European Union - Republic of Mozambique

National Indicative Programme

2014 - 2020

GENERAL CLAUSES

The European Union and the Government of Republic of Mozambique hereby agree as follows:

(1) The European Union**,** represented by Mr. Neven MIMICA, European Commissioner for International Cooperation and Development, and the Government of the Republic of Mozambique, represented by Ms. Nyeleti MONDLANE, Deputy Minister for Foreign Affairs and Cooperation, hereinafter referred to as the Parties, determined the general orientations for cooperation for the period 2014-2020.

These orientations which are included in the National Indicative Programme, concern the European Union Aid in favour of the Republic of Mozambique and were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, revised and signed in Luxemburg on 25 June 2005 and revised and signed in Ouagadougou on 22 June 2010.

The National Indicative Programme is annexed to the present document.

(2) As regards the indicative programmable financial resources which the European Union envisages to make available to the Republic of Mozambique for the period 2014-2020, an amount of EUR 734 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation). A B-allocation referred to in Article 3.2 (b) can be established to cover unforeseen needs. This allocation is at EUR 0 until a need arises. These allocations are not entitlements and may be revised by the Commission, following the mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.

(3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects. The National Indicative Programme concerns the resources of the A-allocation. It also takes into consideration financing from which the Republic of Mozambique benefits or could benefit under other European Union resources. It does not pre-empt financing decisions by the Commission.

(4) The B-allocation is destined to cover unforeseen needs such as humanitarian, emergency and post emergency assistance, where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate exogenous shocks. The B-allocation shall be established according to specific mechanisms and procedures and does therefore not constitute a part of the programming.

(5) Following the entry into force on 01 March 2015 of the Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting with the Council, on the financing of European Union Aid under the multiannual financial framework for the period 2014 to 2020, financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the Republic of Mozambique within the limits of the A- and B-allocations referred to in this document. The respective projects and programmes shall be implemented according to the 11th EDF implementing rules and financial regulation.

(6) The European Investment Bank may contribute to the implementation of the present National Indicative Programme by operations financed from the Investment Facility and/or from its own

resources, in accordance with Articles 2c and 3 of the 11^{th} EDF multi-annual financial framework for the period 2014-2020.

(7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Indicative Programme as well as the A-and B-allocations can be revised following the mid-term review and the end-of-term review or ad hoc reviews.

* * *

IN WITNESS WHEREOF the undersigned, being duly authorized thereto, have signed this Agreement.

Done at Brussels, on 26 November 2015, in four originals, two in English and two in the Portuguese language. In case of conflict between translated versions of this document, the English version should prevail.

For the European Commission, On behalf of the European Union	For the Government of the Republic of Mozambique
Neven MIMICA Commissioner for International Cooperation and Development	**Nyeleti MONDLANE** Deputy Minister for Foreign Affairs and Cooperation

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Abbreviations and acronyms

AfC	Agenda for Change
AgRED	Agriculture and Rural Economic Development
BS	Budget Support
CAADP	Comprehensive Africa Agriculture Development Programme
CSOs	Civil Society Organizations
DAC Donors	Development Assistance Commitee (OECD)
DSA	Debt Sustainability Analysis
EDF	European Development Fund
EIDHR	European Instrument for Democracy and Human Rights
END	National Development Strategy
EUR	EURO
FDI	Foreign Direct Investment
G19	Group of donor providing Budget Support to Mozambique
GBS	General Budget Support
GDP	Gross Domestic Product
GGDC	Good Governance and Development Contract
GoM	Government of Mozambique
IFMIS	Integrated Financial Management Systems
IMF	International Monetary Fund
MDG	Millennium Development Goal
MDG-C	Millennium Development Goal contract
MoU	Memorandum of Understanding
MPD	Ministry of Planning and Development
MTEF	Medium Term Expenditure Framework
MTR	Mid-Term Review
NDP	National Development Plan
NAO	National Authorising Officer
NIP	National Indicative Programme
PAF	Performance Assessment Framework
PAMRDC	*Plano de Acção Multi-sectorial para a Redução da Desnutrição Crónica* (Multi-sectoral Action Plan to Reduce Chronic Malnutrition)
PARP	*Plano de Acção para a Redução da Pobreza* (Poverty Reduction Strategy)
PEDSA	*Plano Estratégico para o Desenvolvimento do Sector Agrário*
PEFA	Public Expenditure and Financial Accountability
PES	*Plano Económico e Social* (Social and Economic Plan)

PFM	Public Financial Management
PNISA	*Plano Nacional de Investimento no Sector Agrário* (National Agricultural Sector Investment Plan)
PRODEL	Programme for Local Economic Development
SMEs	Small and Medium Enterprises
TCF	Technical Cooperation Facility

1. The overall lines for the EU response

1.1 Strategic objectives of the EU's relationship with the partner country

Mozambique has maintained peace, established a functioning democracy, albeit to be further consolidated, achieved macro-economic stability and improved the lives of the poor through increased access to health services and education.

In recent years Mozambique's economic performance brought real GDP per capita growth to 4-5%. Mozambique is expected to generate a real growth of GDP of 7% in 2015 and an average of 8% in the period 2016-19. Consumer prices rose at around 2.6% in 2014. Risks to the stability of this achievement are related to the uncertainties around gas/commodity prices, which could also delay large foreign investments that are expected to sustain growth in the coming years. In parallel, risks of public debt accumulation beyond sustainable levels need to be monitored closely.

However, the starting point for EU support to Mozambique over the period 2014-2020 is the realisation that so far strong Gross Domestic Product (GDP) growth has not been shared by all, and in recent years reduction in income-based poverty has been slower than expected, in particular outside the capital Maputo and other Provincial capitals. Mozambique's future development is inextricably linked to the full exploitation of existing natural resources, and to the recent gas discoveries. The expectation is that these resources will bring economic change to Mozambique, as a minimum through large infrastructure developments in the Northern part of the country, and potentially to the rest of the economy through the large stream of revenues that could translate into future physical and human capital investments.

The main question is whether this economic transformation will translate into inclusive growth, and whether the political context will be conducive to a future positive trajectory in Mozambique, avoiding or at least minimising the risk that a 'Paradox of Plenty' (or natural resource curse) may manifest itself. More generally, what a resource curse could mean is that the potential to lift Mozambicans out of poverty would not materialise, hence missing the opportunity for a sustainable (and perhaps faster) development path.

As the experience of other countries shows, essential ingredients for achieving this positive trajectory include political inclusivity; strong and transparent institutions, and sufficient capacity to negotiate and oversee optimal contracts with foreign investors in natural resources.

The main objectives of a sustainable transformation for Mozambique are to spread the benefits of the natural resource boom in an equitable manner; to minimise Dutch Disease effects (exchange rate appreciation), which risk a negative impact on an already poorly diversified economy; to build a sound and transparent mechanism for project appraisal and selection, avoiding negative consequences on debt sustainability. This would also minimise the risk of social unrest (e.g. linked to resettlements areas or urban youth) and adverse environmental impacts.

This could be most prominent in the agriculture sector, occupying 75% of the population, which may continue to receive insufficient attention.

Despite the high political visibility of women at national level, there are marked and persistent gender inequalities in social and economic life. Poverty reduction in Mozambique has not equally affected all segments of the population, having often benefited less the female-headed households. This relative feminisation of poverty is due to structural constraints and the predominantly patriarchal societal structures. A gender profile is under preparation, in cooperation with EU member States and Government, and will guide and supplement the gender analysis that will be carried out in the identification of activities.

In this context, the window of opportunity for DAC (Development Assistance Committee) donors and the EU in particular to promote sustainable policies could be progressively challenged in the coming years, notably given the expected increase in revenues from natural resources and the role of several new donors. Indeed, while donor dependence is decreasing (from 75% of the budget 20 years ago to 25% in 2014), the EU and its Member States remain the largest donor group in Mozambique (nearly 80% of total), and it is worth noting that the expected large flows of mineral revenues will not materialise before 2020-2022 at best. Moreover, the EU remains a key economic and commercial partner (40% of exports, 23% of imports and 30% of Foreign Direct Investment in 2012), and Mozambique will continue to attract European capital in extractive industries, agriculture, fishing, transport, energy and tourism, inter alia. Hence, if Europe is to influence broad-based development and sharing of wealth, the next 5-8 years are crucial.

