

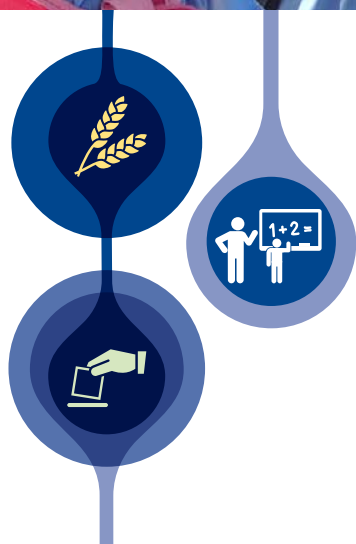


Country Strategy for Development Cooperation

MOZAMBIQUE

2016-2019

MINISTRY FOR FOREIGN AFFAIRS



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Abbreviations

BRICS	A group of emerging economies, Brazil, Russia, India, China and South Africa
CSO	Civil society organization
DEEF	Directorate of Economic and Financial Studies at MEF
DEMO	Demo Finland, a Finnish organization specialized in democracy support
EMIS	Education Management and Information System
ENDE	Estratégia Nacional de Desenvolvimento/ National development strategy
EDF	European Development Fund
EPA	Economic Partnership Agreement (with the EU)
EU	European Union
FASE	Fundo de Apoio ao Sector da Educação / Education Sector Support Fund
FC	Farmers' Club
FDI	Foreign Direct Investment
FRELIMO	Frente de Libertação de Moçambique (a political party)
GBS	General Budget Support
GDP	Gross Domestic Product
GoM	Government of Mozambique
HoCs	Heads of Co-operation
HoMs	Heads of Mission
IESE	Instituto de Estudos Sociais e Economicos
IIAM	Instituto de Investigação Agrária de Moçambique / Mozambique's Institute of Agricultural Research
IMD	Institute for Multiparty Democracy
INE	National Statistics Insitute/ Instituto Nacional de Estatistica
MDB	Multilateral Development Bank

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MDM	Movimento Democrático de Moçambique (a political party)
MDGs	The Millennium Development Goals
NGO	Non-Governmental Organisation
NIMD	Netherlands Institute for Multiparty Democracy
ODA	Official development assistance
OECD/DAC	Organisation for Economic Cooperation and Development, Development Assistance Committee
PAF	Performance Assessment Framework
PAP/G14	Programme aid partners
PARP	Poverty Reduction Strategy
PES	Plano Economico e Social / Economic and Social Plan (government annual plan)
PFM	Public Financial Management
PRODEZA	Programme of Support to Rural Development in Zambezia
PQG	Plano Quinquenal do Governo/ Government five years plan
RENAMO	Resistencia Nacional Mocambicana (a political party)
SADC	Southern African Development Community
SDG	Sustainable Development Goals
STIFIMO	Programme of Co-operation in Science, Technology and Innovation
UEM	University of Eduardo Mondlane
UNU-WIDER	United Nations University - World Institute for Development Economics Research
UPR	Universal Periodic Review mechanism of the United Nations Human Rights Council
QAD	Quadro de avaliação de Desempenho/ Performance Assessment Framework



Executive summary

Mozambique remains one of the poorest countries in the world and continues to suffer from tensions dating back to its civil war. Finland is therefore committed to continue supporting the country. Increasing revenue flows from the extraction of Mozambique's significant natural resources could provide the country with a historic opportunity to reduce its dependence on external aid and invest in a better standard of living for all its citizens. The Government of Mozambique has predicted that by 2025, the country will no longer need external assistance to balance its economy, but that deadline may have to be pushed back because of the recent rise of political and economic instability.

Finland and Mozambique have a good relationship dating back to the 1970s. Development cooperation has always been a central part of that relationship, but the emphasis is now increasingly shifting towards trade and investment. Finland's development cooperation with Mozambique is aimed at combating poverty by promoting inclusive growth.

This Country Strategy for 2016–2019 focuses on education and good governance. The third impact area is rural development, which according to the recommendations of the previous Country Strategy evaluation will be phased out by 2018. The three impact areas are aligned with Mozambique's five-year plan for 2015–2019 (PQG). Financial stringency and cutbacks in MFA human resources mean that the current Country Strategy is streamlined for greater efficiency.

In the education sector, the focus is on quality in line with the new SDGs. The country's low level of education and general lack of vocational training together with insufficient human resources present a significant constraint to economic and social development in Mozambique. Finland has therefore made the strategic choice of selecting the education sector as one of its main pillars. Finland's strategy aims at improving learning at primary school level and at increasing gender equality and inclusion in primary education. Regional disparities will also be tackled. Finland is among the most important partners in the nationwide sectoral programme FASE, and it also contributes actively to policy dialogue in education.



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The second impact area in Finland's strategy is good governance. In this area Finland is committed to promote evidence-based policy-making and public debate through the availability of quality research and improved accountability, and transparency in the management of natural resources by supporting elected representatives' oversight capacity in national and local level parliaments in selected provinces. The purpose is to assist Mozambique, through informed and participative decision-making, in making the best possible use of its natural resources for inclusive and sustainable development.

The third impact area is rural development, which will be phased out by 2018. Chronic malnutrition can be considered an indication of the country's failure to ensure the right to adequate food. Some 43% of children aged under five currently suffer from chronic malnutrition in Mozambique. Finland supports rural families' food security in the Zambezia and Sofala provinces through the Mozambican NGO ADPP.

Finland will broaden its collaboration with the private sector and other non-state actors. Trade cooperation will be promoted through development cooperation instruments such as Finnpartnership, BEAM and Finnfund. Finland will also continue its collaboration with the EU, Nordic countries and multilateral organisations.



