodic maintenance, and upgrading selected gravel roads to paved standard. Existing rupture points on the network will be resolved through climate adapted hydraulic structures and/or other measures adequate to the specific characteristics of each site, providing market access which is essential for jobs creation and economic growth in the provinces targeted.

Accompanying measures will be implemented through the road works contract to deliver secondary benefits to communities along the roads. This will include road safety, health awareness and small community infrastructure. The accompanying measures will directly support other interventions under the Rural Development Sector of the NIP for the 11th EDF where these are being implemented in the same geographical area.
Improvements to road conditions in the project areas will enhance the viability of local transport services. This will lead to increased availability of transport and lower transport costs. The cost of agricultural inputs will decrease in rural areas and farmers will be able to transport surplus produce to market centres. The cost of food in food deficit areas will decrease with reduced transport costs, leading to improved food security and nutritional status of the population. Greater rural competitiveness will result from lower costs in doing business due to a lower transport cost components in market prices. More agri-businesses will become economical viable. In addition, income generation opportunities in road construction and maintenance will be provided for emerging contractors and workers. This will further enhance the rural economy. A range of necessary decentralised supply and demand chains will stimulate the development of mechanical skills and fabrication capacities and in turn provide income and livelihoods for rural households. Over € 94 million are earmarked for this sector that should start as of 2019.
Pilar III: Nutrition, Agriculture, Value Chain and Biodiversity

Improving rural competitiveness in Nampula and Zambézia provinces, Mozambique - € 68 Million

In Mozambique, subsistence agriculture often barely meets household food needs. Smallholder production, with its structurally low agricultural productivity, is largely not competitive to be undertaken commercially. Although national agriculture production has increased for several staple and cash crops over the past decades, significant increases are attributed to the extension of cultivated areas across the country. The debate on agricultural productivity and intensification has moved into the spotlight of discussions only more recently.

Unstable rainfall patterns and unsecure land rights foster shifting cultivation contrary to medium and long-term investments into land (agro-forestry, irrigation, use of improved inputs). Agriculture is undertaken as means of subsistence also due to the lack of alternative options. Emerging farmers face multiple difficulties as limited access to inputs, insufficient productive infrastructure, scarcity or absence of extension services (technical, market and price information), restricted access to finance and often a lack of required business skills. For most crops productivity only reaches a fraction of its potential, which is estimated at around one third of the one in neighbouring countries.

A rapidly growing rural population made evident the need for creation of non-farming opportunities and diversification of the rural economy as a way out of poverty. On the other hand, there seems to be an increasing potential for agriculture led development in country: Mozambique, besides its high agriculture production potential, still imports significant quantities of agricultural commodities.

Urbanization has led to an increasingly urban population with changing food habits, with increased demands and preferences for processed foods and meat consumption. Nevertheless, neither the agricultural nor the processing or manufacturing sectors are presently sufficiently developed and competitive to capture this potential for a transformation of the rural areas.

Under the Rural Development Sector, geographic concentration of interventions is envisaged in the two provinces of Nampula and Zambézia. These cover a variety of agro-ecological zones with overall favourable production conditions extending over the two development corridors of Nacala and Zambeze valley. Agriculture in the 2 provinces is characterized by small-scale (mostly subsistence) farming with an average farm size of 1.25ha in Nampula and 1.29ha in Zambézia, a few large
commercial investments (forestry, fruit production) and significant artisanal fisheries in the coastal communities. Agriculture production and productivity determinants (as for example the use of organic and chemical fertilizer, animal traction or irrigation) for small and medium holdings in Nampula and Zambézia are below the national average. Off farm activities in the rural areas are mostly related to collecting firewood or other forestry products and seasonal farm labour.

Consequently, increasing rural competitiveness must combine the two sides: 1) Improving food security and resilience by increasing primary agricultural production and productivity to ensure food security, produce marketable surplus and reduce unit production costs; and, 2) Supporting private sector/business development for economic diversification and inclusive growth.

The Rural Competitiveness Programme will focus on both through three interrelated intervention lines:

1. Increasing sustainable agriculture development with the aim to enhance food and nutrition security, produce marketable surplus and reduce unit production costs for improved competitiveness of agricultural production, ensuring at the same time resilience to shocks. This will be achieved by promoting innovative technologies and practices for smallholders' sustainable agriculture and management of natural resources, and to develop better access to rural services.