It is against this background that the strategic objectives of the EU's relationship with Mozambique should be to:

- Promote the deepening of the democratic system, transparency, accountability and the rule of law to make the system more responsive to and protective of citizens, and prepare it to manage, allocate and spend future revenues;
- Reinforce poverty alleviation through sustainable and inclusive growth, income redistribution and the promotion of social stability;
- Promote a conducive business environment for both local and EU companies to thrive and contribute to inclusive economic development. This includes also tackling security weaknesses and the promotion of national, international and EU investments that respect international commitments on anti-bribery and tax transparency (re. country-by-country reporting system), hence developing synergies among trade promotion, improved business environment and good governance. Innovative ways to create win-win outcomes between the development actions and the EU private sector should also be explored;

These objectives are fully in line with the current National Development Plan (NDP) PARP (Plano de Acção para a Reducção da Pobreza), adopted in May 2011, which identifies the main development objectives, and are also fully in line with the Agenda for Change (AfC), by focusing on governance and inclusive and sustainable growth, including job creation. They are also consistent with the draft Five-Year Government Plan (Plano Quinquenal do Governo, PQG), covering 2015-2019, which identifies as overall objective the improvement of living conditions of Mozambicans, increasing jobs, productivity, competitiveness and creating wealth and inclusive development, in a context of peace and security.

1.2 Choice of sectors

Sectors have been screened against the main criteria of expected results and potential impact in the medium-term, as well as the overall objective of the current NDP (PARP) and its successor document (the draft Five-Year Government Plan) of inclusive growth, through job creation and enhanced agriculture productivity, supported by macro-economic stability and good governance. Given the challenges faced by Mozambique, these objectives are not expected to change significantly with successive national strategies and they also take into account the EU´s comparative advantages.

Moreover, a possible joint programming exercise, with a joint approach with EU Member States, has started, based on the division of labour agenda, and progress is being made on the basis of a shared assessment of the development challenges of Mozambique, including the excessive fragmentation of aid due to the high number of Development Partners present in the country. The dialogue related to Joint Programming is on-going and is centred on the one side on the use of existing Government-led coordination mechanisms, and on the other side on the analysis presented in this National Indicative Programme (NIP), which is shared by the EU Member States. Actions include a mix of interventions aimed at strengthening systems, as well as direct support to key segments of the economy and the society (rural areas, small and medium-sized enterprises), bearing in mind the potential economic and social transformation that natural resources discoveries could bring in future years. Linkages are built in both sectors with measures in favour of civil society (see section 4 below). Moreover the need to promote greater coherence and synergies with the regional programming, including around measures aimed at facilitating the implementation of the Southern African Development Community (SADC) Economic

Partnership Agreement (EPA)[1] is also considered. The logic of intervention is underpinned by the following considerations:

- Around 75% of the population currently depend on the agriculture sector, mostly at subsistence level with extremely low productivity, and largely based on the mostly unpaid labour of women, hence this is a key area to strengthen in order to have a real impact on poverty and improve human development/nutritional status. This is in line with the focus on inclusive growth of the 'Agenda for Change'. Gender equality and women empowerment will be mainstreamed in all interventions, in consonance with the EU Gender Action Plan;
- The direct occupational impact of the capital-intensive extractive industries is limited, while at the same time the rest of the economy may be negatively affected by the natural resource boom through competitiveness effects (appreciation of the exchange rate) or competition for natural resources (e.g. land), hence the wider economy needs to be strengthened/diversified to face potential future shocks;
- A lever for this diversification is to ensure that whatever infrastructure is created around extractive industries (railways, roads or ports) can be transformed into more comprehensive development corridors benefitting other sectors of the economy, notably agriculture, by increasing its productivity and improving access to market, as well as deepening regional integration;
- Many gaps still exist, be they related to infrastructure, productive, entrepreneurial and regulatory environment (both at rural and urban level) or human development quality (health, education, social protection), or financial resources. These gaps affect the overall competitiveness of Mozambique. The mobilisation of an adequate set of European Development Fund (EDF) instruments, including budget support operations (such as the Good Governance Development Contract - GGDC) can contribute to reducing these gaps;

The justification for the choice of sectors takes into account Government priorities as embedded in several different strategy documents, continuity and coherence with previous cycles, lessons learned, donor presence, and assessment of the absorption capacity both of the national counterparts and the EU Delegation. Local stakeholders, in particular the civil society organisations, were also consulted to support this choice.

The EU experience with the General Budget Support (GBS) instrument has been largely positive. Under the 10th EDF, Mozambique has benefitted from a Millennium Development Goals Contract (MDG-Contract), an advanced form of GBS provided to good performers. The mid-contract review carried out in 2011 showed that the Government: maintained a stable macro-economic environment, despite the external shocks Mozambique faced (food and fuel crisis, international financial crisis); implemented systematically the Public Financial Management (PFM) reform agenda, leading to improvements as assessed through PEFA (Public Expenditure and Financial Accountability) and other analytical instruments; expanded access to social services, notably in health and education. Moreover, the Final Report of the latest Budget Support (BS) evaluation (March 2014) states that BS in Mozambique has been fundamentally successful, providing expanded fiscal space for priority sectors (notably education), promoting PFM reforms and focusing dialogue on specific aspects of the good governance agenda (anti-corruption).

In having to select a reduced number of sectors, the EU has also taken into consideration not only the need to ensure an overall coherence of EU interventions through other instruments, in particular the regional programming (including, when appropriate, the promotion of blending and other complementary initiatives, including preparatory actions), but also the expected future engagement of EU MS and other donors, with a special emphasis on the social sectors. Hence, the EU is counting on several Member States, but also Canada, Switzerland and the United States, as well as several United Nations agencies and the Global Fund (and other vertical funds) to conduct dialogue in relevant social sectors and benefit from it.

The EIB may contribute to the implementation of the EU response and National Indicative Programme through operations financed from the Cotonou Investment Facility and/or from its own resources, and

[1] The EU concluded negotiations on an EPA on 15 July 2014 with the SADC EPA Group including Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland.

through possibilities to use financial instruments ("blending"). Synergies and complementarities may be sought both in the focal sectors of the EU and in other sectors.

Against this background, it is proposed to develop a NIP with two focal sectors:

- Sector 1 - Good Governance and Development
- Sector 2 - Rural development

Sector 1 - Good Governance and Development, providing overall support to the national public policy and its priorities, through a Good Governance and Development Contract (GGDC - GBS modality), as well as complementary measures aimed at, on one hand, capacity building support to strengthen core government systems (including public financial management and statistics), control mechanisms, domestic accountability and macroeconomic management and, on the other hand, to promote a conducive environment regarding various relevant aspects of the political and economic governance.

In particular, the GGDC instrument will improve the financial capability of the government to implement its poverty reduction strategy and related strategic objectives. When designing the GGDC, emphasis will be put on a realistic time frame, taking into consideration overall opportunities and risks, and selecting result-based indicators including on health and education with attention on quality service delivery and business environment. GGDC will also allow for an enhanced dialogue on (fiscal) transparency, the fight against corruption, accountability in the use of natural resource revenues, pro-poor budgeting and social protection measures and value for money in public expenditure, whilst underpinning progress regarding compliance with fundamental values, including respect to human rights and fundamental freedoms.

The new approach to budget support introduced in the AfC is well suited to the Mozambican context, provided government commits to a strengthened framework for the prevention and control of corruption and provided the EU (in conjunction with its Member States) takes full advantage of the more political nature of this instrument. The instrument would make use of a review mechanism, to take into account both government performance and revenue generation capacity, which is expected to increase over time due to natural resource revenues.

As pointed out above, Mozambique's reliance on development assistance is falling (well over 50% of its expenditure was covered by external grants up to 2008-2009, while in 2014 this reached 30%), thanks to substantial efforts in domestic revenue generation.

On related capacity building, the approach is to continue strengthening those institutions that promote effective participation in policy and planning and strengthen checks and balances, as well as creating a more vocal demand for transparency, good governance and respect for human rights, with a view to enhancing democratic accountability. Main interventions in this area would cover inter alia:

i) Support to PFM reforms: revenue management, project selection criteria (cost-benefit analysis) and implementation; on the expenditure-side more attention could be paid to how sectors operate and implement the reforms already initiated (e.g. local equivalent to Integrated Financial Management Systems). A new programme with the PFM Unit and the Supreme Audit Institution started in 2012 and would provide the latest insights and knowledge of what is needed in future.

ii) Support to consolidation of democracy, accountability and the Rule of Law: lessons learnt from a new 10th EDF programme that started in 2013 would be fully taken on board, notably on the oversight role of Parliament as well as the role of the Public Prosecutor and the justice system in guaranteeing the rule of law and fighting corruption.

As regards the promotion of a conducive environment regarding relevant aspects of the political and economic governance context, complementary specific actions will be envisaged to mitigate risks and/or address related governance challenges in areas such as the strengthening of rule of law and/or the deepening of the democratic system including horizontal and cross-sector matters necessary to ensure coherence and sustainability of the objectives of the "development and good governance" focal sector.

Specific linkages will also be made with support measures to civil society (see section 4).

Sector 2 - Rural development, adopts a two-pronged approach to the support of inclusive growth and poverty reduction in rural areas. Food security and nutrition remain paramount concerns in Mozambique, which is underlined by the simple fact that after a decade of high GDP growth, 43% of children under five are stunted. This reflects the deep-seated and multi-faceted nature of poverty, in particular in rural areas. Improving the nutritional status and resilience within the fight against poverty is highly relevant in Mozambique, and is strongly emphasised in the Agenda for Change. In order to engender a continued improvement in the situation, active support will equally be provided for more inclusive growth, by fostering the conditions for sustainable growth of small and medium-sized enterprises in rural areas.