PART 1

1. Country Context

1.1 Political, economic and social development

Since its independence in 1975, Mozambique has undergone many upheavals and transitions, including a civil war and a relatively stable post-war period. Mozambique's mineral and natural gas reserves have in recent years attracted foreign direct investment (FDI), providing an impetus for fundamental economic transformation. Recently, however, falling gas market prices and other factors have significantly reduced FDI levels.

Mozambique recorded a major reduction in poverty from 1997 to 2003 (from 69% to 54%), but poverty rates remained unchanged in 2003–2009. The latest data was received at the end of 2016. Despite the sustained high rates of economic growth, the majority of the population have an extremely low standard of living. Approximately 46% of the population is living under the absolute poverty line and many more just above it. The income inequality has increased significantly: GINI coefficient increased from 0.42 to 0.47; while in the more developed southern parts the absolute poverty levels have decreased substantially, they have been relatively stagnant or even increased in the poorer northern and central provinces. Approximately 43% of children aged under five suffer from chronic malnutrition. Although access to health and education has expanded significantly, service quality is still poor. The low level of education and lack of capacity are major development constraints across all sectors. Mozambique made good progress towards many Millennium Development Goals (MDGs) and succeeded to reduce malnutrition and hunger by half. In 2015, Mozambique's ranking in the Human Development Index was 180th out of 187 countries. Sustainable development is also jeopardised by a lack of resilience and preparedness for natural disasters.



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The biggest challenge concerning Mozambique's promising socio-economic development relates to the political situation, the political will and technical capacity to promote inclusive macroeconomic policies and the sustainable management of natural resources. In 2013, the outbreak of armed confrontations between the army and armed members of Renamo in central and northern parts of the country adversely affected foreign investment, agricultural production, education and business. Mozambique's aid dependence has been reduced from 50% of the budget in 2008 to 25% in 2015. In 2016, it appeared that Mozambique was much more heavily indebted than previously known. The government had issued state guarantees worth USD 2 billion, without the knowledge of Parliament, to private enterprises owned by public institutions. Not surprisingly, this news has undermined the international community's trust in the government.

Although constitutionally a multi-party democracy, Mozambique has since its independence been ruled by one party, Frelimo. In the 2013 municipal elections, however, the opposition gained ground in several major cities. The main opposition parties Renamo and MDM refused to recognise the results of the parliamentary and presidential elections held in 2014. Mozambique has made tangible progress in improving its human rights record, but shortcomings still exist, such as in fulfilling women's rights, child rights and providing access to justice. According to the Universal Periodic Review of Human Rights Conventions (UPR) in 2016, the democratic space in the country had been curtailed and extra-judicial killings and forced disappearances had occurred with impunity. Corruption remains prevalent, despite the introduction of important anti-corruption reforms and policies. The right to information has been addressed by a law that follows international good practice. Mozambique also faces challenges caused by international crime. Trafficking in persons, wildlife and drugs, as well as other forms of organised crime are major concerns in Mozambique.

Regional cooperation in the SADC area is important for Mozambique. Mozambique has a geo-strategic role for its neighbouring landlocked countries. South Africa remains a key market and source of investment. Widening cooperation with the BRICS countries will bring both opportunities and challenges for Mozambique.



1.2 Development scenario for the country

Alternative development scenarios can be identified in Mozambique's current political, economic and social environment. In a positive scenario, the government will be able to resolve the current economic and debt crisis, restore macroeconomic balance and regain the trust of its partners. The Government of Mozambique (GoM) and Renamo agree to cease the armed conflict in central Mozambique and the whole country enjoys stability and peace. In the same positive scenario, the GoM commits itself to using the strong economic growth and natural resource revenues for the promotion of inclusive growth to the benefit of all citizens and regions. Through the rigorous implementation of the UPR recommendations, the government improves the human rights and democracy situation in the country. Ultimately, this scenario would end Mozambique's aid dependence and contribute to poverty alleviation.

The above scenario can be compromised by the concentration of political and economic power, with less accountability and space for democratic control. The debt crisis is not treated in an adequate and sustainable manner, or with the necessary transparency. Trust between the GoM and its citizens, the international community and creditors is not restored. The politico-military conflict hampers overall development in the country. Inequality increases and wealth continues to concentrate in the hands of a small elite, with the rest of the population seeing no improvement in their economic and social situation. In addition, austerity measures further deteriorate the lives of the poorest people.

In order to support the positive scenario, Finland's Country Strategy promotes the widening of democratic participation, respect for human rights and good governance. By providing strong support to the education sector, Finland intends to ensure broader participation in society in the long term. Furthermore, as a member of the EU and the wider donor community, Finland promotes a peaceful solution to the political conflict in the country through policy dialogue.

1.3 Finland's relations with the country and prospects for more diverse relations

Finland aspires to maintain relations of trust and mutual respect with Mozambique, with a firm basis in development cooperation and official high-level visits. Commercial relations are a growing field of collaboration.

The basis for Finland's engagement with Mozambique ever since the 1970s has been provided by development cooperation. Finland's support has been channelled to selected priority sectors. The current strategy is based on two pillars: education and good governance. Rural development and forestry will be phased out by 2018.

In addition to the official, government-to-government relations and cooperation, Finland is keen to emphasise cooperation between institutions, private sector actors and NGOs in both countries. Some Finnish companies and NGOs are present in Mozambique.

The GoM's objective to reduce its aid dependence is currently compromised by the country's severe economic crisis. Full-scale extraction of the country's extensive natural gas reserves has also been delayed: currently it is estimated that significant revenue from natural gas production will not begin to flow before 2025. In the medium term, then, it can be expected that development cooperation will remain central to the relations between Mozambique and Finland.

However, as Mozambique becomes less dependent on aid, Finland will increasingly be exploring opportunities for strengthening and developing commercial relations, both for Finnish companies in Mozambique and for Mozambican companies in Finland.