2. Developing rural markets and improving value chain competitiveness with the aim of fostering economic diversification and inclusive growth and the improved availability of services and goods. This will be achieved by focusing on rural private sector development through enhancing Micro, Medium and Small Enterprises (MSMEs) competitiveness by promoting innovative development partnerships with the private sector (DPP) for smallholders and MSMEs market integration, supporting value chains competitiveness and improving the business environment.

3. Community development for resilience and food and nutrition security in view of introducing behavioural changes, foster social cohesion in transforming communities, promoting gender equality, improve sustainability of the interventions and graduation for improved small scale production to commercial agriculture or transition into other economic sectors.

Over € 68 million are earmarked for this sector that should start as of 2019.
Support to Biodiversity Actions under 11th EDF - € 13 Million

Nampula and Zambezia provinces have been selected by the Government of Mozambique and the EU as the priority regions for the 11th EDF rural development interventions. These two provinces are amongst the most populated in the country. Therefore, dependency of poor rural and urban populations on natural resources for livelihood represents a major concern for biodiversity conservation.

The overall objective of this program is to contribute to sustainable, inclusive and broad-based economic growth, to poverty and vulnerability (against climate change impacts) reduction through correct use of Natural Resources. And the specific objective is to improve the livelihoods of rural communities through sustainable management of natural resources in target areas of Mozambique.

The target areas are the Área de Protecção Ambiental do Arquipelago das Ilhas Primeiras e Segundas (APAIPS) and its adjacent coastal areas, the Gile National Reserve (GNR) and its buffer zone, and in the Inselbergs of Namuli and Mabu, in Nampula and Zambezia Provinces.

The intervention logic of the project will be around 4 main Result Areas:

1) Institutional capacity, 2) Activities related to community based biodiversity; 3) sustainable management of natural resources and 4) related to applied research to natural resources management.

In order to identify the future action, the Delegation undertook a study that can be found under the following [link](#).
Nutrition Support Programme in Mozambique - € 30 Million

In Mozambique, the rate of chronic malnutrition (stunting) is considered to be at critical and stagnating levels (43% in 2013). Stunting is widely prevalent and remains a key public health concern, primarily affecting infants, young children and women of reproductive age.

This programme of 30 Mio Euro falls under the rural development focal area of the 11th European Development Fund (EDF) for Mozambique. It will contribute to support the necessary co-ordination and strategic planning functions for nutrition of the government while scaling up the implementation of "essential" nutrition-specific interventions included in the Multi-sector Action Plan for the Reduction of Chronic Undernutrition 2011-2015 (2020) in Mozambique - PAMRDC plan. Interventions are geographically concentrated in the provinces of Zambezia and Nampula and will start at the beginning of 2017.

In particular, the action entails support to the "nutrition governance system" being provided at both central and local levels, focusing on i) strengthening the government's capacity to address the chronic malnutrition challenge, ii) strengthening the PAMRDC monitoring and evaluation system, including data collections through specific surveys. The Action will implement national strategies while strengthening capacities and coordination to integrate nutrition issues at national and local levels.

Secondly, the action will scale up the delivery of specific components of the provincial PAMRDC plans, namely a package of essential nutrition services and water-sanitation-hygiene (WASH) interventions. The "essential nutrition package" has a specific focus upon young children and pregnant and lactating women. WASH interventions are considered necessary accompanying measures to any improvement. Social behavior change has been underlined as a key element for nutritional improvement and is embedded in all interventions.

Finally, the action will strengthen the capacity of Government and key stakeholders on multi-sector nutrition information management and data analysis in order to provide context specific evidence and knowledge to guide the planning and decision making process of nutrition interventions and strategies, and to improve their coordination. In parallel, the action will enhance the advocacy capacity of civil society to keep nutrition at the top of the political agenda and ensure social accountability of nutrition interventions implemented under PAMRDC. The Action will build on existing platforms; in particular it will strengthen the National Evaluation Platform (NEP) of the National Institute of Health and the Mozambique's Scaling-Up-Nutrition (SUN) civil society network (CSN).

Under the communication and visibility is foreseen the production of a media product with the purpose to tap into the power of the mass media to bring nutrition information to households in Mozambique and to sensitize on good nutritional behavior.