The two prongs of the approach will complement each other as part of a coherent effort, which will concentrate its activities upon areas of likely success (in co-ordination with other partners and the Government), and will be complementary to the regional programme, which is expected to address the wider regional integration agenda, including from the infrastructural point of view. The need to ensure synergies and sustainability to actions/objectives identified under the rural development focal sector scope, may also require complementary initiatives concerning, inter alia, national, horizontal and cross-sector matters, closely linked to rural development major bottlenecks, including environmental aspects.

In 2013, the Government launched its agricultural investment plan for 2012-2017 (Plano Nacional de Investimento no Sector Agrário, PNISA), which builds upon the CAADP compact and equally reflects the national sector strategy 2011-2020 (Plano Estratégico para o Desenvolvimento do Sector Agrário, PEDSA). This plan establishes the framework for development assistance in the area of rural development in the coming years; it identifies six priority development corridors and emphasises the role of the private sector in leading the growth effort. The overall goals of the plan are to improve agricultural growth and food security and nutritional status. The food security and nutrition goals fully coincide with those in the national action plan for the reduction of the chronic malnutrition (Plano de Acção Multi-sectorial para a Redução da Desnutrição Crónica, PAMRDC).

Interventions funded by the EU can be considered as two interdependent and reinforcing groups, seeking to:

1. Improve food security and nutrition status

The **availability** of food should be increased through production improvements, focussing on the extremely low use of technology in production among male and female smallholders and fisherfolks (without distorting local markets). **Access** to food could be strengthened by continued efforts to increase storage and the access to markets, which help both consumers and producers. This would include appropriate transport infrastructure, and tie in to the interventions proposed under the rural competitiveness component (see below).

In addition, **nutrition-specific** interventions are necessary to address the extremely high levels of stunting in Mozambique (wasting is a more limited problem). The objective is to improve the underlying conditions of malnutrition, including by improving the environment faced by mothers and children (especially during the first 1000 days from conception). Interventions could then focus in particular upon caring practices, water and sanitary environment and other forms of assistance, such as social safety nets.

2. Enhance rural competitiveness

The concern to engender inclusive growth underpins these interventions, which seek to strengthen the fabric of micro, small and medium-sized enterprises in rural areas, and so ensure a sustainable improvement in living conditions for a broader segment of the population, following an adequate gender balance. The limited role of the private sector in rural areas is widely recognised, so the aim is to improve the operating conditions and productivity of local economic players. Linkages to a market provide the necessary counterpart (or stimulus) for production improvements in rural areas. The recognition and reinforcement of value chains at the local level sits at the heart of rural competitiveness interventions.

Improvements in the physical access to markets and energy will form an essential component of the support, equally included under food security activities (see above). Markets, local producers and households will all benefit from increased electrification in rural areas, in line with the government's strategy for improving the living conditions for the rural population.

Softer measures are also envisaged, in order to support firms move up the value chain. These measures could address access to finance and specific skills gaps, but equally support local producer associations to organise their members and improve their collective supply for the market. This responds to well documented challenges faced by business in rural areas, and reinforces recent improvements. Private sector partnerships will be sought for fast and efficient delivery where possible, with specific attention paid to public-private operations, both in the SMEs area and in the rural infrastructure component, in order to create synergies with the private sector at all levels. Blending operations could also be identified, in particular regarding infrastructure gaps, including in the energy sector.

The importance of strengthening dialogue and mutual understanding between public and private sector is a recurring concern for agro-businesses at the local level. The implementation of local activities will be tied to such a dialogue, building on current experiences of local economic development. In complement to this, dialogue under the GGDC of focal area 1 will address the national business environment, including regulatory aspects.

These interventions reflect closely the holistic approaches proposed in several recent Commission communications on food security, nutrition, resilience, energy, climate change, gender and decentralisation.

2. Indicative financial overview

The amounts mentioned below provide an indication of the overall breakdown of funds between the focal sectors and other measures. The Mozambique context and the duration of the NIP require a certain level of flexibility. The amounts allocated to focal sectors may discretionary be adjusted up to 15% in order to cope with operational requirements without affecting the overall allocation of the NIP. Further adjustments may result from mid-term, final or ad hoc reviews.

Focal area/sector	Indicative amount (million EUR)	% of total
Focal Sector 1:Good Governance and Development	367	50
Focal Sector 2: Rural Development	325	44
Cross-cutting: Civil Society	22	3
Cross-cutting: Support measures	20	3
Total	**734**	**100**

3. EU Support per sector

3.1 Good Governance and Development (indicative amount EUR 367 million)

3.1.1 The following overall and specific **objectives** will be pursued:

The **overall objective** of support to Good Governance and Development is to contribute to poverty eradication, sustainable and inclusive growth and consolidation of democracy.

Specific objectives: improve cross-cutting service delivery aspects; address constraints on sustainable and inclusive growth; strengthen core government systems and supporting broader reforms (macro, PFM);

foster domestic accountability and strengthen national control mechanisms to improve governance including environmental governance; improve the general political/economic governance context through targeted actions, including institutional and technical support as well as assistance/support to policy reforms.

3.1.2. For each of the specific objectives the main expected **results** are:

- improvements in the quality of PFM
- improvements in domestic accountability, political governance, and effectiveness of control mechanisms, including those related to environmental protection and the sustainable management of natural resources (ENV)
- improvements in key indicators related to health and education and cross-cutting service delivery aspects
- improvements in the business environment
- strengthening of rule of law and the deepening of the democratic system

3.1.3. The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 3. Under the GGDC, further indicators will be identified in the framework of the annual Performance Assessment Framework of the GBS operations with particular attention to inclusive growth indicators, which will be negotiated with Government every year. Other specific indicators will be identified in relation to the complementary PFM and Governance measures.

3.1.4. **Donor coordination** and **policy dialogue**:

Mozambique has received General Budget Support (GBS) in its modern form since 2000, and donor coordination has quickly developed, structured around a Memorandum of Understanding (MoU), which defines the terms of the relationship between donors and the government. The overall objective of the partnership is to contribute to poverty reduction in all its dimensions by supporting the evolution, implementation and monitoring of the national development strategy. The GBS group evolved from a small group of four, to 15 in 2004, and 19 in 2009 (the G19). Since then some members have left the group, currently made up of 16 GBS providers. On the donor side, regular coordination meetings of the G19 take place at various levels (Economists, Heads of Cooperation, Heads of Mission) and a system of Troika+ is in place, with a new incoming member chosen every year, who serves for a 3-year term. The Troika+ represents the group in dialogue with the Government and is constituted by five agencies. The EU and the World Bank (WB) are permanent members of the Troika+. A revision process to this structure is on-going, so as to make the GBS dialogue more focused and effective.

Policy dialogue is structured around two main processes per year, namely the Annual Review (March-May) and the Planning Meeting (Sept-Oct), both aligned with the cycle of Government Planning and Budgeting. The Annual Review is backward-looking and aims at assessing Government performance on the basis of the common Performance Assessment Framework (PAF). The Planning Meeting is forward-looking and aims at assessing the consistency of the Medium Term Expenditure Framework (MTEF) with the proposed budget for the following year, as well as setting PAF indicators and targets for the following two to three years. Both processes are informed by the sectoral dialogues, which contribute in assessing plans, budgets, policies and performance. Specific technical PFM and Governance groups also provide support to the GBS dialogue. The recently concluded GBS evaluation in Mozambique provides useful indications for designing the future programme, most notably in terms of reinvigorating the dialogue structure and focus (moving towards more systemic and cross-cutting issues) and reducing transaction costs.

Political and economic governance issues are systematically addressed at political level in the context of the regular Political Dialogue between the EU and the Government of Mozambique[2].

3.1.5. The Government's **financial and policy commitments***:*

As agreed with partners involved in budget support (G19) per a "Memorandum of Understanding for budget support", the provision of GBS to Mozambique is given on the understanding that the Government continues to demonstrate commitment to the following essential underlying principles: 1) safeguarding peace and promoting an open political system and credible democratic political processes; independence of the judiciary, the rule of law, respect for human rights, good governance and probity in public life, including the fight against corruption; 2) prioritising fighting poverty through its policies and plans and in its patterns of public expenditure; 3) pursuing sound macro-economic policies and public financial management systems. So far the Government of Mozambique has developed specific poverty reduction strategies, the latest one being the PARP, covering 2011-2014 (with an extension to end 2015), where these principles were mainstreamed, together with the overall objective of inclusive growth. Priority sectors have on average accounted for over 64% of state resources. In future, similar documents may be elaborated, as a minimum the Five-year Plan (*Plano Quinquenal do Governo*), which is enshrined in the Constitution. This Plan is complemented by the more long-term strategies such as Agenda 2025 or the draft 10-year National Development Strategy (END) that takes into account the more recent developments (slow rate of poverty reduction, natural resources funds) and focuses on ways to promote economic transformation.