The extractive industries sector, along with its support services and large investments in the energy and logistics infrastructure for the exploration of the country's vast natural reserves, offer an important opportunity for Finnish companies. Other promising sectors for Finland include cleantech,



health technology as well as digital and IT services. Trade and investments between the two countries will be facilitated by using the full array of private sector instruments available.

Together with a group of other SADC countries, Mozambique signed in June 2016 an EPA agreement with the EU. Once ratified, this will further facilitate the trade of goods between Finland and Mozambique.

1.4 Themes of dialogue and advocacy

As a member of the EU, Finland participates in the political dialogue with the GoM through the Article 8 framework. Important topics for Finland include poverty reduction, supporting an enabling environment for an active civil society, transparency and access to information, equality and gender issues as well as the promotion of human rights.

As well as contributing to the political dialogue, Finland participates actively in the sector aid framework in order to coordinate and harmonise its aid to Mozambique with other donors and to participate in the respective sectoral policy dialogues. The most important arenas of policy dialogue and advocacy are the sector aid groups: combining sector financing with policy influence is essential for achieving leverage and impact. It has been felt that Finland can exercise particularly strong policy influence from a formal leadership position in the sector groups.

In the field of governance, the main coordination and dialogue groups in which Finland has participated are general budget support (GBS) and the donors' governance platform. Finland was a member of the GBS donor group (G14) until mid-2016, but budget stringency has forced Finland to cease GBS for Mozambique. Although GBS provides a viable forum for policy dialogue and an effective mechanism for the promotion of public accountability, in current circumstances it is not an option for Finland in Mozambique.



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Finland's governance programme consists of projects aiming to increase the availability and use of quality research in public policy-making and debate, and to strengthen Parliament's oversight role, especially in natural resource management. Through advocacy, Finland's aim is to strengthen the synergies between these projects and thus to advance evidence-based decision-making and public debate regarding natural resource management for poverty reduction and inclusive growth.

Another important arena for advocacy is the education sector donor group, FASE, where Finland is successfully promoting equity, quality of education and the expansion of bilingual education. In 2016–2017 Finland will continue in the donor group's leading troika as an outgoing member. Finnish presidency of the donor group in 2015–2016 gave increased visibility to Finland and improved its position in negotiations with the GoM regarding development of the sector. In addition, Finland currently co-chairs several thematic working groups in the sector, which provides another opportunity to offer its expertise.

One of the reasons behind Finland's decision to gradually withdraw from the rural development sector is the weakness of the sector dialogue and generally the weak cooperation between the relevant GoM authorities and the partners.



2. Development Cooperation Context

Mozambique's current national planning framework consists of the five-year national plan 2015–2019 (PQG), which has five broad objectives: 1) national unity, peace and protection of sovereignty; 2) human and social development; 3) job creation, productivity and improvement of competitiveness; 4) development of infrastructure; and 5) transparent and sustainable management of natural resources. These are supported by three main pillars: rule of law, good governance, democracy and decentralisation; macroeconomic stability; and international cooperation. Poverty reduction was only included in the annexed matrix to the PQG following donor and civil society advocacy.

The GoM approved a National Development Strategy for 2015–2035 (ENDE) in 2014, but ENDE has not become a guiding document for government activities. The key annual planning document approved and monitored by the Mozambican Parliament is the Economic and Social Plan (PES). The GoM adopted an international cooperation policy document in 2010, which lays down the principles for external assistance to the country. It encompasses all forms of cooperation targeted at poverty reduction. Furthermore, in line with the Busan Partnership for Effective Development Cooperation, a post-Busan action plan has been elaborated.

Finland has participated actively in donor coordination mechanisms, the G14 being currently the most influential. G14 also includes multilateral donors such as the EU, the WB and the AfDB. Systematic monitoring by the programme aid partners (PAPs) ensures the maintenance of regular dialogue between the donors and the GoM. PAP coordination further feeds into the monitoring of the Paris Declaration commitments. Finland discontinued its budget support in 2016 and will no longer be a member of the G14. As yet there are no other overall coordination mechanisms in place.

The EU comprising the member countries represents the largest source of official development assistance (ODA) to Mozambique, accounting for some 75% of total ODA. Among the largest donors are the World Bank, the US, the EU, the UK, the Netherlands, Sweden and Norway. Multi-annual pro-



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programming for the 11th European Development Fund (EDF II, 2014–2020) improved the possibilities of the EU to put in practice division of labour principles. However, full EU joint programming is not yet in place.

The GoM has on several occasions expressed its commitment to reduce the country's aid dependence. Domestic tax collection has improved considerably during the last couple of years, and tax legislation has been revised to increase tax coverage of large foreign direct investments. The latest political developments and the country's unsustainable debt level, however, are bound to deter foreign direct investment (FDI). The BRICS have gained a stronger political and economic role in Mozambique. While partnering with emerging economies will open up new economic opportunities for Mozambique, it is important to include the BRICS in the dialogue on donor harmonisation. Finland's programming is aligned with the comparative advantages and division of labour among donors. Finland's bilateral direct ODA to Mozambique has been consistently at around 2% of the country's total ODA receipts. According to the 2016 external Country Strategy evaluation, Finland punches above its weight by virtue of its strong policy influence that it exercises in several working groups, for instance.

Civil society has a twofold role as a service provider and watchdog. In the field of governance, CSOs have contributed significantly to the transparency and accountability of public policies. It is important to continue the reinforcement of capacity of civil society and secure the participation of civil society in public debates.



3. Finnish Development Cooperation to Date and in the Future

In 2013–2016, the Government of Finland’s Country Strategy in Mozambique consisted of general budget support, sector support, bilateral project support, state aid, institutional cooperation and support channelled through Finnish NGOs. The areas singled out for support (general budget support, rural development, education and innovation, and good governance) were selected on the basis of country consultations in October 2012, the development objectives defined in the PARP 2011–2015, Finland’s previous development policy programme and Finland’s comparative advantage within the donor community.

Finland’s Country Strategy in Mozambique was evaluated in 2016. While the evaluation recognised the relevance of Finland’s contributions in all these areas, the efforts in the fields of education and good governance were considered more effective than those in rural development. The evaluation recommended that, given Finland’s diminishing human and financial resources, Finnish support for rural development to be phased out. Previous external evaluations on the Prodeza II and Stifimo projects recommended that Finland step up its investment in the planning phase. As for the results of general budget support, the OECD/DAC GBS evaluation (2014) noted that GBS had been fundamentally successful in the case of Mozambique.

One major achievement in the education sector has been the expansion of bilingual education, which has now been taken over by the state, as advocated and financially supported by Finland. In the GBS framework, Finland successfully advocated the inclusion of poverty reduction and a stronger role for civil society and Parliament in the new GBS MoU. Finland has been a responsible partner in the common funds (GBS, FASE, IESE) by assuming presidency or other leading roles on several occasions. In the area of good governance, Institute for Social and Economic (IESE) research has contributed to public debate on good governance and social and economic development. The results of the



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third household survey (IOF) analysed by the Ministry of Economy and Finance with Finnish support provided through UNU-WIDER. The survey will provide essential information about poverty reduction in the country since 2009. In rural development, women have been empowered through their increased role in decision-making. Nutrition training has been particularly successful in promoting more varied diets in farmer households. Institutional cooperation in forestry, which will continue through to 2018, has enhanced the research capacity of the Agricultural Research Institute (IIAM) and the University of Eduardo Mondlane (UEM).

Finland's new Country Strategy in Mozambique is fully aligned with Finland's 2016 development policy: the Country Strategy promotes democratic institutions, the functioning of society and the sustainable use of natural resources. The role and rights of girls and women are emphasised especially through the support provided to the education sector. The Country Strategy is more streamlined to reflect the MFA's reduced financial and human resources. It addresses issues that are relevant to Mozambique's needs. Finland will continue to focus on education and strengthen its role in the area of good governance. Rural development will be phased out by 2018 according to the recommendations of the Country Strategy evaluation. In the new strategy Finland's focus is on areas where it can add the most value. Country Strategy programming has leaned increasingly towards results-oriented planning.

In addition to bilateral government-to-government development cooperation, Finland provides support to Mozambique's socio-economic development through Finnish NGOs, private sector instruments as well as through multilateral organisations.

Finnish NGOs have long-standing partnerships with Mozambican civil society as well as with the GoM. In 2015, disbursements to 10 or so Finnish organisations in Mozambique amounted to some 2 million euros. Among the largest NGOs providing support to Mozambique are KEPA, Finnchurchaid (through the Lutheran World Federation), SASK, PLAN Finland, UFF, Taksvärkki, Suomen ylioppilaskuntien liitto (SYL) and Abilis. KEPA, Finnchurchaid, SASK and Taksvärkki receive multi-annual programme-based support.

The use of private sector financing instruments is advancing well in Mozambique. In 2015, Finnpartnership provided support to nine different applicants. Finnfund is actively seeking possibilities for cooperation in Mozambique. Weak signals have been monitored through the Tekes Future Watch network, and BEAM cooperation will be taken forward in 2017.

Finland's ODA is in large part channelled via international development financing institutions and UN organisations in the form of core funding. The World Bank, the African Development Bank, UNICEF, the UNFPA and the WFP are considered the most relevant organisations to Finland's Country Strategy for Mozambique.

PART 2

4. Expected Results of the Development Cooperation Programme

4.1 Impact

The Country Strategy identifies three impact areas: 1) the right to inclusive, effective and efficient education; 2) consolidated democratic state with strengthened rule of law and good governance; and 3) reduced chronic malnutrition among rural households. These impacts are aligned with the GoM's five-year plan (PQG).

Low level of education is recognised as a serious development constraint in Mozambique. Almost half of the population is illiterate. Recent studies, such as the national learning assessment and the World Bank Service Delivery Indicator survey, have shown that learning results in the public education system are poor. In response, the Ministry of Education has revised all sub-sector operational plans. Another obstacle to Mozambique's economic development is the low level of human skills and lack of vocational training. These are some of the reasons why Finland has made the strategic choice to identify the education sector as one of its main pillars in the new Country Strategy. Human and social development is the second priority in the GoM's five-year plan, in which inclusive, effective and efficient education is defined as the first strategic objective. This impact is also in line with Finland's 2016 development policy and the human rights based approach. Finland's support is channelled through the common fund FASE, which recent external evaluations¹ have found is an effective

¹ Orłowski, Dieter: FASE Revision, 2016 and Evaluation of Finland's Country Strategies and Country Strategy Modality. Case of Mozambique. 2016.



mechanism for supporting education sector. Finland is one of the main donors to FASE and it has in place an advocacy plan for policy dialogue.

Respect for human rights, state accountability, transparency towards citizens, as well as active and capable democratic institutions and civil society are key requirements for democracy, poverty alleviation and inclusive growth. They are also the foundation for sustainable development in all sectors and for the effective use of aid and public resources. Mozambique has large untapped natural resources and therefore strong prospects for significant wealth creation, but the country still lacks the capacity to manage those resources in an inclusive manner. Global indicators² show that there has been some improvement in the country's legal framework and state budget transparency. Nevertheless, they also reveal a steady deterioration in the past 10 years in governance practices such as safety and the rule of law, accountability and rights. Finland's governance programme promotes evidence-based public debate and decision-making for inclusive growth. At the same time, it facilitates a culture of tolerance and respect for human rights. In coordination with other partners, Finland is committed to contribute to the consolidation of a democratic state, including strengthened respect for the rule of law and good governance. Domestic resource mobilisation is supported in different ways, all of which are in line with the objectives of Finland's tax and development action programme.

Finland is also committed to reduce malnutrition among farmer families in Mozambique. Chronic malnutrition can be considered an indication of the country's failure to ensure the right to adequate food. Malnutrition among children compromises their life permanently. It reduces learning capacity, predisposes to infectious diseases and stunts growth and development. These effects cannot be reversed later in life. In adult age, malnutrition adversely affects productivity and increases morbidity and mortality. However, due to cutbacks in financial and human resources, Finland has had to make the strategic choice of phasing out the rural development sector by the end of 2018.

² Mo Ibrahim.

4.2 Outcomes and outputs



IMPACT 1: RIGHT TO INCLUSIVE, EFFECTIVE AND EFFICIENT EDUCATION ACHIEVED

Outcome 1.1: Improved learning at primary school level

The first national learning assessment in 2013 and the World Bank Service Delivery Indicator (SDI) survey in 2014 showed that in spite of significant investments in the education sector during the past decade, learning results are very low due to high teacher absenteeism and the language of instruction. The new 2014 primary education operational plan is focused on improving learning results.

Outputs:

- School management and teacher performance improved
- Bilingual education expanded

The SDI study showed a clear correlation between the absence of school directors and teacher absenteeism. A range of measures were consequently introduced in a bid to reduce absenteeism. The indicators for the first output are selected from the sector operational plan. The second output is specific to Finnish efforts in that part of Finnish funding is allocated to the expansion of bilingual education. Most children don't know any Portuguese when they start primary school and therefore struggle to understand instructions given in Portuguese.



Outcome 1.2: Increased equity, gender equality, and inclusion in primary education

This outcome is in line with the core objectives of Finnish development policy and the human rights based approach, as well as with the Mozambican education sector strategic plan. Mozambique still faces multiple challenges with regard to inequalities, be it gender, regional or cultural. Girls drop out from school more often than boys and are more likely not to continue to the second cycle of primary education. Geographical disparities between the north and south of the country are notable with regard to the teacher/pupil ratio, the rate of untrained teachers and school retention.

Outputs:

- Gender strategy operationalised and implemented
- EMIS (education management and information system) incorporates information on children with special educational needs
- Regional disparities decreased

In 2015 Mozambique drafted a new education sector gender strategy, which outlines the general principles for the sector, but this strategy still needs to be operationalised before it can be used as an effective working tool. In the same year Mozambique also published its first national strategy for combating early marriages. Child marriage affects about one in ten girls under 15 years of age and half of those under 18.³ This is a violation of the rights of the child and one of the main causes of school dropout among teenage girls.

³ Unicef, Situation Analysis of Children in Mozambique 2014.



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The second output is related to children with special educational needs. In 2013, the SADC peer review of EMIS recommended that Mozambique include information on these children in its education statistics. This has not yet happened, yet it would make it possible to design special interventions and raise more funding. Through policy dialogue and working closely with other partners, Finland will advocate for the incorporation of this information in the EMIS.

The third output has to do with regional disparities. In 2014 there were 18 districts with a teacher/pupil ratio of over 80, compared with the national average of 62.5. During the past decade the primary school network has been spreading to rural communities, but significant disparities still prevail between northern and southern provinces as well as between rural and urban settings. Within provinces there are also major differences between individual districts.

Instrument, inputs and linkages:

Finland's support for education is channelled through the common fund FASE, which involves eight other partners. As one of the fund's lead partners, Finland is committed to achieve a better quality of education and access to learning opportunities for all. Finland is active in the sector policy dialogue and seeks focal point positions in FASE as often as feasible within the limits of the Embassy's human resources. Bilateral assistance is complemented by Finnish NGO support, mainly for teacher training.



IMPACT 2: CONSOLIDATED DEMOCRATIC STATE WITH STRENGTHENED RULE OF LAW, GOOD GOVERNANCE AND DECENTRALISATION

Outcome 2.1: Public debates and policy-making regarding natural resource management and inclusive growth increasingly based on research results

Mozambique has remarkable natural resources that provide the potential for faster, more inclusive and sustainable growth. On the other hand, there is also the very real risk of 'resource curse', which is well documented in the developing world. Public debate and policy-making based on quality socio-economic research will help Mozambique take informed, evidence-based decisions about appropriate policies for inclusive and sustainable growth.



Finland's support to IESE and UNU-WIDER will contribute to quality research on socio-economic development and the management of natural resources and the revenue from those resources. The focus is, firstly, on the availability of useful and usable research results for both decision-makers and society as a whole; and secondly, on developing an improved institutional capacity to produce high-quality research. This support contributes to the fourth objective of Finland's tax and development action plan in terms of reliable country-specific research and analysis as well as measures aimed at building taxation capacity.

Outputs:

- Improved availability of high-quality socio-economic research and analyses for citizens and policy-makers
- Improved capacity to produce high-quality socio-economic research

The first output is geared towards IESE and UNU-WIDER producing increasing amounts of high-quality socio-economic studies and research. The research results are also targeted and available to all citizens.

The second output refers to the capacity-building dimension. UNU-WIDER concentrates on strengthening the administrative and planning capacities of the Ministry of Economy and Finance (MEF), whereas IESE's research training dimension focuses on academia.

Instrument, inputs and linkages:

To advance its aims, Finland supports the Ministry of Economy and Finance Research Centre and the University of Eduardo Mondlane's Department of Economics through UNU-WIDER in order to promote evidence-based policy-making within the Ministry as well as public discussion.



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Finland's support to IESE is channelled through the common fund. IESE research feeds into public debate and provides independent views on current issues regarding socio-economic development.

Finland's support to national, provincial and municipal parliamentary institutions through NIMD will help to facilitate the use of research results in political discussion, policy-making and parliamentary oversight.

Outcome 2.2: Improved transparency and accountability in the management of natural resources

According to the Natural Resource Governance Institute, Mozambique has an adequate institutional and legal framework for natural resource management, but nonetheless fails to uphold these standards in practice. The booming extractive industry poses considerable challenges for the management of the country's natural resources.

Finland aims to strengthen the capacity of elected institutions in Mozambique. Here a particular focus is on promoting transparency and accountability in the management of natural resources and the revenue from those resources as a way of assuring maximum benefit for citizens and promoting inclusive growth. This support contributes to the second and third objectives of Finland's tax and development action plan, namely that institutions connected with the use of state assets have been developed, and that civil society's capacity to hold government accountable has improved.

Outputs:

- Improved oversight of natural resource management by elected representatives at central, provincial and municipal levels

This output aims at enhancing the capacity of democratic institutions to legislate and monitor the management of natural resources and to engage their constituencies in these processes. Equipped



with the necessary knowledge, citizens' representatives are more likely to have the confidence and capacity to work towards inclusive growth. Accessible and open democratic institutions promote sound democratic practices.

The research produced by IESE and UNU-WIDER projects will help to promote evidence-based discussion and decision-making in Parliament and in MP training.

Instrument, inputs and linkages:

Finland supports the oversight and legislative function of democratic institutions in natural resource management through a programme which will be implemented by NGOs with expertise in parliamentary and political party support (NIMD-DEMO-IMD consortium).



IMPACT 3: CHRONIC MALNUTRITION REDUCED AMONG RURAL HOUSEHOLDS IN ZAMBEZIA AND SOFALA PROVINCES

Outcome 3.1: Rural families' food security improved

Chronic malnutrition in Mozambique is caused by the combined effect of insufficient food availability and one-sided dietary habits. To reduce malnutrition among rural households it is imperative to effect a permanent improvement in their food security, to reach a situation where people have access to sufficient amounts of food (caloric) and have varied diets.

Outputs:

- Increasing agricultural productivity in programme areas
- Diversifying diets in programme areas



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The productivity of farming needs to be increased in order to improve the availability of food for household consumption and to create surpluses for sales. Due to the low use of inputs and simple farming practices, Mozambique's productivity levels are the lowest in the region. Productivity can be enhanced through programmes that introduce new farming technologies and support input use.

Diet diversification is another key pillar of adequate nutrition. In rural households diets tend to be very simple, repetitive and poor in quality. Although dietary habits are slow to change, the development of nutritious foods from ingredients that are locally readily available paired with training have been well adopted and have proved to be effective in improving nutritional habits.

Instrument, inputs and linkages:

Finland supports rural families' food security in 2014–2018 through a Farmers' Club (FC) project undertaken by a Mozambican NGO ADPP. The project uses an integrated approach through agricultural extension, facilitation of crop sales, nutritional training, literacy training and water provision. Institutional cooperation schemes can complement the Country Strategy under the theme of nutrition, for example.



5. Implementation

5.1 Complementarity and coherence

The complementarity of this Country Strategy is driven by country frameworks for aid harmonisation, underpinned by the Paris Declaration, as well as by Finnish development policy and implementation modalities. Finland's bilateral assistance is complemented by the use of the Institutional Cooperation Instrument and NGO support.

In accordance with Finland's 2016 development policy, the MFA has stepped up its involvement in trade promotion, making increasing use of private sector instruments. Finnpartnership already includes nine Finnish companies that are active in Mozambique. Finnfund is actively seeking opportunities for cooperation in Mozambique. Furthermore, trade promotion is pursued through more coordinated networking within the Team Finland regional context.

The main fora for bilateral political and policy dialogue consist of regular consultations and high-level official visits. At the country level, the key fora for political and policy dialogue are various donor coordination mechanisms, such as the EU HoMs/HoCs and the Development Partners Group (DPG) as well as sectoral working groups.

5.2 Partnerships and modalities for development cooperation

The main partner in the management and implementation of Finland's Country Strategy is the GoM. Finland has particularly close collaboration with the Ministry of Foreign Affairs and Cooperation, the Ministry of Economy and Finance and the Ministry of Education and Human Development. Dialogue is also conducted with other state actors, civil society as well as with the private sector. In addi-



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tion, Finland pursues partnerships with a wide range of Finnish state and non-state institutions such as universities and other research institutions. Finland will also keep in close contact with the Finnish NGOs working in Mozambique.

Finland is an active member in the international donor community. Finland's key partners are the EU, the UN, international financing institutions and the Nordic countries. Nordic cooperation will remain strong. Finland acts as a focal point and coordinator among the Nordic countries in issues concerning multinational development banks (MDBs) and the strengthening of multi-bi cooperation, particularly aid effectiveness and the overall performance of MDB field offices. Finland cooperates closely with the UN organisations as part of wider donor coordination mechanisms. Cooperation and exchange of information with the emerging donors will be enhanced to ensure effective implementation of the Country Strategy.

Implementation of this Country Strategy is guided by the principles of the Paris Declaration on Aid Effectiveness and the Busan Partnership for Effective Development Cooperation. In 2016 programme-based aid accounted for around 70% of Finland's total bilateral aid. These funds were channelled through common funds. In addition, Finland seeks to channel its funding through basket funding mechanisms or other harmonisation arrangements with other donors.

5.3 Long-term sustainability

The three impact objectives of this Country Strategy are aligned with the objectives set out in the Mozambican government's five-year plan. This is intended to further strengthen ownership and sustainability of the strategy.

In the education sector, Finland has wholly integrated its bilateral support to the GoM, based on the implicit assumption that results will be sustained in government institutions. This reflects the reality that the provision of basic education is a core government responsibility. The proportion of internal funding to the sector is rather high, accounting for nearly 90 % of total funding. However, donor contributions are highly needed: a substantial part of GoM funding goes to cover salaries in the

sector, whereas FASE funding is allocated to other areas. External (donor) funding is in even greater demand now that the country has sunk into what is expected to be a long-standing economic crisis. Some cuts will be made to state funding for the sector in 2016, although the GoM is committed to safeguard the priority sectors.

The approach in the good governance sector is also based on strong ownership of the beneficiary institutions and support for their own strategies. Long-term change will be achieved by facilitating sustained improvements in national institutions, processes and capacities. On the one hand the aim is to influence the behaviour and operations of the government, parliaments and civil society.

Projects have different means of guaranteeing their sustainability. The Scaling-up Research and Capacity Building for Improved Development Policy (UEM/MEF/UNU-WIDER) project includes different built-in training components, from the use of trainees to supporting staff members' PhD work, in order to increase the Ministry's capacity to produce high-level research.

In the Natural Resources Governance project, the role of Parliament's Learning and Training Centre is to ensure that the capacity-building and knowledge accumulated in the project remains in-house, taking into consideration the changing nature of the democratic and political institutions involved.

One of the main pillars of the IESE's strategy is to ensure the organisation's institutional sustainability. At the moment the institution is largely dependent on external funding, and a major issue therefore has been to secure a more diverse funding base. Increased sustainability is also the motive behind the IESE's plans to construct its own facilities in partnership with other organisations. However, in a country like Mozambique it is very difficult for a civil society organisation like the IESE to become entirely independent of donor funding.

Attempts to build sustainable capacities in the Ministry of Agriculture have been ineffective. Therefore the decision has been taken to shift the project focus to producing sustainable results at the level of beneficiary households. To ensure sustainability, the FC project will work to build the capacities of the communities participating in the project through training and participation in planning and decision-making, with a view to ultimately handing over the project to those communities. Each



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FC project will have a committee trained to take over management and planning responsibilities after the termination of external funding. Conceiving farming as a business is key to the FCs' economic viability and sustainability.

5.4 Risk management

Finland identifies three types of risk that could adversely affect development cooperation: contextual, programmatic and institutional risks. Many of the contextual and institutional risks are external and linked to the ongoing transition in Mozambican economics, politics and governance.

One of the main challenges cutting across all sectors is presented by deficient public financial management combined with corruption. The risk of the misappropriation of funds and weak financial management systems require the application of a full range of safeguard measures, such as careful planning, monitoring and the use of audits and evaluations. Participation in the programmes' administrative and governing bodies is an important part of risk management at the programme level. Risk management and risk analysis updates will be standard items on the agenda. Finland's own human resource management and continuous skills development will also receive focus.

Political dialogue with the GoM on a bilateral basis and with part of the donor community is crucial to mitigating political risks and to addressing human rights issues. The escalation of the politico-military confrontation poses a risk to the Country Strategy. While it is difficult to mitigate these risks in the short term, Finland is committed to contribute to wider democracy in the long term by channeling more support to governance programmes. Another risk is presented by the annually recurring natural disasters that compromise development efforts.



6. Monitoring and evaluation

Country Strategy monitoring is based on ongoing monitoring of development projects, programmes, policy dialogue and other cooperation by the Embassy. This work follows the MFA's principles and guidelines, especially the Guideline on Results-based Management, the Manual for Bilateral Programmes and the Evaluation Guidelines. In joint arrangements, Finland will participate in joint reviews and evaluations.

The Country Team will continuously monitor the validity of the assumptions made in the Country Strategy and its Logic Model (Annex I) as well as the risks, and take corrective measures as needed. The use of Country Strategy budgeted funds is monitored on an ongoing basis using automated reports from the MFA financial accounting systems.

The Country Team will prepare an annual report following the MFA reporting format in the first quarter of the calendar year. The annual report provides an overview of Country Strategy monitoring and reporting. The potential need for corrective measures will be determined by the Department for Africa and the Middle East.

Findings of project-level management reviews and mid-term, final and potential impact evaluations, as well as relevant thematic evaluations also feed into Country Strategy monitoring and reporting.

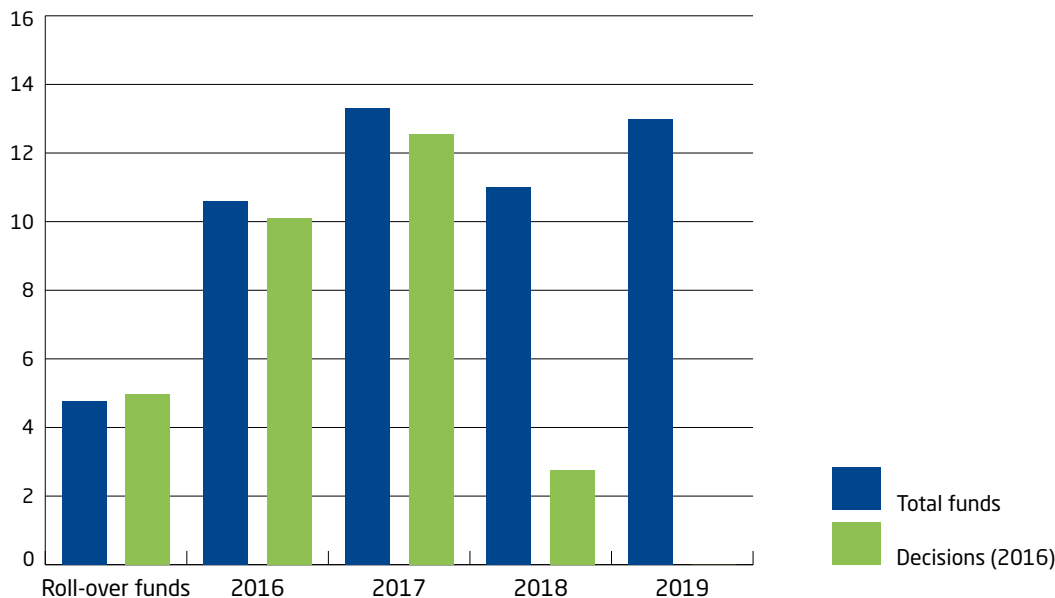
The Country Strategy as a whole will be evaluated towards the end of the strategy period (MFA Evaluation Unit).

7. Tentative financing plan (budget)

The planned budget frame for 2016–2019 is approximately 52 million euros. The financing plan only applies to the bilateral development cooperation that comes under the Country Strategy. It does not include humanitarian aid, private sector instruments or Finnish CSOs referred in Chapter 3.

Budgeting framework 2016-2019

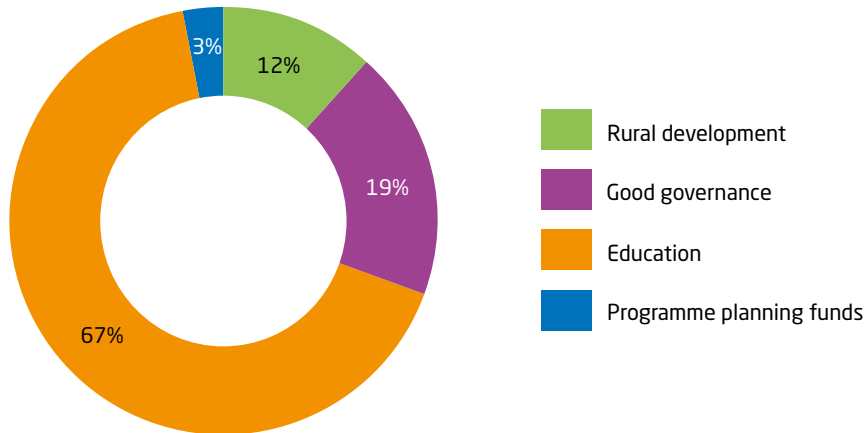
(million euros)





Planned budget allocation 2016-2019

(Total funds 52 million euros)



Annexes

Annex I: Logic Model

IMPACT	OUTCOME	OUTPUT	Key assumptions linking outputs/outcomes/ impacts	Instruments and inputs
1. Right to inclusive, effective and efficient education achieved	1.1. Improved learning at primary school level	1.1.1. School management and teacher performance improved	Impact-related: Sector funding remains at current level. Donor disbursements made according to an agreed schedule.	General education quality improvement programme. Finland's contribution to FASE common fund 9 million euros per year, NGO support (1 million euros).
		1.1.2. Bilingual education expanded	Outcome-related: School directors follow regulations and monitor teachers' performance, teacher absenteeism decreased. Strategy on the expansion of bilingual education put in motion. FASE continues funding primary education textbooks, teacher training and school construction.	
	1.2. Increased equity, gender equality, and inclusion in primary education	1.2.1. Gender strategy operationalised and implemented	Outcome-related: New education sector gender strategy and national strategy against early marriages contribute positively to girls' going to school and staying there.	Policy dialogue and participation in the education sector working groups (Counsellor and Sector Coordinator of the Embassy).
		1.2.2. EMIS incorporates information on children with special educational needs	Other donors continue to support similar influencing objectives, effective donor-Government dialogue continues in the education sector.	
		1.2.3. Regional disparities decreased	Effective collaboration between MINEDH and the Ministry for Child, Gender and Social Action.	



IMPACT	OUTCOME	OUTPUT	Key assumptions linking outputs/ outcomes/impacts	Instruments and inputs
2. Consolidated democratic state with strengthened rule of law and good governance and decentralisation (Government's five-year plan)	2.1. Public debates and policy-making regarding natural resource management and inclusive growth increasingly based on research results	2.1.1. Improved availability of high-quality socio-economic research and analysis for citizens and decision-makers	<p>Impact-related: Continued political and macro-economic stability in the country.</p> <p>Outcome-related: The GoM willing to use independent socio-economic research and dialogue when defining its macro-economic policies.</p>	<p>UEM/MEF 0.75 million euros/year; IESE 0.5 million euros/year NIMD/DEMO 0.5 million euros/year</p> <p>Policy dialogue</p> <p>Co-chairing in Right to Information Law working group</p> <p>Lead donor in IESE</p> <p>Governance platform focal point</p> <p>Budget Analysis Group (sector responsibility - Economist of the Embassy).</p>
		2.1.2. Improved capacity to produce high-quality socio-economic research		
	2.2. Improved accountability and transparency in the management of natural resources	2.2.1. Improved oversight of natural resource management by elected representatives at central, provincial and municipal levels	<p>Impact-related: GoM is committed to transparent and accountable PFM, inclusive growth and effective service delivery.</p> <p>Functioning democratic institutions.</p> <p>GoM recognises the relevance of open dialogue with its EU and development partners.</p> <p>Outcome-related: Elected members from different political parties willing to cooperate with each other in relevant issues.</p> <p>Politicians at all levels committed to sustainable natural resource management.</p> <p>State officials at different levels committed to transparency.</p>	

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Rural development to be phased out of from Country Strategy by mid-2018				
3. Chronic malnutrition reduced among rural households in the Zambezia and Sofala provinces	3.1. Families' food security improved	3.1. Productivity increased	Farmers are willing to change their agricultural practices.	ADPP Farmers Club Programme (4Meur for the period 2016-18) Policy dialogue
		3.2. Diets diversified	<p>New agricultural practices produce better yields than old ones.</p> <p>Farmer families adopt new diversified diets.</p> <p>Sales of crops lead to higher incomes without compromising food reserves.</p> <p>Post-harvest losses do not increase.</p> <p>Financial resources are used for productive ends that generate income flows.</p>	



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