Civil society dialogue

Pluralism and citizens’ political and civic participation strengths democracy and promotes a more inclusive growth. In Mozambique this is hindered by a gap between a permissive legal framework and some differing practices, which threat CSOs’ activities mainly at local level; by the existence of only a reduced number of well-structured advocacy organisations based in Maputo, with limited impact at provincial and district level; by a generalised lack of capacity for community based organisations (CBOs). In short, EU action aims at improving CSOs’ and public institutions’ dialogue, reinforcing civil society’s role in promoting systemic checks and balances, enhancing the related legal framework, and
promoting an enabling environment for participation at local level.

Activities are grouped under the three Roadmap’ priorities and focus on:

- Supporting the application of the national legal provisions (association law and access to information laws) and reinforcement of the legal spaces of dialogue where citizens are represented such as the Local Councils and the Development Observatories,
- reinforcing the informal mechanisms for citizen participation such as community scores cards, budget tracking, social accountability and continued investment in strengthening civil society’s analytical work and impact at local level.
- Building capacity of CSOs and granting for new opportunities for development.

Two main instruments are used to support citizens associations, the thematic programme “Civil Society Organisations and Local Authorities 2014-2020” which promotes synergies between municipalities and CSOs and the European Development Funds through the EU funded Non-State Actors Support Programme (PAANE) PAANE programme which funds a broad range of non-state actors in order to have a voice in the policy, advocacy and monitoring processes and implement projects.

PALOP-TL and European Union Cooperation Programme

The five Portuguese speaking African countries (PALOP) - namely Angola, Cape Verde, Guinea-Bissau, Mozambique and São Tomé and Príncipe - began cooperating in the 1970s and continued to work together after independence. In 1985 the PALOP countries joined the Africa Caribbean Pacific (ACP) Group. The first EU-PALOP regional cooperation program started in 1992. In 2007, Timor-Leste became the sixth member and the PALOP Group was then renamed PALOP and Timor-Leste (PALOP-TL). Up to date, the cooperation concentrated in various sectors. The areas which enjoyed larger financial resources are: Health (over €16M under the 7th and 9th EDF), Public Administration (€9.1M under 7th and 8th EDF), Judiciary Systems (€8M, 8th and 9th EDF), and Statistics (€7.8 M under the 7th, 8th and 9th EDF).

Since 1992 a total of 23 projects have been financed:

<table>
<thead>
<tr>
<th>Period</th>
<th>Programmes funded under specific European Development Funds (EDF)</th>
<th>Amount M €</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-1995</td>
<td>Regional Programme 1 signed in 1992 / 7th EDF</td>
<td>25</td>
</tr>
<tr>
<td>1995-2000</td>
<td>Regional Programme 2, signed in 1997 / 8th EDF</td>
<td>30</td>
</tr>
<tr>
<td>2000-2007</td>
<td>Transfer of Regional Programme 2 from the 8th to 9th EDF</td>
<td>(28.7 reported)</td>
</tr>
<tr>
<td>2008-2013</td>
<td>Governance Initiative, signed in 2008 / 10th EDF</td>
<td>33.1</td>
</tr>
<tr>
<td>2014-2020</td>
<td>Multi-annual Indicative Programme, signed in 2015 / 11th EDF</td>
<td>30</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>118.1</td>
</tr>
</tbody>
</table>

The on-going 10th EDF PALOP-TL Cooperation programme promotes a "Governance Initiative" with an allocation of €33.1M. It contributes to further reinforce democratic, social and economic governance through the implementation of 7 projects covering: electoral assistance, economic governance and private sector, rule of law, public services, Macroeconomic and Financial Management Institute, as well as the support to the PALOP/TL coordination mechanism and a Technical Cooperation Facility to support the identification and implementation of actions.
<table>
<thead>
<tr>
<th>Responsible NAO</th>
<th>Project Title</th>
<th>Committed Amount €</th>
<th>Starting / ending years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>Rule of Law</td>
<td>7.000.000</td>
<td>2013/2020</td>
</tr>
<tr>
<td>Angola</td>
<td>Macroeconomic and Financial Management Institute</td>
<td>3.000.000</td>
<td>2013/2019</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>Bettering quality and proximity of Public Services</td>
<td>5.000.000</td>
<td>2013/2018</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>Strengthening Supreme Audit Institutions (SAIs), National Parliaments and Civil Society for the control of public finances in the PALOP-TL</td>
<td>6.500.000</td>
<td>2013/2017</td>
</tr>
<tr>
<td>Guinea Bissau</td>
<td>Support to Electoral Cycles</td>
<td>6.100.000</td>
<td>2009/2016</td>
</tr>
<tr>
<td>Mozambique</td>
<td>Technical Cooperation Facility III</td>
<td>2.700.000</td>
<td>2009/2018</td>
</tr>
<tr>
<td>Mozambique</td>
<td>Support for the coordination of the PALOP-TL cooperation programme</td>
<td>2.800.000</td>
<td>2013/2018</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>33.100.000</td>
<td></td>
</tr>
</tbody>
</table>