The 3-year Medium-Term Fiscal and Expenditure Framework, the Annual Budget and the Social and Economic Plans (PES) are expected to accompany these strategies with consistent domestic financial allocations in the budget and coherent policies.

3.1.6. The overall **risk assessment** of the sector intervention:

> **Political risk:** the Constitution of the Republic of Mozambique guarantees a multi-party system, the separation of powers, freedom of expression and of political choice. These guarantees still need close attention and monitoring. Challenges regarding the promotion of an inclusive and open political system should continue to be addressed in order to sustain political stability and development. As with many developing countries and other countries in the region, the concentration of powers in the executive brings challenges in terms of judicial independence, accountability mechanisms, strengthening of political tolerance, freedom of the press, and in general of depoliticising State Institutions. The openness in debating these issues in the Political Dialogue will be essential, complemented by specific EU support in the areas of rule of law, dialogue with Civil Society Organizations and other programmes on Governance.

> **Developmental risk**: past years of high growth in Mozambique have not yielded the expected reduction in poverty. With the recent discovery of natural resources, developmental risks are related to the good management of these natural resources, based on transparent and participatory processes, and on policies with a clear focus on wealth, job creation and agriculture productivity as well as more broadly on economic empowerment, both in rural and urban areas. A continuous Political Dialogue on ways to achieve inclusive and sustainable development will be important and can be accompanied by specific EU support to relevant Government institutions and Civil Society Organisations.

> **Public Financial Management risk:** starting from a low base, Mozambique has made significant improvements in strengthening its public financial management system for the last decade, improving internal control, implementing financial management (IFMIS) and electronic payment systems, leading to an overall moderate risk level. These advances are most evident through indicators on budget credibility (execution around 95%), payment executed through the system (around 60% of expenditure), and a relatively good external audit coverage (20%). Risks remain in the field of: strict enforcement of laws on public procurement, based on the principles of integrity and competitive procedures; strengthening the credibility of the state budget, with the inclusion of information on State participations, and potential fiscal risks; systematic follow-up of Supreme Audit Institution's Audits. As revenues from natural resources

[2] Art. 8 of the ACP-EC Partnership Agreement signed in Cotonou on 23 June 2000, revised and signed in Luxemburg on 25 June 2005, revised and signed in Ouagadougou on 22 June 2010.

increase, the challenge of Mozambique will be to strengthen fiscal rules to maintain a prudent management of funds from natural resources. Continuous policy dialogue in this area, complemented by specific EU support for Public Finance Management reform programmes, including External Control institutions (Administrative Court) and oversight (Parliament), will be necessary, as well as enhancing domestic monitoring. Going forward, a trend of decreasing risk could be justified in this area.

> Corruption/fraud risk: surveys based on corruption perceptions show that this phenomenon continues to be a significant concern in Mozambique, and, together with the challenges in terms of public sector integrity and effectiveness in the fight against corruption, point to a substantial overall risk in this area. Mitigation measures consist of continuous policy and political dialogue on anti-corruption legislation and its implementation, demanding decisive measures to prevent and combat corruption, i.e. bringing to justice both of those accused of corruption and those corrupting, as well as long-term EU support to institutions that improve transparency, combating corruption and accountability (Attorney General, Anti-Corruption Office,) and Civil Society Organisations, in a coordinated manner with Government.

> **Macro-economic risk**: the Government of Mozambique has been committed for many years to prudent monetary and fiscal policies, monitored by the IMF, which produced tangible results in terms of macroeconomic stability. The risk in this area was rated as moderate due to the Debt Sustainability Analysis (Debt Sustainability Analysis - DSA); thus, debt management and project selection should be kept under close scrutiny, and cost-benefits of loans, especially non-concessional, should be thoroughly analysed. The continued commitment of the Government to IMF programmes is an important mitigation measure in this area.

In conclusion, on the basis of the risk assessment methodology of the European Union, the Good Governance and Development Contract in Mozambique is exposed to an overall moderate risk, with higher levels of risk in the areas of corruption/fraud and developmental risk.

3.2 Rural Development (indicative amount EUR 325 million)

3.2.1 The following overall and specific **objectives** will be pursued:

Overall objective: To foster sustainable, inclusive and broad-based economic growth and reduce poverty in targeted rural areas of Mozambique and vulnerability against climate change impacts[3]

Specific objectives:

- Improve food security and nutrition status
- Enhance rural competitiveness

3.2.2. For each of the specific objectives the main expected **results** are:

Improve food security and nutrition status

- *Nutrition status improved*
- *Availability of food increased*
- *Access to food increased*

Enhance rural competitiveness

- *Improvement in SME and smallholders' participation in economic activities in rural areas*
- *Economic diversification increased*
- *Improved access to public goods and services in rural areas*

[3] Including when adequate drought and land degradation. Concrete priorities will be identified during the appraisal of specific projects/programmes, taking in consideration, inter alia, the project location area and the division of labour with other stakeholders.

3.2.3. The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 3. Other indicators, notably to access increases in commercial activity, to access to credit in rural areas etc., could be considered and identified during the identification phase.

3.2.4. **Donor coordination** and **policy dialogue** are:

The dialogue set-up for agriculture/rural development sector is being reviewed in light of the launch of the PNISA (Plano Nacional de Investimento no Sector Agrário - National Agricultural Sector Investment Plan) investment plan in 2013; the intention is for both a comprehensive sector dialogue (including all stakeholders), as well as dedicated dialogue for development partners. Both would occur twice per year, be led by the Minister of Agriculture, and be underpinned by technical preparatory meetings. It would be based around the main policy, planning, budgeting and monitoring documents of the PNISA, which remains under the lead of the Ministry of Agriculture. This set-up still needs to be institutionalised, but it should be noted that this effectively represents a return to the system previously in place under a common fund arrangement (inactive since 2011).

Donors in rural development participate in the AgRED (Agriculture and Rural Economic Development) donor group, currently chaired by the EU. The co-ordination in practice among donors is not strong, although it should improve as the PNISA co-ordination system bears fruit. A comprehensive table of planned interventions under the PNISA framework has been drawn up as a first step in this direction. This includes contributions by Ministry of Agriculture. A remaining challenge is to tie assistance to rural development to the support provided in closely related fields, such as agro-investment or rural roads. The PNISA co-ordination mechanism would equally seek to address this level of co-ordination. While the energy, road and water sector groups include a specific dialogue around rural strategies, there is not yet a well-developed system of exchange and coordination.

Although there is a common fund tool available, only a very limited number of donors are currently contributing to it. Consequently, practically all support to rural development currently takes the form of projects – some on-budget, and many off-budget.

Nutrition activities are co-ordinated around the national action plan (PAMRDC) and a specific donor group has been set up to respond to this. In Government, a dedicated secretariat has been set up in order to co-ordinate nutrition interventions, which links the ministries of Agriculture and Health. Nevertheless, the ownership of nutrition within the line ministries will need to be strengthened.

3.2.5. The Government's **financial and policy commitments** are*:*

Commitment to follow through on CAADP (Comprehensive Africa Agriculture Development Programme) Investment plan PNISA; this sets a medium-term goal for sector co-ordination activities, as well as its budgetary planning.

Financial commitments to PNISA by the Ministry of Agriculture have been set out for the early years of the plan; substantial private investment is being sought, in addition to continued support by donors.

The policy orientation of the GoM has been outlined in the PNISA, and emphasises the private sector role and six national growth corridors. Commitments have also been made under the G8 New Alliance for Food Security, and World Bank's Development Policy Operation. Implementation of these will be tracked and is expected to be an integral part of the PNISA policy matrix. These include improved market access for private input suppliers, and easier marketing, as well as strengthening implementation of the nutrition agenda.

3.2.6. When needed, the appropriate type of **environmental assessment** (Strategic Environmental Assessment or Environmental Impact Assessment) will be carried out. More generally, environmental sustainability and climate change will be mainstreamed as adequate in all identified actions and the related risks will be assessed at the identification phase.

3.2.7. The overall **risk assessment** of the sector intervention:

The holistic nature of the proposed interventions underlines the need for a sufficient degree of co-ordination of activities to ensure effectiveness. This will form an essential component to be addressed by the programme formulation, and is already the subject of continued follow-up during the current implementation phase (as it builds to a considerable degree upon current activities). The co-ordination will be required at several levels:

- At inter-ministerial level, to ensure coherent planning of activities which are inter-dependent, both for rural competitiveness and food security and nutrition interventions. This will require continued effort by the Government and steps towards the systematisation of the co-ordination effort which has not been achieved yet. The co-ordination approaches of the PNISA and the PAMRDC (Plano de Acção Multi-sectorial para a Redução da Desnutrição Crónica - Multi-sectoral Action Plan to Reduce Chronic Malnutrition) are in process of being established, and will require political will to become entrenched. A mid-term review of the PAMRDC was launched in September 2014, and its results will be taken into account to better prioritise causes of malnutrition and how to address weak institutional capacities and limited human and financial resources.