Since 2007 Mozambique was chosen as Coordinating Authorizing Officer and under the 11th EDF, Mozambique National Authorising Officer (NAO) is in charge of the Programme coordination and its execution management, thus abandoning the idea of ‘lead country’ per programme. Ownership by other PALOP-TL was sought by creating an annual rotating Political Presidency.

The PALOP-TL and the EU hold regular coordination meetings including ministerial meetings between the PALOP-TL countries National Authorizing Officers (NAOs) and the EU once a year, to give orientations to the programme and ensure its efficient implementation.

The 11th EDF Multiannual Indicative programme (MIP – EUR 30 million) for 2014 - 2020 was signed in São Tomé e Príncipe on 30 April 2015. It established two priority areas that are currently being identified:

1) Employment promotion in income generating activities in the cultural sector (EUR 18 M)

2) Governance capacity development (EUR 8 M)

The PALOP-TL/EU programme turns 25 years in 2017. To celebrate this date, the programme launched a short-movie competition that selected 6 young movie directors from each of the PALOP-TL countries. These directors received a fund to produce their short-movies and participated in an artistic residency in April 2017 in Maputo where they were able to develop their scripts and attend workshops with renowned Mozambican professionals. Their movies will be presented in several international cinema festivals in Africa and Europe.

Facebook Page: Concurso Curtas PALOP-TL 25 Anos

Human Rights

The European Union adopted in 2015 an Action Plan on Humans Rights and Democracy (2015-2019), to reaffirm the European Union's commitment to promote and protect human rights and to support democracy worldwide, with a special emphasis on ownership by, and co-operation with, local institutions and mechanisms, including national human rights institutions, as well as civil
society, and by reinforcing its support to Human Rights Defenders. The Action Plan outlines plans for collaboration between the EU and local institutions in partner countries, and for targeted support and capacity building on the ground. It reinforces the commitment to the mainstreaming of human rights into all the EU's activities and policies (including in development co-operation, migration/asylum, counterterrorism and trade/investment) and to ensuring internal and external coherence and efficiency, as well as to promoting gender equality and women’s empowerment.

The European Instrument for Democracy and Human Rights (EIDHR), is a European Union programme that represent a concrete expression of the EU’s intention to promote democracy and human rights through support to civil society initiatives worldwide.

The instrument aims to support civil society to become an effective force for political reform and defence of human rights. In doing this, it complements the geographical programmes, which focus on public institutions. It offers independence of action, which is a critical feature of cooperation with civil society organisations at national level, especially in the sensitive areas of democracy and human rights. With 5 priority areas:

1) Support to Human Rights and Human Rights Defenders in situations where they are most at risk;

2) Support to other EU Human Rights Priorities with main focus on protecting human dignity including abolition of the death penalty, eradication of torture and other cruel, inhuman or degrading treatment or punishment, support to a comprehensive approach to rehabilitation and prevention activities, protection and promotion of children's rights, protection of women's rights, fighting discrimination in all its forms, fighting against impunity, promotion and protection of freedom of religion or belief, promotion of economic, social and cultural rights, promotion of the respect for international humanitarian law;

3) Support to Democracy;

4) Support to EU Election Observation Missions;

5) Support to targeted key actors and processes, including international and regional human rights instruments and mechanisms.

This instrument offers a great flexibility and an increased capacity to respond to changing circumstances or to support innovation.

In order to provide better assistance and support to Human Rights defender, the EU and a group 12 International NGO’s set up a 24h/7days mechanism, which to assist human rights defenders and activists in cases of risk, providing direct emergency support and temporary relocation:

Since 2007, the EIDHR in Mozambique has been funding specific projects, through calls for proposals, with the goal of fighting against gender based violence, to promote access to information and freedom of expression and strengthen the CSO’s capacity to monitor the implementation of key legislation. The last call for proposal was launched in April 2017 with an allocation of 900,000 EUR.

**Gender and women’s rights**

Equality between men and women is at the core of values of the European Union (EU) and enshrined in its legal and political framework. The EU is at the forefront of the protection and fulfilment of girls’ and women’s rights and vigorously promotes them in its external relations.

In October 2015 a new EU Gender Action Plan, Framework for "Gender Equality and Women's
Empowerment: Transforming the Lives of Girls and Women through EU External Relations 2016-2020 was adopted by the European Council, providing the fundamental values for the European Commission's (EC), the European External Action Services' (EEAS) and European Member States' (MS) approach to gender equality through external relations. It aims to place gender equality and the empowerment of girls and women at the heart of the EU’s external actions, focusing on four thematic areas:

- Ensuring girls’ and women’s physical and psychological integrity
- Promoting the economic and social rights / empowerment of girls and women
- Strengthening girls’ and women’s voice and participation
- Shifting the Commission services' and the EEAS' institutional culture to more effectively deliver on EU commitments.

To implement the Gender Action Plan, the EU Delegation to Mozambique and the 13 Member States present in the country, supported the Ministry of Gender, Children and Social Action (MGCAS) in the process of elaborating the Gender Country Profile, officially launched by H.E Ministry Cidália Chaúque in November 2016.

Additionally, the EU and its Members States, agreed on the objectives and priority areas (The Gender Action Plan-GAPII), of support to Mozambique’s government and civil society towards achievement of gender equality and empowerment of women and girls.

The EU has also been supporting through the European Instrument for Democracy and Human Rights specific projects in Mozambique for the promotion of gender equality, empowerment of women and prevention of all forms of violence against women and girls, and has been active in supporting public debates and reflection actions to end the practice of child marriage and promote men engagement in the fight against gender based violence as well on actions for gender equality in Mozambique.

**Humanitarian Aid**

The European Commission's Humanitarian aid and Civil Protection department (ECHO) aims to save and preserve life, prevent and alleviate human suffering and safeguard the integrity and dignity of populations affected by natural disasters and man-made crises.

Together, the EU and its Member States are the largest international development actor and are at the forefront of the response to all major crisis around the world.

Headquartered in Brussels with a global network of field offices, ECHO ensures rapid and effective delivery of EU relief assistance through its two main instruments: humanitarian aid and civil protection. By bringing together the two under one roof in 2010, the Commission has built up a more robust and effective European mechanism for disaster response both inside and outside the EU.

ECHO ensures its presence in Mozambique through its regional office in Nairobi.

For more information please consult ECHO website at:

**Humanitarian country context in Mozambique**

Almost every year the country is experiencing humanitarian crises and displacement of affected
people is common.

According to the Global Climate Risk Index (2017) analyses, Mozambique is one of the countries most affected by the impacts of weather-related loss events.

The country suffers mainly from hydrological disasters which include: regular floods along its principal rivers, particularly in the Zambezi and Limpopo river basins; droughts affecting mostly the southern and central regions of the country; coastal erosion, storm flows, cyclones and rising sea levels which threaten Mozambique’s coastal zone and cities. These events have significant impacts on livelihoods and food security. The major losses are those associated with infrastructures, mainly roads due to floods, although agriculture is also severely affected by droughts and loss of arable land. Construction of new infrastructure such as roads, schools and hospitals can hardly keep up with infrastructure destroyed or damaged by natural disasters.

Since September 2015, the devastating effects of the most severe El Niño induced drought in 35 years have resulted in insufficient household production and depletion of food stocks. This situation has reduced food availability and market functioning and as a result, prices have increased rapidly and significantly affected households’ purchasing power. This, combined with poor access to markets, reduced income options and livelihood opportunities, is further worsening the situation.

Most vulnerable population faced at the same time: reduced agricultural outputs, reduced food availability, depletion of productive assets, and localised food price spikes. Thus, the affected households resorted to crises coping strategies such as consuming seeds, sale of productive assets, reducing daily intake, migration in search of work during labor intense agricultural season and overexploitation of natural resources (SETSAN Nov 2016).