- Among co-operating partners, a relatively large number of players is engaged in all or some of the activities which impacts upon the interventions proposed, and continued efforts are needed to ensure integration of rural development interventions with rural competitiveness, including infrastructure interventions. Equally, co-ordination within the various components of the EU programme is necessary to ensure the complementarities are achieved, notably by concentrating efforts on areas where success is most likely.

Capacity constraints in the key ministries present a risk at both central and local level. This risk is addressed in part by continued capacity building under the current "Local Economic Development Programme", which seeks to strengthen the ability of local and provincial authorities to support businesses and value chains through small-scale infrastructure investments. Such efforts should also help address a recurring risk, which is the inadequate maintenance of infrastructure – by improving the integration infrastructure interventions into local planning, the chance of ensuring maintenance also improves.

Similarly, financial management in some key ministries is currently not strong enough to allow for the most aligned modalities – this will require continued monitoring throughout the formulation period and support where appropriate, including a joint reflection on the most suitable implementation modality.

Fostering broad-based growth needs to be under-pinned by improvements in operating environment of small businesses in rural areas. The inclusion of business environment improvements in the budget support dialogue and among its key indicators should help maintain policy commitment for this.

Finally, the private sector at the local level needs to respond to opportunities which present themselves. Issues such as skills gaps, corruption and regulatory complexity risk hampering this, and collective commitment is needed to achieve improvements. Increased dialogue and information sharing between public and private sectors at the local level will enhance the necessary linkages, while skill gaps could also be addressed directly by the programme.

4. Measures in favour of civil society

An indicative amount of 3% of the envelope is set aside for support to Civil Society Organisations (CSO), to be complemented by EU thematic budget lines support (CSO and EIDHR). This is particularly relevant in the Mozambican context, in order to strengthen domestic accountability mechanisms and a strong demand for transparency in all realms.

Support to CSOs is envisaged as a natural complement to interventions in Sector 1 (Good Governance and Development), namely to enable CSOs to play their role in the entire budget cycle, from policy formulation to monitoring of budget execution and the provision of quality service delivery by the State, including at the sub-national level. Developing CSOs capacity to monitor and track public revenues, investment priorities and debt sustainability is also very relevant for Mozambique, in view of the expected future revenue inflows from extractive industries.

Support to CSOs is also envisaged for strengthening the institutional mechanisms of 'vertical' checks and balances, e.g. in promoting dialogue between CSO on one side, and Government, Parliament and other oversight bodies (Supreme Audit Institution, Anti-Corruption office, Ombudsman, Human Rights Commission, etc.) on the other side.

CSO could successfully implement actions which complement both the Governance and the rural development sectors, such as the land use and environmental protection areas.

It should be added that CSOs' specific technical expertise is expected to be called upon in implementing actions to complement and enhance interventions under Sector 2 (Rural Development) in targeted areas, for example in the nutrition and vocational education and training. This envelope could also address specific cross-cutting issues in the Rural Development area, such as strengthening the capacity of economic operators in rural areas.

5. B-allocation

The B-allocation for unforeseen needs is set at EUR 0 until a need arises.

6. Support measures

6.1 Measures to support or accompany the programming, preparation or implementation of actions:

A support facility (i.e. the Technical Cooperation Facility - TCF) of an indicative amount of EUR 15 million, which aims to support and accompany the programming, preparation or implementation of actions is foreseen. This could also be used for complementary actions related to regional programming, to ensure an overall coherence of EU interventions through all instruments.

6.2 Support to the National Authorising Officer:

An indicative amount of EUR 5 million may be foreseen for support to the National Authorising Officer.

Attachments

1. **Country at a glance**
2. **Donor matrix showing the indicative allocations per sector**
3. **Sector intervention framework and performance indicators**
4. **Indicative timetable for commitment of funds**

ANNEXES

Attachment 1: Country at a Glance

Basic Data		2009	2010	2011	2012	2013	2014-Estim
1	Population (in 1000)	21,803	22,417	23,050	23,701	24,366	25,024
	- annual change in %	2.8	2.8	2.8	2.8	2.8	2.7
2a	Nominal GDP (million EUR)	7,753	7,671	9,528	12,065	11,908	12,703
2b	GDP per capita (millions EUR)	329.9	319.0	384.8	458.5	456.2	477.1
2c	- annual change in % (Nominal GDP in EUR)	24%	-1%	24%	27%	-1%	7%
3	Real GDP growth (annual change in %)	6.3%	6.8%	7.4%	7.1%	7.5%	7.5%
4	Gross fixed capital formation (in % of GDP)	14%	16%	17%	15%	17%	N/A
<u>Note</u>: Source is IMF reports. In July 2014 GDP data were revised upward by about 11% for 2009 and rebased from 2003 to 2009. Changes in the real GDP growth historical data series were marginal, and so were changes in sectorial composition. With the rebasing, the Statistics Institute (INE) adopted a new Classification of Economic Activities consistent with international standards. All figures in this report are re-adjusted based on the revised GDP data series.							
Balance of payments		**2009**	**2010**	**2011**	**2012**	**2013**	**2014-Estim**
5	Exports of goods (in % of GDP)	22%	24%	29%	24%	26%	27%
	- o/w aluminium - code 76 (in % of exports)	61%	52%	45%	31%	26%	30%
	- o/w Mineral fuels, oils, distillation products - code 27 (in % of exports)	17%	20%	16%	28%	33%	30%
	- o/w to South Africa (in % of exports)	21%	21%	16%	19%	22%	20%
	- o/w to EU (in % of exports)	51%	61%	53%	41%	38%	38%
5a	Trade balance (% of GDP)	-9.6	-10.2	-13.7	-9.1	-10.2	N/A
	- share of EU imports in goods	24%	31%	22%	23%	15%	19%
6	Export of services (in % of GDP)	6%	6%	6%	7%	11%	N/A
	- o/w travel (in % of service exports)	32%	32%	31%	23%	N/A	N/A
	- o/w Miscell. business, professional and technical services (in % of service exports)	15%	16%	13%	26%	N/A	N/A
6a	Current account balance (% of GDP) - after grants	-12.2%	-11.7%	-23.1%	-43.6%	-37.7%	-39.4

7	Net inflow of remittances (% of GDP)	1.1%	1.4%	1.2%	1.5%	1.4%	N/A
8	Foreign direct investment, net inflows (% of GDP)	8.4%	12.4%	27.5%	37.7%	42.8%	N/A
9	External Public debt (in % of GDP)	37.3%	40.2%	31.2%	35.5%	43.5%	48.4%
10	Debt service (PPG and IMF only, % of exports of goods, services and primary income)	2%	1.9%	1.9%	3.1%	N/A	N/A
11	Foreign exchange reserves (in months of projected imports of goods and non-factor services)	5.2	3.3	2.9	2.7	2.8	2.6
Trade capacity		**2009**	**2010**	**2011**	**2012**	**2013**	**2014-Estim**
12	Average cost to export (USD per container)	1100	1100	1100	1100	1100	1100
13 a	Global competitiveness index - Rank			133/ 124	138/ 144	137/ 148	133/ 144
13 b	Global competitiveness index - Index (score 1-7)			3.3	3.2	3.3	3.24
Government budget		**2009**	**2010**	**2011**	**2012**	**2013**	**2014-Estim**
14	Revenues (in % of GDP)	27.1%	29.7 %	19.7%	22.4%	26.9%	27.3%
	- o/w grants (% of GDP)	9.5%	9%	7.4%	5.2%	5.3%	4%
	- o/w external tariff income (% of GDP)	1.5%	1.7%	1.8%	1.9%		
	- Share of Int. Trade in tax revenue		9.9%	10.1%	9.4%	9.3%	8.8%
15	Expenditure (% of GDP)	32.6%	32.9%	31.9%	31.4%	34.9%	41.9%
	- o/w capital expenditure (% of GDP)	12.9%	14%	13.1%	11.9%	13.1%	14.1%
16a	Deficit (% of GDP) including grants	-5.5%	-4.3%	-5%	-4%	-2.8%	-10.6%
16b	Deficit (% of GDP) excluding grants	-15%	-13.2%	-12.4%	-9.1%	-8.1%	-14.5%
17	Total (domestic + external) public debt (% of GDP)	40.5%	46.1%	37.5%	41.1%	52.3%	56.8%
Monetary policy		**2009**	**2010**	**2011**	**2012**	**2013**	**2014-Estim**
18	Consumer price inflation (annual average rate in %)	3.3%	12.7%	10.4%	2.1%	4.2%	2.6%
19	Real interest rate (for money, annual average rate in %)	11.8%	6.5%	14.7%	13.5%	11.7%	N/A
20	Exchange rate: annual average national currency / 1€	38.04	44.8	40.41	35	39.9	40.9

Sources: IMF, WB, ITC and Mozambique National Statistics Institute (INE)

Attachment 1 B - Key MDG and development indicators[4]

Key indicators	1990-1999	2000-2004	2005-2009	2010	2011	2012	2013	2014	GOALS 2015
1. % Population below $1.25 (PPP) per day	80.6 (1996)	74.7 (2003)	59.6 (2008)	-	-	-	-	-	40
2. % Children under 5 moderately or severely underweight	23.9 (1995) 26.3 (1997)	23.0 (2001) 21.2 (2003)	18.3 (2008)	-	15.6	-	-	-	17
3. Children under 5 mortality per 1000 live births	211.93 (average over 10 years)	153.42 (average over 5 years)	120.28 (average over 5 years)	102.5	97.2	90.6	87.2	-	108
4. % People living with HIV, 15-49 years old	3.13 (average over 10 years)	9.46 (average over 5 years)	11.26 (average over 5 years)	11.20	11.10	10.90	10.80	-	Halt / revert trend
5. % births attended by skilled health personnel Proxy indicator: "institutional deliveries"	44.2 (1997)	47.7 (2003)	55 (2008)	55	62	62.8	65	71	66
6. % 1 year old children immunised against measles	61.8 (average over 10 years)	76.2 (average over 5 years)	77.2 (average over 5 years)	82	82	82	-	-	95
7. Net enrolment ratio in primary education	45.43 (average over 10 years)	65.48 (average over 5 years)	86.14 (average over 5 years)	89.3	86.5	86.4	-	-	100
8. Ratio girls/boys - in primary education - in secondary education - in tertiary education	0.74 0.59 0.29 (average over 10 years)	0.79 0.65 0.47 (average over 5 years)	0.87 0.73 0.58 (average over 5 years)	0.90 0.82 -	0.90 0.86 0.62	0.91 0.89 -	- - -	- - -	1

[4] Main source used is the database available on the official UN site for MDG, http://mdgs.un.org/unsd/mdg/Data.aspx . Other sources are indicated in footnotes.

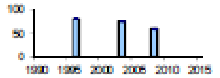
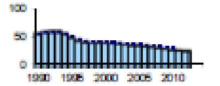
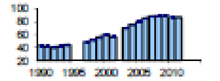
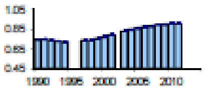
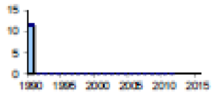
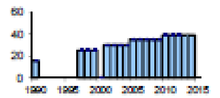
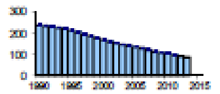
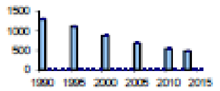
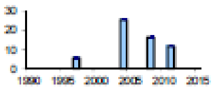
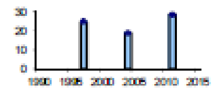
9. Primary school completion rate	24.04 (average over 10 years)	21.6 (average over 5 years)	48.56 (average over 5 years)	60.3	55.7	52.2	-	-	100
10a. % proportion of population using an improved sanitation facility - urban - rural	34.7 2.6 (average over 10 years)	38.2 5.8 (average over 5 years)	40.8 8.2 (average over 5 years)	42 10	43 10	44 11	- -	- -	-
10b. % proportion of population using a improved drinking water source - urban -rural	Total: 36.8 72.7 24.2 (average over 10 years)	Total: 42.4 75.8 28.4 (average over 5 years)	Total: 45.6 78.2 31.6 (average over 5 years)	Total: 48 79 34	Total: 49 80 34	Total: 49 80 35	-	-	70
11. Fixed lines (F) subscriptions and Mobile-cellular (M) subscriptions per 100 inhabitants	F: 0.37 M: 0.04 (average over 10 years)	F: 0.43 M: 1.61 (average over 5 years)	F: 0.34 M: 15.36 (average over 5 years)	F: 0.37 M: 30.14	F: 0.36 M: 31.96	F: 0.35 M: 34.94	F: 0.30 M: 48	- -	- -
12. Formal cost required for business start up[5] **Proxy indicator: "Cost as % of income per capita"**	-	112.1 (2004)	21.6 (2008) 22.9 (2009)	19.3	25.2	-	-	-	-
13. Time required for business start-up[6] (days)	-	153 (2000)	29 (2008) 26 (2009)	26	13	-	-	-	-
14. Real GDP per capita (in purchasing power parity, in USD)	-	260.4 (2000)	476.9 (2008)	447	606	606	-	-	-

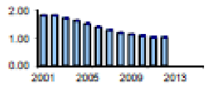
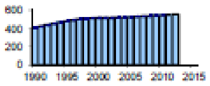
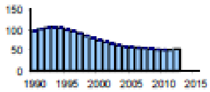
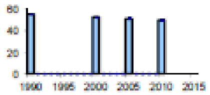
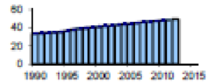
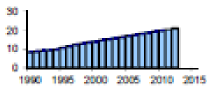
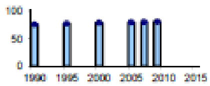
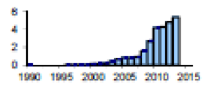
5 Source: www.doingbusiness.org
6 Source: www.doingbusiness.org

			453.8 (2009)						
15. % Access of rural population to an all season road[7]	-	-	11	24	-	-	-	-	-
16. % Household electrification rate[8]	-	-	11.7 (2009)[9]	14.9[10]	16[11]	38[12]	-	-	-
17a. % Unemployment (in % of labour force, ILO def.)	-	18.7 (2005)	-	-	-	Total: 22.5 M: 19.9 F: 24.6	-	-	-
17b. % Employment -to-population ratio - Men - Women	Total: 72.6 67.8 (1997) 76.8 (1997)	Total: 81.5 80.7 (2003) 82.1 (2003)	-	-	-	Total: 77.5 80.1 75.4	-	-	
18. Employment in agriculture (in % of total employment)		80.5 (2003)[13]							

[7] There are two main approaches to measuring this indicator: (a) household surveys that include information about access to transport, and (b) mapping data to determine how many people live within the specified catchments of the road network. A possible source of information for DEL, alternative to Gov, is the WB (limited to 31 IDA countries).
[8] The indicator is estimated using national household surveys and Core Welfare Indicators Questionnaire (CWIQ) surveys. For DEL the source would be the WB's Economic Research Group report, available for 50-55 countries.
[9] World Bank and International Energy Agency: http://www.worldenergyoutlook.org
[10] Balanco do Plano Económico e Social 2013
[11] Balanco do Plano Económico e Social 2013
[12] Balanco do Plano Económico e Social 2013
[13] http://databank.worldbank.org/data/home.aspx

Snapshot of the MDG – Mozambique – November 2014:

MDG Country Progress Snapshot:	Mozambique									Last update: Nov. 2014
Goals and Targets	*Indicators*	*First Year*		*Latest Year*		*Percent-age Change*	*Country Progress*		*Region Latest Data: Sub-Saharan Africa*	
		Value	*Year*	*Value*	*Year*		*Level* [1/]	*Chart*	*Value*	*Year*
Goal 1: Eradicate Extreme Poverty and Hunger										
Reduce extreme poverty by half	Proportion of population living below $1.25 (PPP) per day (%)	80.6	*1996*	59.6	*2008*	*-26*	very high poverty		48.4	*2010*
Reduce hunger by half	Proportion of population below minimum level of dietary energy consumption (%)	55.4	*1991*	27.9	*2013*	*-50*	high hunger		24.8	*2011-2013*
Goal 2: Achieve Universal Primary Education										
Universal primary schooling	Net enrolment ratio in primary education (enrolees per 100 children)	44.0	*1990*	86.4	*2012*	*97*	moderate enrollment		77.9	*2012*
Goal 3: Promote Gender Equality and Empower Women										
Equal girls' enrolment in primary school	Ratio of girls to boys in primary education	0.76	*1990*	0.91	*2012*	*20*	close to parity		0.92	*2012*
Women's share of paid employment	Share of women in wage employment in the non-agricultural sector (%)	11.4	*1990*	..	..	-	low share		33.4	*2012*
Women's equal representation in national parliaments	Proportion of seats held by women in national parliament (single or lower house only - %)	15.7	*1990*	39.2	*2014*	*150*	moderate representation		22.9	*2014*
Goal 4: Reduce child mortality										
Reduce mortality of under-five-year-old by two thirds	Under-five morality rate (deaths of children per 1,000 births)	237.0	*1990*	87.2	*2013*	*-63*	high mortality		92	*2013*
Goal 5: Improve maternal health										
Reduce maternal mortality by three quarters	Maternal mortality ratio (maternal deaths per 100,000 live births)	1300	*1990*	480	*2013*	*-63*	high mortality		510	*2013*
Access to universal reproductive health	Contraceptive prevalence rate (percentage of women aged 15-49, married or in union, using contraception)	5.6	*1997*	11.6	*2011*	*107*	low access to reproductive health		25.7	*2012*
	Unmet need for family planning (percentage of women aged 15-49, married or in union, with unmet need for family planning)	24.9	*1997*	28.5	*2011*	*14*			25.1	*2012*

MDG Country Progress Snapshot:		**Mozambique**								Last update: Nov. 2014
Goals and Targets	*Indicators*		*First Year*		*Latest Year*		*Percent-age Change*	*Country Progress*		*Region Latest Data: Sub-Saharan Africa*	
			Value	*Year*	*Value*	*Year*		*Level* [1/]	*Chart*	*Value*	*Year*
Goal 6: Combat HIV/AIDS, malaria and other diseases											
Halt and begin to reverse the spread of HIV/AIDS	HIV incidence rate (number of new HIV infections per year per 100 people aged 15-49)		1.83	*2001*	1.03	*2012*	*-44*	high incidence		0.31	*2012*
Halt and reverse spread of tuberculosis	Incidence rate and death rate associated with tuberculosis	Number of new cases per 100,000 population	401	*1990*	552	*2012*	*38*	high mortality		255	*2012*
		Number of deaths per 100,000 population	98.0	*1990*	53.0	*2012*	*-46*			27	*2012*
Goal 7: Ensure environmental sustainability											
Reverse loss of forests	Proportion of land area covered by forest (%)		55.2	*1990*	49.6	*2010*	*-10*	high forest cover		28.1	*2010*
Halve proportion without improved drinking water	Proportion of population using an improved drinking water source (%)		33.6	*1990*	49.2	*2012*	*47*	very low coverage		64.0	*2012*
Halve proportion without sanitation	Proportion of population using an improved sanitation facility (%)		8.5	*1990*	21.0	*2012*	*148*	very low coverage		30.0	*2012*
Improve the lives of slum-dwellers	Proportion of urban population living in slums (%)		75.6	*1990*	80.5	*2009*	*6*	very high proportion of slum dwellers		61.7	*2012*
Goal 8: Develop a global partnership for development											
Internet users	Internet users per 100 inhabitants		0.0	*1990*	5.4	*2013*	-	low usage		14.8	*2012*

The MDG Country Progress Snapshot provides an overview of the progress achieved at country level since 1990 towards the Millennium Development Goals. The snapshot is intended mainly to provide the international community easy access to the information and are not meant to replace in any way the country profiles produced at the national level in several countries. They are also meant to reflect the contribution of country-level progress to the global and regional trends on progress towards the MDGs.

The data used in the snapshot are from the MDG global database (http://mdgs.un.org/unsd/mdg/Data.aspx). The metadata and responsible agencies can be found on http://mdgs.un.org/unsd/mdg/Metadata.aspx. Sources of discrepancies between global and national figures are due to, among others, different methodology and definitions or different choice of data sources. At the global level, the monitoring of the progress aims to ensure better comparability of data among countries. Country can contact the responsible agencies for resolving data discrepancies.

Note: 1) The country progress level indicates the present degree of compliance with the target based on the latest available data. The technical note on the progress level can be found at http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2012/technicalnote.pdf.

Attachment 2: Donor Matrix (September 2014)

Objectives of PARP	Sectors	AT	BE (& Flanders)	DE	DK	ES	EU	FR	FI	IT	IE	NL	PT	SE	UK
Increase in agrarian and fisheries production and productivity	**Agriculture/Fisheries/ Rural development**	PEDSA-sector funding since 2012; since Oct 2012 PASF-Programa de Apoio à Produção Agrária do Sector Familiar na Província de Sofala (MINAG)	Support to PEDSA			Capacity building DPA Cabo Delgado (AACID) until June 2013	Focal sector 11th EDF agric rural dev: PRODEL, MDG Initiative		Rural Dev. Programme in Zambezia; Forestry Programme (covering Niassa, Cabo Delgado, Nampula, Zambézia), Sector Support to MINAG	Local programme in Manica (5.3 mil). WG ProAGRED and PFM sub group	No sector support. However, active engagement in Inhambane and Niassa with a focus on vulnerability. Land Fund	land registration, land use	Support for rice cultivation in Gaza	land rights, policy formulation, ProDel, preparing additional support	Beira Agricultural Corridor programme; Community Land Reform
	Environment and Natural Resources			Non-focal; Limpopo National Park, BIOFUND	Environmental Support Programme, incl. GCCA		GCCA with DK and IE	Focal (biodiversity)			GCCA with DK andCOM. Also see above.	Zambezi Valley; spatial planning and EIA			
	Transport				Part of Employment and Growth Programme		Focal sector 10th EDF: Roads SBS, road MOCUBA-MILANGE							Road Fund, ANE	Mozambique Regional Gateway Project
	Energy			non focal, regional ENDEV programme; hydroelectric power stations; others			Energy facility 10th EDF	Focal					Fast Start Projects (Atlas of renewable energy, installation of photovoltaic systems in 50 villages)	EDM	
	Water and Sanitation	Support to PRONASAR Implementation in Sofala Province					Water facility 10th EDF	non focal (urban water)		three projects Maputo, Nhacangara, Chamanculo.	Small engagement in Inhambane / Niassa	focal partner Water and sanitation, inst dev, IWRM			National Rural Water and Sanitation Programme - Delegated cooperation
Employment Promotion	**Private Sector Support + TVET**			focal sector "Sustainable Economic Development"	Employment and Growth		PSD programme (UNIDO)	non focal (micro/meso finance)					Projects under the Ministry of Solidarity and Social Security		

Human and Social Development	**Health**		FL: HRH, SRHR, Nutrition, Monitoring, surveillance		Health Programme	Health Programme in Cabo Delgado PROSAUDE. Manhiça Research Center	non focal, various projects; Nutrition under 11th EDF	non focal (higher edu)		Several projects (5) PROSAUDE	Sector support. Community Health Niassa.	non focal - health programme prosaude; PSI			Health Sector Development Programme
	Education/ culture			focal sector		Education Programme in Cabo Delgado until 2014 Bilateral agreement with Ministry of Culture		non focal (CCFM, French)	FASE, Science and Technology Project STIFIMO, Programme in Early Childhood Development with UNICEF in the pipeline	FASE, University	FASE. Small engagement in Niassa.		FASE; Teacher training; Portuguese Cultural Centre.		Education Sector Support Programme 2007-2016
	Social Protection												Projects under the Ministry of Solidarity and Social Security	Social protection through One-UN	
Macroeconomics	**Economic Governance**			focal sector "Sustainable Economic Development", regional REGMIFA programme							Licencing reform - Ministry of Industry and Commerce		PICATFIN; Program for technical assistance from the Bank of Portugal		Support project with the World Bank
	PFM			PFM support (TA and ATM as accompanying measures of GBS)	PFM/Taxation		PFM support (TA/SAI and CEDSIF)		PFM support (TA/SAI)	SISTAFE CF		PFM support TA/SAI and possible ATM/tax		TA/SAI, IGF	(i) Support to Central Procurement - Ministry of Finance; (ii)Future - Support to Public Financial Management;
Good Governance	**Governance (Public Sector Reform, Justice, Parliament, etc.)**		non focal				Non-focal (10th EDF): Rule of Law (support to parliament, prosecutor, AC office, Supreme Court)	non focal						decentralisation, CSOs	
	Decentralisation	Decentralisation (municipalities-pooled funding with SE and CH)		focal sector decentralisation; support to other GG-related activities, incl. fight against corruption	Support to Justice Sector, incl. CSOs	Decentralization. Support to Cabo Delgado Provincial Government and Maputo Municipalities	non focal (10th EDF): security (delegated coop to PT)	pfm		Decentralization WG	Decentralisation. MASC; Internal Control and MPD training.	decentralisation phasing out; social protection	Justice; Military Technical Cooperation; Security (delegated cooperation)	PFM	

Crosscutting issues	**HIV/Aids; Gender; Demining; Natural Disasters; Rural Development; Mineral Resources; Environment; Food Security**			all non focal, HIV/ Aids (delegated coop from DNK and EU), disaster risk reduction/ adaptation to climate change (Special Funds for Energy and Climate), support to the EITI process, support to Limpopo National Park (regional SADC programme)	Various project focussing on Women	Food Security and rural development: Support to C.Delgado SETSAN and civil society in several districts of C. Delgado	Hiv/Aids 2010: delegated coop to DE; PRODEL (from SE)						Cluster of Mozambique Island (vocational training, pre-school education and heritage preservation)	CSOs, Disaster risk reduction (INGC), Preparing support to Climate Change (INGC) and demining	Support to CNCS (HIV); Yearly Support for Natural Disasters Emergencies (on request); Social Protection Programme
GBS	**General Budget Support**	Poverty Reduction, Good Governance, Human Rights		General Budget support ended in 2014; ongoing accompanying measures	Yes		MDG-Contract,(2009-14); including a transfer agreement from BE	Yes	Yes	Yes until 2015	Yes		Yes, until 2014	Yes	Poverty Reduction Budget Support Mozambique
CS	**Support to Civil Society**	Through Austrian NGOS, small initiatives Funds-directed to Moz. NGOs	via Belgian NGO	various global instruments (emergency support, German Political Foundations, etc.)	In Various Programmes/Areas	Program in C. Delgado Province (support to FOCADE)	CfP BL and EDF; NSA Support programme	Yes	In various programmes	Italian NGOs	MASC. Local funds Inhambane and Niassa	Support to CIP and LAMDA, Nwetie, support AGIR	Through Portuguese NGO	Yes, coordinated support to about 30 CSOs via 4 intermediaries (the AGIR programme)	Democratic Institutions Programme; Civil Society Support Mechanism (MASC); Citizen Engagement Programme
Other	**Research/scholarships**	UEM (Solar energy, Information Technology); various partners: Human Rights, Peace and Security, etc.	limited nr scholarship	scholarships through DAAD		scholarships in Spain	Erasmus Mundi programme	Yes	Support to IESE (Common Fund)	University (biotechnology), scholarships in Italy	Fellowship scheme. Support to IESE		Scholarships, in Mozambique and in Portugal, for undergraduate, masters and doctoral	UEM, MCT	
	Direct support to private sector	Programme for business partnerships between Austrian and Moz. companies		loans through DEG	B2B; Mixed Credits		Loans EIB	loans, guarantees, equity PROPARCO		Within PSSR Manica Programme		Loans via BAGC/Cepagri	Through lines of credit and Investimoz - Portuguese Fund to support investment	Preparing support to B4D,	In future - Access to Finance Project
	strategy : period	2014-2016	2013-2016; FI 2011-2015	2014-2016	2012-2015		2008-2013	2011-2014	2013-2016	2013-15	2012-2016	2012 - 2015	2011-2014	2013-2015	2011-2015
	strategy : duration (years)	3	4	3	4		6	4	4	3	5	4	4	5	4

	nb of programmes/projects officers (including HOCs)	2	4	gvt-to-gvt cooperation: ca. 35 expatriate, cooperation staff incl. Embassy, GIZ and KfW	13	4	26	5 AFD 4 Emb.	5	15	4 Expat;11 nationals	9	3	12	24 (inc. 2 secondees)
	nb sectors of concentration	**1**	**3**	**3**	**4**	**tbd**	**2**	**2**	**3 + GBS**	**3**	**3**	**3 (Water, health, Food&nutrition)**	**3**	**3 + GBS + Research Cooperation**	**4 (health, education, private sector, governance)**
	nb active participation in WG	1	3	10 (incl. GovP und TF EITI)	7	5		1 (energy)	4 (Agric.; Educ.; Economist WG)	16	4 (Health, education, decentralisation, EWG)	4 (ASAS, Pronasar, Prosaude and EWG)	1	8	9
	nb sub WG with active participation	1	4	12	3	1		2 (conservation) (extractive ind.)	2 (EITI, Governance)	3	5 (PFM Health & Education, Education, Gender, Social Protection)	3 …, land; service delivery; private sector development	0	2	4
	total nb WG/sub WG active part.		**7 (Fland incl)**	**22**	**10**	**6**		**3**	**6**	**19**	**9**	**7**	**1**	**10**	**13**
	"exit" sectors		health (fed)			tbd		none	already exited health	none	already exited	decentralisation		1 (Roads)	1 (Roads)
	silent partnerships/delegated cooperation		2 (GBS and SISTAFE)	1			see note X	none		none	Water - with CIDA (Inhambane)	1; Land Fund via DFID	1 Security with EU	2 (DfID, EU)	1 (Netherlands)

Legend: **AT:** Austria - **BE**: Belgium - **DE**: Germany - **DK**: Denmark - **ES**: Spain - **EU**: European Union - **FR**: France - **FI**: Finland - **IT**: Italy - **IE**: Ireland - **NL**: Netherlands - **PT**: Portugal - **SE**: Sweden - **UK**: United Kingdom

FTI : Fast Track Initiative (education) - SP : silent partnership - DC : delegated cooperation - TA : technical assistance - WG : working group

(1) Total of sectors of concentration: the numbers X/Y mean: X = total of sectors of concentration in 2011, Y = total of sectors of concentration after exit strategies after 2011
(2) Some components of governance (not related to DAC codes): dec: decentralization - just: justice - land tenure - pfm: public finance management - psr: public sector reform - social prot: social protection - sec: security/police - stat: statistics
Delegated cooperation COM : GBS from B in 2009, HIV aids to D (GTZ) in 2010, security programme to P in 2010, Climate Change to DK 2010 and from IE 2012, and Local/rural development from SE on 2011.

Attachment 3: Sector intervention framework

(Where not already identified) Baselines to be included in Action Documents at the latest

Sector 1 - Good Governance and Development (*)

Specific objective 1: Improve cross-cutting service delivery aspects		
Expected results	***Indicators***	***Means of verification***
Improvements in key indicators related to health and education and cross-cutting service delivery aspects	- no. of health workers per 100,000 inhabitants (baseline 2013: 68.6/100,000) - maternal mortality ratio (baseline 2013: 408 deaths per 100,000 live births) - literacy and numeracy rates	Administrative data National surveys Balanço do PES PAF
Specific objective 2: address constraints on sustainable and inclusive growth		
Expected results	***Indicators***	***Means of verification***
Improvements in the business environment	Score in the Doing Business (baseline: WB Doing Business 2014: DTF 54.98)	National surveys Balanço do PES WB DB Report
Specific objective 3: strengthen core government systems and supporting broader reforms (macro, PFM)		
Expected results	***Indicators***	***Means of verification***
Improvements in the quality of PFM	- All PEFA scores (baseline: PEFA 2010) - Public expenditure coverage of external audits (baseline 2013: 20% for overall State Accounts Audit and 40% for specific Audits) - Open Budget Index (baseline 2013: 47)	PEFA Balanço do PES PAF SAI Reports Open Budget Index Reports
Specific objective 4: foster domestic accountability and strengthen national control mechanisms to improve governance including environmental governance		
Expected results	***Indicators***	***Means of verification***
Improvements in domestic accountability and effectiveness of control mechanisms	- WBI Government Effectiveness (baseline 2012: 29.7%) - WBI Control of Corruption (baseline 2012: 33%) - % of Audit recommendations followed-up (baseline 2013: 49% for internal control; to be established in 2014 for external control)	National surveys TI index Balanço do PES WB Reports from MoF and SAI

(*) The specific objective 5: Strengthening the rule of law and the deepening of the democratic system is also associated to risk mitigation in the political and economic realm. Indicators will be identified together with the specific actions, following appraisal.

Sector 2: Rural development

Specific objective 1: Improve food security and nutrition status		
Expected results	***Indicators***	***Means of verification***
Nutrition status improved in focal provinces	- % of children under 5 stunted	Measurements by SETSAN
Availability of food increased	- % change in yields in geographically targeted area	Local statistics, mid-term and final evaluation
Access to food increased in focal provinces	- % of people who live within 2 km (typically equivalent to a 20 minute walk) of an all-season road in geographically targeted area - Number of kilometres of roads constructed, rehabilitated, maintained with EU support under the 11th EDF	National sources, mid-term and final evaluations National sources Mid-Term and final evaluations
Specific objective 2: Enhance rural competitiveness		
Expected results	***Indicators***	***Means of verification***
Improvement in SME and smallholders' participation in economic activities in rural areas	% of farmers/MSME organised in associations in geographically targeted area % of population/smallholders selling some produce to market	Enquiries with main federation and business association. M&E framework of support programmes Annual agricultural survey (baseline to be established in the 2014 survey)
Economic diversification increased	number of domestic products available in the domestic market in geographically targeted area	National sources INE (National Institute of Statistics) Enquiries.
Improved access to public goods and services in rural areas	- % of people who live within 2 km (typically equivalent to a 20 minute walk) of an all-season road in geographically targeted area - % of people with access to electricity in geographically targeted area.	National sources, mid-term and final evaluations

The results, indicators and means of verification specified in the present annex may need to evolve to take into account changes intervening during the programming period.

Attachment 4: Indicative timetable for commitments

The amounts mentioned in this table are indicative

	Indicative allocation (million EUR)	2014	2015	2016	2017	2018	2019	2020
Sector 1: Good Governance and Development	367		200		7	160		
Sector 2: Rural Development	325		16	25	184		100	
Support to CSOs	22			22				
B-allocation	0							
TCF	15		5			10		
NAO Support	5		2.5			2.5		

X= commitment year