EU Interventions

- **Interventions through ECHO and the European Development Fund**

The EU response to the floods in 2015 and to the El Niño emergency in 2016-17 currently amounts to EUR 20,75 Mio euro (both ECHO and EDF funds).

ECHO has responded to the 2015 floods and El Niño crisis through its relief and recovery interventions, including 6 projects for a total amount of 7.75 Mio euro, 4 “Disaster Risk Reduction” (DRR) projects and 2 projects for humanitarian assistance. See table below.

<table>
<thead>
<tr>
<th>PARTNER</th>
<th>TITLE</th>
<th>ECHO Contrib.</th>
<th>Start</th>
<th>End</th>
</tr>
</thead>
<tbody>
<tr>
<td>CARE</td>
<td>PROPREM - Programme for Preparedness and Response to Emergencies in Mozambique (Programa de Prevenção e Resposta a Emergências em Moçambique)</td>
<td>1,400,000</td>
<td>1-May-16</td>
<td>31-Oct-17</td>
</tr>
<tr>
<td>Spanish RC - Crux Vermelha de Mozambique</td>
<td>Consolidating and scaling-up DRR best practices in Mozambique</td>
<td>350,000</td>
<td>1-Apr-16</td>
<td>30-Oct-17 (including 1 month extension)</td>
</tr>
</tbody>
</table>
GAC-DE  Access to food for the population affected by the El Nino drought in the districts of Nicoaldala, Luabo and Namacurra  1,400,000  1-Aug-16  30-Nov-17

OXFAM-NL (NOVIB)  Responding to the humanitarian needs of the drought affected population in Mozambique  3,000,000  1-Aug-16  31-May-17

CARE  System strengthening for disaster preparedness in Mozambique (Fortalecimento do sistema de preparacao para catastrofes em Mocambique)  1,000,000  1-June 2016  30-Nov-18

RED CROSS ES  Building safer and more resilient communities in central Region and strengthen national system for disaster risk reduction in Mozambique  600,000.00  1-June 2016  30-Nov-18

The EU delegation in Mozambique mobilised in 2016 additional EDF financial resources (10th and 11th EDF) under the technical supervision of ECHO. The funds amounts to a total of EUR 13 million and they are implemented through WFP for food assistance & Social Behaviour Change activities.

- **Resilience building in geographic programmes: NIP**

The 11th EDF NIP includes a 30 Mio Euro nutrition programme which started in 2017 for a period of 5 years in partnership with UNICEF, the National Health Institute and the SUN-Civil Society Network in order to address the extremely high levels of stunting in Mozambique. Furthermore, a complementary program will be launched in 2018 with the objective of tackling the underlying causes in a sustainable manner though "nutrition-sensitive interventions" in agriculture and rural development.

- **Support to Climate Change Adaptation at local level**

In Mozambique the EU is supporting different programmes to combat Climate Change and on Natural disaster risk Reduction (NDRR).

The EU Delegation will implement a programme ("Building Local Resilience in Mozambique") to reduce climate vulnerability through improving delivery of climate resilience basic services to rural communities. The programme will be financed from the Global Climate Change Alliance (GCCA+) and implemented in partnership with the Ministry of Land, Environment and Rural development. The focus will be on implementation of activities identified under the Local Adaptation Plans at the district level. There will be a geographical focus in Zambezia and Nampula Province.

Mozambique also receives funds from the ACP-EU Natural Disaster Risk Reduction Programme. This programme is jointly implemented with the World Bank and it is meant to improve the resilience of ACP countries to the impact of disasters produced by natural hazards and better prepare populations in disaster-prone areas, thereby reducing the cost of response. World Vison will be one of the main implementers in Mozambique.
**EU Financial Instruments**

**European Investment Plan**

**WHAT IS THE EXTERNAL INVESTMENT PLAN?**

The EU’s ambitious External Investment Plan will encourage investment in our partner countries in Africa and the EU Neighbourhood region. It will promote inclusive growth, job creation and sustainable development and so tackle some of the root causes of irregular migration. The External Investment Plan is adapted to the specific needs of partner countries and builds on the very successful model used within the EU, where the ‘Juncker Plan’ has already triggered more than € 240 billion of investment.

The External Investment Plan will focus on a number of priority investment areas, such as: sustainable energy and sustainable connectivity; micro, small and medium enterprises financing; sustainable agriculture, rural entrepreneurs and agroindustry; sustainable cities and digitalisation for sustainable development.

**WHY DO WE NEED AN EXTERNAL INVESTMENT PLAN?**

Instability and conflicts in Africa and the EU Neighbourhood have been aggravated by the global economic crisis, reducing access to finance for much needed investment. Instability and conflict have also exacerbated the ongoing migration crisis with more people than ever on the move in Africa and in the Neighbourhood.

The European Union and its Member States are collectively the world’s biggest providers of development assistance, providing €75.5 billion in 2016, or almost 60% of global assistance. But development cooperation needs to evolve. Traditional assistance in the form of grants remains essential – but must be complemented with other tools and sources of finance in order to reach the ambitious targets set by the Sustainable Development Goals. The international community agreed in 2015 on an innovative agenda on financing for development, which calls for new partnerships, notably to mobilise private resources and to apply innovative financing models. The External Investment Plan is part of the EU’s contribution to these commitments.
HOW WILL IT WORK?

The External Investment Plan will crowd in private investors, where viable business proposals meet social needs, and where limited public funds can attract private money. Take the example of female entrepreneurs: banks are often reluctant to lend to them, even if their ideas and business plans are solid. We can help them to start and grow their businesses by providing a guarantee to banks to lend to these entrepreneurs, as well as through technical assistance to the women entrepreneurs, such as advice and mentoring.

The Plan will encourage private investors to contribute to sustainable development in countries outside of Europe. The newly created European Fund for Sustainable Development (EFSD) will be the financing mechanism used to support investments by public financial institutions and the private sector. With a contribution of €4.1 billion from the European Commission, the External Investment Plan is expected to leverage more than €44 billion of investments by 2020. To enhance the firepower and the efficiency of the new Fund, the Commission wants EU Member States and other partners to contribute.

The EU approach is in perfect harmony with the G20-Africa Partnership launched by the German Presidency of G20. It will strengthen sustainable private sector involvement, investments in infrastructure and renewable energies, and support sustainable economic development for growth.

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THE EXTERNAL INVESTMENT PLAN WILL...

- Contribute to achieving sustainable development in our partner countries in a coherent and consistent manner.
- Mobilise investment and leverage funds, to reach countries where investments are currently difficult, and facilitate investments by private actors that would otherwise invest less or not at all.
- Target socio-economic sectors, in particular sustainable infrastructure (including energy, water, transport, information and communications technology, environment, social infrastructure, human capital), and provide finance for micro-, small- and medium-sized enterprises with a particular focus on decent job creation.
- Assist in developing economically and financially viable projects to attract investment.
- Help to improve the business environment in partner countries by supporting reforms and economic governance.
- Contribute to address the root causes of irregular migration and strengthen our partnerships in Africa and the EU’s Neighbourhood countries.
General Budget Support: An independent evaluation confirmed that financing through the General Budget support modality has been instrumental in ensuring increased fiscal space without crowding out the expansion in domestically financed development spending (domestic revenue mobilisation effort continued with good performance). During the 8-year period covered by the evaluation disbursements were substantial. This is both in fiscal terms – where they represented on average 15% of public spending, and as a proportion of total ODA –, where they comprised an average of 30%. Annual predictability of budget support has been significantly better than other aid modalities, which allowed an expansion of public spending in the education and good governance sectors. As Education
was designated a ‘priority sector’ in the government’s plans it was the sector that throughout the evaluation period commanded the highest share of the national budget. The evaluation shows that GBS has contributed to some improvements in education provision during the evaluation period. For instance 40% more children were in primary school in 2012 in comparison with the figures of 2004.

Continued progress in public finance management (PFM) reforms was also highlighted. The fact that PFM reform and governance improvements, especially the fight against corruption, were systematically discussed and reviewed on an annual basis, through the Budget Support dialogue, contributed to the continued progress made in these areas. This included reinforced budgetary systems, enhanced empowerment of domestic accountability actors, advances on new anticorruption legislation.

Include link to the GBS independent evaluation:

Summary:

Full report:

Documents

2014 - 2020 National Indicative Programme for Mozambique
Final report - General elections 15 October 2014

See also

DG Trade / SADC relations
DG Trade/Statistics Mozambique
Mozambican Tax and Customs Authorities
Enhanced Integrated Framework/Mozambique
www.eeas.europa.eu

Source URL: