

**NETHERLANDS EMBASSY MAPUTO-MOZAMBIQUE
MULTI-ANNUAL PLAN
2012-2015**

Mission statement

The Netherlands Embassy in Maputo will remain focused on the alleviation of poverty by supporting the development of the economic potential of Mozambique for inclusive growth and sustainable development, while actively promoting Dutch (private-sector) innovation capacity and technology based on our strong commitment to Corporate Social and Environmental Responsibility.

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The Multi-Annual Strategic Plan is a rolling document. The plan was presented by the embassy in October 2011 and approved by the Ministry of Foreign Affairs in December 2011. During the appraisal process, the focus of the strategy was enhanced and additional clarifications were received from the Embassy. These were incorporated in the final version. In some cases plans will have to be further elaborated and considered before they can be implemented as part of the strategic plan. The new policy priorities will be further developed and operationalized in dialogue with government, civil society and development partners during the coming year.

Chapter 1

Management summary and Decision points

1.1 Summary

Mozambique finds itself at an important junction in its development process. Major opportunities for large-scale economic development, based on natural resource use and extraction, are available and are in the process of being developed. This presents enormous potential for significant strides in poverty alleviation and development of the country. However, ensuring and securing an inclusive economic development process, leading to broad based social development of Mozambique's population, whereby the enormous natural resources potential is used sustainably, whilst ensuring that rights and benefits of the population are respected, pose a strong challenge to the Government and its partners. Continued nation building, whereby Government primarily ensures accountability towards its citizens, is required if Mozambique is to benefit from its potential and take the route to sustainable development, rather than fall into the resource trap, whereby environmental resources are depleted, the poor are further marginalized and impoverished and a limited elite class will amass wealth.

The (development) cooperation program of the Netherlands Embassy in Maputo can play an important role in assisting the country in dealing with its challenges. The program, which is built on long term engagement and experience, is equally well placed to accommodate and further develop three of the Netherlands spearheads (*water, food security, sexual and reproductive health-SRHR*) out of the four which form the basis of the Netherlands Government's policy focus.

In the spearheads; *Water* and *SRHR*, the long-term sectoral engagement and solid Dutch position and relation with the Mozambican Government and the donor community provide the basis for further development and expansion. In the spearhead; *Food security*, the embassy can build on its leading position focused on the allocation of land and other natural resources as the basis for food security. The Netherlands policy directives to include where possible other Netherlands knowledge institutes and the private sector in the development of the three spearheads selected for Mozambique's development, present exciting opportunities to better utilize the considerable Dutch experience, knowledge and innovative capacity.

Through its earlier engagement in the spearheads, the embassy contributed to an improved policy and legal framework, creating an enabling context for development. Now is the time to ensure that this potential is used to produce more kilograms per hectare, more water- and sanitation connections and more health services, for Mozambique to achieve the Millennium Development Goals (MDGs). The embassy, while keeping its focus on poverty alleviation, will therefore change its approach, in particular in its food security programme, to a private sector led and public sector supported inclusive development process. It is expected that such an approach is better equipped to ensure faster and concrete delivery of outputs leading to a positive development outcome in the medium-term future.

Inclusiveness of the development process is an essential requirement if sustainability and equity are to be ensured. This requires an attitude of Corporate Social and Environmental Responsibility (CSER) of development-, private sector- and other actors, currently engaged in the development process in Mozambique. The concept of CSER is enshrined in Dutch institutions and will be the prominent asset, next to its knowledge, experience and innovative capacity, for promotion of Dutch involvement in the Mozambican development process.

The embassy will increase the focus of its policy dialogue and engagement in direct support of the Dutch spearheads. Good Governance and Social Protection are important themes which are both crosscutting and will also be mainstreamed within the sectors. Where Good Governance is essential for transparent, inclusive and sustainable development; social protection will safeguard equity at the lower end of the development-spectrum; the decentralisation programme will gradually be reduced and tailored more specifically to the three spearheads.

The expansion of the Dutch cooperation with the inclusion of other (semi)private actors is presenting great potential. The embassy will focus more heavily on proactively identifying opportunities for involvement of Dutch businesses, (semi)public and private institutions, which are supporting the Mozambican growth agenda.

Chapter 2

Reflection on the Multi-Annual Strategic Plan 2008-2011.

Strategic choices. The overall strategic choice for the 2008-2011 Multi-Annual Strategic Plan (MASP) was to contribute to poverty reduction in Mozambique in an aligned and effective way.

The Paris Agenda and the Accra Declaration as well as the EU Code of Conduct have been guiding the embassy's harmonisation and alignment efforts. The embassy chose to become the focal partner in the health sector (in 2010 and 2011), played an active role in decentralisation and was a collaborative partner in the water sector (and will become the focal partner in 2012). Activities in the (primary) education sector were phased out. However, the Netherlands Initiative for Capacity Development in Higher Education institutions (NICHE) programme was scaled up to contribute to the (vocational) training needs in the remaining sectors and themes. In the framework of General Budget Support/ public finance management support was given to the supreme audit office in order to strengthen oversight and control over public income and expenditure.

The embassy focused on two themes; growth & equity and domestic accountability. During the first year of the MASP, a strategy was developed for the growth & equity theme. One of the aims was to develop a coherent approach for supporting the (agricultural) private sector in the subsequent MASP. To this end the growth & equity strategy focused on access to land, access to markets and access to finance. In terms of domestic accountability the aim was to embed this approach in the sectors and themes while at the same time giving it a special provincial (Nampula) focus. With regard to the latter, an agreement was signed with the provincial authorities to improve the supply side of domestic accountability while at the same time a number of provincial NGOs (Akilizetho, Facilidade, Olipa, and Oram Nampula) was supported to strengthen the demand side for accountability. Although not a separate theme, attention was also paid to social protection.

Another strategic choice for the embassy was to look actively for complementarities and partnership agreements with other development partners, both governmental and non-governmental. To this end a complementarity agreement was signed with SNV. In addition, the collaboration with Oxfam/Novib was intensified in the areas of gender based violence and growth & equity. In the water sector, with Vitens-Evides (VEI), the collaboration resulted in a close relationship between VEI and FIPAG (Mozambican urban water organisation). This has resulted in Dutch core funding to FIPAG, also for the new MASP period.

Positive Results. Despite the global financial and economic crisis, Mozambique has been able to maintain high economic growth rates (though gradually decreasing from 8.4% in 2005 to 6.5% in 2010) based on good macro-economic policies. Public Finance Management systems continued to improve, while the tax collection targets (an annual increase of one half per cent point of Gross Domestic Product) were always met. Mozambique continues to attract Foreign Direct Investment for the so called mega-projects, especially in the extractive sector. This explains to a large extent why economic growth has not been inclusive. It is obvious to both the Government and development partners that a different growth strategy is required.

In the health sector good results were obtained in improved access to and quality of health services (steady decline of number of people per medical staff, increased number of patients under ARV treatment, increased distribution of condoms, increased percentage of mothers that deliver at clinics, increased number of households that use family planning methods) leading to declining maternal mortality ratios and stabilizing percentage of the population that is affected by HIV/AIDS. With regard to SRHR the following achievements can be mentioned. Child mortality continues its steady decline. Surveys show that chronic malnutrition (stunting) of children younger than five years remains unchanged at 44% over the past ten years. In turn teenage pregnancies contribute to malnutrition. Unfortunately teenage pregnancies are on the increase in Mozambique: 68% of women aged between 20 and 24 years have given birth before their 20th birthday. HIV and AIDS contribute strongly to the disease burden with 11, 1% of young (15-24) women being HIV positive (2009). Access to and use of health services has increased over the past four years. It remains a major challenge to increase the use of modern family planning and promote safe sex, especially for adolescents.

In the water sector, the number of people with access to drinking water in the urban sector increased from 2.3 mln in 2007 to 3.2 mln in 2010 (from less than 50% to 64%). In the rural areas the percentage of people with access to safe water increased from 49% in 2007 to 61% in 2010.

Progress to improved rural sanitation stagnated initially at 39-40% of the rural population in 2007-2009, but, with the introduction of a new approach - Community Led Total Sanitation - in 2010 the percentage increased to 44% and is expected to increase rapidly further in the coming years. Access to urban sanitation has received insufficient attention from both the Government of Mozambique and donors, but this will become an important area in the MASP 2012-2015. Donor coordination in the sector improved considerably. In the rural sector a joint implementation strategy (PRONASAR) is being implemented which includes a common fund, while also integrating the larger (Dutch funded) water and sanitation projects, including the UNICEF project ('Iniciativa Um Millão'). Several Dutch water boards (Waterskyp Fryslan, Dommel, Groot Salland) have established partnerships with their Mozambican counterparts, like Administração Regional de Águas (ARA-regional organization for integrated water management) Sul and ARA Zambezi. Capacity building to ARAS to respond to their growing responsibilities will be part of the water strategy under the new MASP. The regional water programme addressed human resource capacity requirements in Integrated Water Resource Management as well as trans-boundary river basin management. Increasing ambitions in the different water sub-sectors will present excellent opportunities for linking up the bilateral programme and 'Water Mondiaal', the international paragraph of the Netherlands Water Partnership.

Dutch funding to social protection proved to be timely and successful. In particular the cash transfers to elderly and chronically ill people (who also often take care of HIV/AIDS orphans), as well as the support to the child registration programme. The number of beneficiaries of the cash transfer scheme increased from 113,000 in 2007 to 218,000 in 2010. The percentage of children registered an important requisite to enter the formal sector and to have access to education, increased from 8% in 2004 to 41% in 2007. The Government of Mozambique (GoM) recently accepted new policies in the area of social protection in which the cash transfers will play a dominant role. The International Monetary Fund (IMF) is advocating a larger fiscal space for targeted social protection measures to replace untargeted price subsidies, such as for fuel.

With regard to the growth & equity theme, the embassy has been successful in putting access to land for smallholders high on the political agenda. GoM is aware of the land access issue related to large scale foreign investment in the agricultural sector and in its latest agricultural strategy adopted a more careful approach. The use of Dutch private sector investment promotion instruments such as Private Sector Investment programme (PSI) (five projects in implementation) and the Facility for Infrastructure Development (ORIO) (three projects in preparation) has been successful. Through a pilot project, with the assistance of the Centre for the Promotion of Imports from developing countries (CBI) and SNV, seven traditional products are being prepared for the international markets, of which the export of pineapples to Denmark has already started.

Attention to domestic accountability was a new, though important, strategic choice, for which a long term perspective is required. Nevertheless, some notable successes can already be identified. Firstly, Nampula Province became a frontrunner in local governance and domestic accountability. Secondly, a national program for decentralised planning and finance was agreed upon and launched. This program has the potential to play a crucial role in capacitating local governance and stimulating participation of citizens in decision-making processes.

Less positive results.

Based on Government's Household Income Survey of 2010, it can be concluded that poverty reduction has been insufficient in two aspects; the number of people below the national poverty line stagnated at 54% between 2003-2009 (while an impressive reduction - from 69% to 54% - was recorded in the period 1998-2003), and also child malnutrition continued to be very high. Of the children under five years of age, 46% suffer from chronic malnutrition.

In the ensuing discussion on the poverty data it was agreed both by GoM and development partners that a direct link can be found in the low and stagnating agricultural productivity levels (the agricultural sector is still predominantly subsistence based). Shortly before the survey was published, riots took place in a number of cities because of rapidly increasing prices of essential goods such as bread, water, electricity and fuel. GoM has now approved a third Poverty Reduction Action Plan (PARP) in which the main strategic emphasis is on agricultural smallholders and on job creation. The plan could use more focus and needs to be worked out further also on the basis of the agricultural strategy for the period 2010-2019 (PEDSA).

The suboptimal results in poverty reduction, the uncertainties about the new PARP as well as continuing challenges in the fields of governance and the fight against corruption have led to the decision not to continue with General Budget Support (GBS) as an aid modality in the bilateral

programme. In order to phase out gradually, the Netherlands will still provide GBS of 9 million Euro in 2012 (50% of its usual commitment) and will pull out completely in 2013. On the 10th of August 2011, the Embassy informed the Mozambican government of its decision to gradually withdraw from GBS and later that month the other GBS donors were also informed. Given the fact that the Netherlands is the only donor to discontinue GBS at this moment and the fact that the Government of Mozambique's own revenues are gradually increasing, it is expected that the government will be able to substitute for the Dutch funding.

Anti-corruption strategies e.g. in the water sector and at provincial level (as part of domestic accountability) have not yielded the expected results. In the health sector funding provided by vertical funds (aiming at one or more diseases only) despite many efforts made still does not properly match with horizontal funding (aimed at the sector at large) through the common fund (PROSAUDE), leading to continued harmonisation and alignment challenges.

Lessons learned.

The embassy is well prepared to take up three new policy spearheads in this new MASP. In the water sector, the Netherlands is recognized as a large and reliable partner with many connections to Dutch water institutions. In the health sector attention to SRHR is already part and parcel of the joint approach by both GoM and the donors. The attention given to social protection proved to be extremely relevant in the current socio-economic context. The implementation of the growth & equity strategy turned out to be to an excellent front runner of the Food and Nutrition Security spearhead. The Netherlands' has been an active supporter of good governance and gender rights in the past years. The knowledge and network that has been built up can be used by the embassy to effectively address the cross-cutting issues that are essential to enable results in the spearheads.

Chapter 3 Country and Spearhead specific analysis

3.1 Country analysis

Almost two decades have gone by since the signing of the Rome Peace Accords, and Mozambique has shown resilience to sustain the peace process and introduce political and economic reforms. And it has reaped the benefits of these efforts: rates of economic growth have been high, and there are fewer people living in poverty. However, there are still considerable challenges facing the country: the political landscape is increasingly dominated by one party, Frelimo, whereas mega-projects drive economic growth but only to the benefit of a small elite.

Mozambique has seen an impressive economic recovery since the 1990s. Between 1996 and 2008, the country's average annual rate of economic growth was 8%, the highest growth rate among African oil-importers. Together with prudent monetary and fiscal policies, as well as relatively low inflation rates, Mozambique achieved a high degree of economic stability, making the country attractive to foreign direct investment: in 2006, Mozambique received USD 153 million in Foreign Direct Investment (FDI), and this number rose to USD 881 million in 2009. Sustained economic growth enabled the country to lift millions of people out of poverty: in 1996/97, 69% of Mozambicans lived below the national poverty line, and, by 2002/2003, this number had reduced to 54%.

However, there are several caveats to Mozambique's economic achievements. The country's high rates of economic growth seem to be slowing down in recent years (from 8.4% in 2005 to 6.5% in 2010). More worrisome, according to the latest Household Budget Survey, carried out in the period 2008/2009, national poverty levels have not reduced since 2002/2003: 54% of Mozambicans still lived in absolute poverty, and regional disparities remained acute. Therefore, Mozambique's economic growth can no longer be described as pro-poor. The government of Mozambique and partners agree that an important policy shift is needed to broaden growth and to allow larger segments of the population to benefit from it (inclusive growth). In particular, agricultural productivity of smallholders is at a very low level. There is an urgent need to stimulate agricultural productivity and rural development in general, Agricultural production and productivity are major bottlenecks to the country's economic development. At least 70% of Mozambican families live in rural areas, and most of these are involved in agriculture. However, Mozambicans do not cultivate enough to feed themselves: if all food produced annually was divided equally to all Mozambican families, it would not suffice to provide them with the necessary calories.

Mozambique's democratic opening has been conducive to the creation of new political parties, but it has been very difficult for these parties to be successful in their bid for power. Opposition parties have not been able to challenge the ruling party. In the 2009 general elections, Frelimo won 191 seats in Parliament (76% of the seats), and the party elected 42 of the country's 43 mayors in the 2008 municipal elections.

Mozambique has dealt adequately with most of the problems directly related to the armed conflict, but there are still threats to the country's peace and security. Mozambique has, on the one hand, long land and coastal borders, and, on the other, an institutionally under-resourced civil service (including police and customs). As a result, government faces difficulties to adequately protect the country's territorial integrity, which means that Mozambique is vulnerable to illicit trade, smuggling and trafficking in goods, drugs and persons. Mozambique's dependence on food and fuel imports is another problem that has implications for peace and security. The country's economy is vulnerable to changes in international and regional markets, and increases in international prices have led to rising costs of living and, as a consequence, to social unrest.

Given the political and institutional conditions in the country, developments in governance have been mixed. Amongst the areas in which there has been some progress in recent years, one can mention the decentralization process, public finance management, especially at the central level, the functioning of the Administrative Court, and tax administration. Less positive trends can be seen in the justice sector and the fight against corruption. Gender equality has long been a government priority but there is still much progress to be made on this front.

Notwithstanding the achievements with regards to public finance management and oversight, corruption is still a major problem in the country. The judiciary faces several constraints in its capacity to prosecute and rule on major cases of corruption and mismanagement. The anti-corruption legislation could be improved, and government is grappling with the question how to translate anti-corruption strategies into real actions.

Outside of the state, civil society organizations have difficulties holding the government accountable. Most civil society organizations are poorly resourced, lacking skilled personnel and funds for their activities. In recent years, a noteworthy development has been the fact that a small group of organizations have strengthened their capacities and become more vocal in their criticisms, improving their mechanisms to monitor government activities and advocate for policy and legal changes.

Mozambique is highly dependent on aid flows. For 2011, 44% of the State Budget should come from external sources, and there are dozens of sectoral programmes and common funds, as well as hundreds of projects in implementation in the country. Tax revenues, however, have increased recently: in 1996, tax revenues represented 9.9% of GNP, and, in 2011, they represented around 16%. Gradually, Mozambique is catching up with other low-income SADC countries, such as Malawi (18% of GDP) and Zambia (18% of GDP), and government still has a huge potential to improve its revenue collection at both central and municipal level.

3.2 Analysis per Spearhead

3.2.1 Water

Context analysis

Mozambique has considerable water resources, but due to climatic variability and the increasing demands for water to support social and economic development, availability is limited and integrated and transparent planning is crucial. Current levels of access to drinking water and sanitation are below Sub-Saharan average and Mozambique will probably not achieve the MDG targets that are integrated in national policies. Because more than half of the surface water originates from neighbouring countries, capacity is required to effectively participate in international negotiation mechanisms.

Responsibility for water management is allocated to several Ministries. However, mandates and responsibilities are not clearly allocated and all ministries suffer from institutional weaknesses, lack of capacity and financial resources at national and local levels. Reliable data is scarce and research capacity is limited. This results in ineffective planning and implementation of what in essence are good water policies and strategies, partly developed with Dutch funding. Cost recovery in the water and sanitation sector is low, with urban water in bigger cities being a positive exception, also based on Dutch support. The private sector related to water management and operation is weak and funding for the sector is largely provided by external partners. Donor harmonisation and alignment is relatively low, as donors rather follow their own policies.

Currently, the sector is socially and economically underperforming, leaving the less vocal and poor water users vulnerable and unable to claim their rights. Furthermore, economic opportunities are missed. Participatory and integrated governance mechanisms are rare and public investments are seen as a free gift, which does not stimulate ownership and accountability. Concrete activities which will achieve social results in access to water and sanitation, achieve economic results in water supply for economic development and prevent ecological problems in satisfying ecosystem requirements need to be planned in an integrated and sustainable manner. The assistance of the private sector is required, within an enabling policy framework. It is imperative that the local population is adequately represented in the planning and allocation of water and that mechanisms to fight corruption are further developed.

Opportunities

The GoM reconfirmed its aim to reach the water-related MDGs by 2015 and has undertaken several activities to achieve this. A well formulated policy framework for most of the different water sub-sectors has been prepared; a ministerial decision to streamline the institutional setting for water resources has been taken; awareness by the different sectors concerning the need for better water governance is growing and government is more open for privatisation and shows a growing interest for (peri-) urban sanitation.

The Dutch experience- and innovative capacity- on trans-boundary water management, transparent and integrated planning and allocation of water, data collection, capacity building and institutional and infrastructural design and implementation is appreciated by government. Our programmes are showing results, especially in urban water and rural water and sanitation as well as for trans-boundary river basin management (WaterNet Programme). Initiated and funded by the Netherlands, an anti-corruption strategy in the water sector will be developed. The Public-Private-Partnership (PPP) between the Fund and Water Supply Asset Holder (FIPAG), Vitens Evides International (VEI) and the Government of the Netherlands is an example of national water policy development and implementation through the private sector. Cooperation between Mozambican Regional Water Boards (ARA's) and Dutch Water boards is starting to develop. An initial market scan, conducted by Water Mondiaal, resulted in the identification of four promising areas for long term cooperation between the Mozambican and the Dutch water sector: Access to Water and Sanitation; Water for Agriculture; Delta Technology and Integrated Water Resources Management. Social marketing and social protection in sanitation and water supply, an area where the Netherlands can make a difference with its innovative capacity, can provide technical innovations for accessible local level solutions. Geographically, linking the focal area of the spearhead of Food and Nutrition Security and Dutch involvement in water management provides ample opportunity for an integrated development model.

The Netherlands will chair the water donor group as of 2012. In the context of Water Mondiaal, our long term cooperation in the water sector can further be strengthened. Dutch private sector and

semi-private operators can bring additional skills for fast delivery of results to the sector, providing integrated solutions for management of this global public good. This places the embassy in an excellent position to obtain development results, while striving for involvement of the Netherlands private sector and knowledge institutes.

3.2.2 Food and Nutrition Security

Context Analysis

Over the years, the embassy has played an important role in developing a more conducive policy and legal framework for agricultural development. However, several constraints limit production. Smallholder farmers have no secure land access, which affects long-term investments. An initially strong political commitment to pro-poor land reform, expressed in the innovative land law, securing land rights for rural communities and promoting private investment is being challenged by a tendency to make quick gains, neglecting community land rights.

Significant technical constraints (access to improved seeds, extension services, fertilizers, etc) hinder production and market chain development. Lack of enabling infrastructure (roads and electricity) further contributes to the stagnation of agricultural productivity at levels between 30% and 60% of available potential (Gender Policies and Feminisation of Poverty in Mozambique, CMI 2008). The involvement of the political elite in food imports, an example of state-party-business nexus (Chatham House report, 2010) is not conducive to private initiative. Risk-averse financial providers are hindering access to capital and financial services (only 4% of the rural population has access to capital) further limit the development of viable and sustainable commercial agriculture, in which government and the (smallholder) private sector jointly operate. In general, Government promotes large plantation investments which contribute to the development of the macro-economy, create some job opportunities but are not focused at social development, which requires the development of the small- and medium agricultural enterprise sector.

The incidence of severe chronic malnutrition in Mozambique is 23%. Northern and central rural areas and regions show higher incidence of malnutrition than urban areas and the southern region. Malnutrition is caused by many factors, related to health, water & sanitation and agriculture. In order to reduce malnutrition and poverty, agricultural development has a major role to play within an integrated context. However, despite the emergence of integrated policies, capacity for implementing crosscutting interventions that effectively reduce malnutrition and alleviate poverty is weakly developed. Furthermore, agricultural production and food security are severely affected by climatic changes. Between 1981 and 2004, GDP growth was on average 1.1% lower per year, as a direct result of climatic variability. This indicates the need for an integrated approach to the sustainable management of the natural resources (global public goods) in order to satisfy the various sectoral demands.

Opportunities

New drive in Policy development for inclusive agricultural development: Mozambique has a land law that provides both protection of community-based rural farming and larger agro-industry development. The creation of a National Consultative Land Forum in 2010 presents an opportunity to refocus on secure land rights for women- and other smallholder farmers and their incorporation in investment plans. Government starts to promote private sector lead development in agriculture and takes part in newly established public private partnerships. This presents opportunities for major investments and smallholder participation for inclusive growth in a private sector lead, public sector supported agricultural development process. Such a system is likely to be more successful in achieving efficient and effective production and development outcomes

Access to inputs: Efforts such as strengthening of public sector quality control on inputs (fertilizers, seeds etc), and the strengthening of farmers' organizations and networks are undertaken to support the above mentioned policy, of which social protection through the use of subsidies/voucher schemes for input supply is an important component. Dutch involvement in these areas is already firmly established and can be expanded. Access to sufficient quantity and quality of water is essential, this challenge will be addressed by the Regional Water Boards, supported by the Dutch engagement in the spearhead Water.

Access to business development services and capital: Agribusiness support services are largely dominated by donor programmes, which are not always well designed or harmonised in their implementation. Entrepreneurship development and capacity building, networking and access to market information (market literacy) are to be included in service support programmes. The

opportunities lie in the integration of competencies of all actors involved (Donors, NGOs, Private and Public sector) through practical work, research on market chain development and through professional and vocational training. Enhanced access to capital by local actors (farmers, processors and traders) in the agricultural and rural sector is essential. Promising examples of investment funds in Mozambique are the Beira Agricultural Growth Corridor Catalytic Fund and the Africa Enterprise Challenge Fund. Dutch involvement in (financial) service provision is strong through Banco Terra (private initiative) and the embassy's participation in the Beira Agricultural Growth Corridor, providing ample opportunity for further expansion.

Access to nutritious food: The government is taking measures to provide social protection to the 40% of people living in poverty to facilitate access to nutritious food. An impact evaluation of the social protection programme shows that the nutritional status of poor households, especially children, has improved. The government recently adopted a new set of policies for social protection, aimed at inclusion of the poor segment of the population in the development process. The food riots of September 2010 provided a strong incentive for this development. Partnerships exploring an integrated approach to a market chain including quantity and quality of food provide interesting opportunities.

The embassy has a long-standing involvement in agricultural development. Dutch innovative capacity for integrated natural resource management, sustainable agricultural production systems is appreciated by government and the public. The potential synergy with the other spearheads present challenging opportunities for Netherlands private sector involvement.

3.2.3 Sexual and Reproductive Health and Rights

Context analysis

Although improvements are made and family planning efforts are starting to show results, Mozambican health indicators are among the most alarming in Africa. According to the Population Census 2007, the annual population growth rate is estimated at 2.4%, projecting to reach a population of 24.5 million by 2015. The legal and policy system is slowly being improved in support of a properly functioning health system, the application thereof remains a challenge however. In August 2011 the Cabinet of Ministers approved a renewal of the Penal Code, amongst others legalizing abortion. Minority groups such as lesbian, gay, transsexual and bisexual persons are legally accepted but in practice find it difficult to exercise their rights. Sex workers are officially illegal, but in practice they are condoned but often misused and exploited by officials such as police men and health workers. Health issues are strongly influenced by culturally based perceptions.

HIV and AIDS pose a serious challenge to people's health. HIV prevalence in Mozambique is 11.5% among adults between 15 to 49 years of age. Prevalence is higher among urban populations (15.9%) than the rural (9.2%) ones. Mozambican women are disproportionately affected, and the wealthier and educated population is more likely to be sero-positive than the poor and less educated (INSIDA 2009). Together, malaria, and AIDS account for more than half of the deaths, (2007 Population Census). All these health related problems pose an almost insurmountable challenge to the Ministry, which is leading an under resourced and capacitated health system.

It is realized that health issues are merely symptoms mainly caused by problems in other sectors (access to sanitation; access to clean water and nutritious food; lack of income). An integrated approach in provision of health services starts therefore in other sectors.

The health sector is supported by many donors, who are not all aligned. This poses problems of coordination and parallel funding systems outside the control of the ministry. The embassy currently is the chair of the focal partner group in health and is well placed to bring donor efforts more in line with government's requirements.

Opportunities

The Minister of Health is ambitious and committed, but it is faced with the reality of low institutional capacity of the ministry in a resource poor environment. Better coordinated and well placed TA provided by donors can effectively target the capacity constraints, while leaving the ministry in charge. The embassy as focal partner can play an important role in this respect.

Population Services International (PSI) has a successful track record in Social Marketing, an effective strategy to increase the demand for products required for healthy behaviour. These products are distributed for free, but also put in the market for the private for profit sector. The

partnership between the embassy and PSI can be further developed and expanded. The poor and vulnerable population need access to social services related to health, water and food. The National Institute for Social Action (INAS) is tasked to provide a social safety net for vulnerable communities. INAS currently explores further opportunities to help poor pregnant women with delivery at a recognised maternity clinic. INAS, which is also funded by the embassy and the ministry, work closely together. Their programmes can be further supported and more widely implemented. Increased assertiveness of civil society complements the work of the donor Health Partners. Netherlands supported NGOs work to improve the health services, minority rights, and assessing government policy, expressing a demand for better accountability. The embassy in its coordinating role will stimulate the NGO community operating in the health sector, to further strengthen cooperation aiming for higher accountability and demand for services. This will stimulate the ministry to improve its performance.

Close cooperation with the spearheads Water and Food and Nutrition Security is essential if health problems are to be tackled in earnest. Synergies between the spearheads can be further explored as these can result in added outcome in all spearheads. The feasibility to focus support in a holistic manner, and possibly in one or two bigger provincial cities will be explored. INAS and PSI can provide security and transparency in service delivery across sectors for vulnerable sections of the population.

The embassy participates in the Regional Advisory Group (RAG) to The Regional Programme (RP) for SRHR & HIV and AIDS, which is managed from the embassy in Pretoria. This provides regional added value to better address migration and mobile populations, providing opportunities for dealing with trans-boundary health problems that are not easily addressed through country programmes.

The embassy and the Ministry have a longstanding, open and mutually appreciated relationship, which is built on trust. In March 2010 the Netherlands was elected Focal Partner, and it is representing the 25+ Health Partners Group (HPG). Donor coordination is well established and contributes to reduced transaction costs for the Ministry of Health. However, more is required given the daunting tasks. The embassy is well placed to continue its broker role. Dutch knowledge institutes, through their innovative approach in the health sector can provide much needed capacity and support, while the Dutch private sector has much to offer in attractive products for the Mozambican market. The embassy will identify opportunities for Dutch engagement in the health sector in Mozambique.

3.2.4 Cross Cutting: Good governance

Context analysis

Fundamental governance challenges limit inclusive and sustainable development in Mozambique. The challenges, as elaborated in the country analysis (3.1), pertain to political, fiduciary and corruption problems. These hinder the establishment of a favourable context, required for development programmes to achieve maximum results in poverty alleviation and sustainable growth and development.

A major political challenge is the interconnection between party and government. The two are intertwined and draw strength from one another. Also, as the Mozambican government for now is still partially dependant on external finance to provide necessary services, there is always the risk of some of the government's accountability being diverted from the Mozambican population to the donor community. These two characteristics could hinder democratic development where 'voice and accountability' is enshrined in the development process. The potential danger is the development of elite which holds the political and economic power without a strong motivation for social development of the country and the building of Mozambique as a nation.

Fiduciary risks are expressed through a weak public finance management system, whereby the state is not capturing all of its potential macro-economic benefits and income. Sub-optimal income for the state combined with weak financial management systems and capacity results in insufficient capital at central and sub-national levels, hindering inputs and developments required for poverty alleviation. Added to this is a poorly paid civil service, which is forced to find alternative income and is easily prone to corruption.

Opportunities

A two-pronged approach to good governance will be taken, which will combine specific activities in the sectors and broader governance activities that cut across the sectors and are necessary to facilitate results and impact in the embassy's spearheads. In accordance with the priorities set by the Netherlands government, the good governance and decentralisation programme of the embassy will gradually be reduced and further focussed to obtain results within the three spearhead programmes.

Mainstreamed good governance interventions: Within the spearhead water, special attention will be given to the consolidation and further strengthening of the institutes for water management and to the implementation of integrated water resource management policies and strategies, including the development and implementation of an anti-corruption strategy. Within the spearhead of food and nutrition security, the embassy will focus on improvement of the land management system. Farmers' associations and cooperatives will be supported and local communities will be further capacitated to negotiate with government and investors. Within the sexual and reproductive health spearhead, attention will be given to the transparency and allocation of state budget for health and to increased access to health care across the country. Social protection, ensuring equity, will be pursued in all sectors.

Cross-cutting good governance interventions: At the cross-cutting level focus will be on two main issues (public finance management and civil society). Public finance management for better public spending and to avoid corruption, with a focus on the three spearheads. The good results achieved in this field so far and the combined commitment of both government and donors creates opportunities for further successful development. The embassy will explore possibilities to broaden its PFM scope to support the national tax system in order to decrease donor dependency and to further equitable growth. Advocacy civil society organisations are crucial to complement the dominance of the ruling party- and business elite, monitor the activities of government and businesses, inform the public debate, voice concerns of people and push for critical governance reforms. Recent tangible successes achieved by civil society seem to indicate that civil society in Mozambique may be starting to overcome the hurdles that prevent it from playing a more active role. Based on its earlier programmes and the impact thereof, the embassy is well placed to continue its efforts.

Support to decentralisation will continue in a limited manner, the activities in and funds available for decentralisation will be reduced. This will be implemented in a responsible manner. Other donors will be sought to take over the role the Netherlands has played in this regard. During the transition period, the Netherlands will continue to support decentralisation as it is necessary to guarantee that public services reach as many Mozambicans as possible. Supporting decentralisation helps to translate local needs effectively into national policies and planning instruments.

Chapter 4

Objectives; Results; Activities and Risks per spearhead.

Water, SRHR and food security are the spearheads in which the embassy will continue its engagement in Mozambique in the coming MASP period. The main focus remains the contribution to poverty alleviation and inclusive, sustainable growth. New in the MASP is the increased focus on the private sector as the engine of growth and the active promotion of Dutch capacity and private sector involvement. Good governance and social protection continue to be necessary to address bottlenecks in governance which hinder constraints in the spearheads related to inclusiveness and transparency. Developments in Mozambique, experience gained from our cooperation programme and the new Dutch policy directives, require a reformat and refocus of the portfolio and reflection on modalities of cooperation. Programme evaluations will primarily focus on delivery of foreseen results. The number of projects foreseen in 2012 is comparable to the number in 2011. Gradually the portfolio will be streamlined, ultimately resulting in a smaller number of projects and programmes. Detailed discussions were held and are continuing with the MFS partners for harmonization and prevention of double funding of activities, some of which generated from the 'Schokland Accords'. Dutch engagement in Mozambique includes the implementation of centrally funded environmental programmes. Synergy with the spearheads will be stimulated and developed where possible.

4.1 Water

Result chain

The increasing demand for water requires institutional and human resource capacity for integrated, sustainable (socially, economically and environmentally) water resources management, including regional negotiations. Mozambique and the Netherlands share the long term objective of "sustainable use of water resources for economic and pro-poor development", and the partnership is mutually appreciated. Competitive advantages of the Netherlands relate to our innovative knowledge and capacity, our long term commitment and our integrated and inclusive approach. Involvement of other Dutch partners in the water programme will contribute to our ambitions. The embassy is directly responsible for its own bilateral programme, but also assumes a coordinating role as a facilitator and mediator for other Netherlands partners, with the aim to properly integrate activities in the Mozambican context. The programme will continue to support Mozambique in reaching the MDG's (with increased attention for sanitation), will broaden its scope to water governance/water management and continue support to regional cooperation in Southern Africa. Private and public water sector partners in both countries will play their roles in its implementation. In its engagement in the spearhead, attention for gender is essential.

Institutional development and reform; the Government of Mozambique has embarked on a process of institutional reforms. Institutional consolidation and strengthening of FIPAG and the National Water Directorate (DNA) will result in a clearer allocation of responsibilities and mandates. Strong Dutch involvement is expected in this reform process. A recently signed (PPP) contract will increase the engagement of private sector operators in provision of water to the population. In 2012 the embassy will expand its focus to the organizations responsible for integrated water resource management in the regions (ARA's) and those responsible for urban water supply and sanitation (AIA's). Options will be explored to select a municipality to develop and implement an integrated development model.

Water and sanitation; the embassy participates in a pooled fund (PRONASAR) for rural water and sanitation, also on behalf of the British Department for International Development (DFID). The embassy will capitalise on developed models of other Dutch funded activities as UNICEF (rural water and sanitation) and 'Fryslan' (urban sanitation) and expects to intensify its efforts in sanitation in the course of 2012. Joining forces with AIA'S and the institute for data collection, price setting and accountability (CRA)

Integrated (trans-boundary) Water Resource Management; through our support to ARA's (water boards) integrated planning, implementation and monitoring of (trans-boundary) water use will be developed. 'WaterNet' (created with Dutch support) has developed into a truly African institute with a broader funding base. Through 'WaterNet' a variety of links and contacts are emerging, contributing to trans-boundary cooperation in water resources management. WaterNet will be further supported to become the regional centre for capacity development in Integrated Water Resource Management (IWRM).

The necessary links between land use and water use rights are not always existent. In 2012 the embassy will stimulate the development of an integrated framework to address these issues, building synergy with the other spearheads. Economic developments require Mozambican capacity to enforce ownership, but also offer opportunities for Dutch (water) businesses engagement. Dutch capacity exists in bringing stakeholders together, knowledge based interventions, multi-sectoral (integral) approaches, longer term commitment, availability of various financial instruments, Public-Private Partnerships.

Our activities related to institutional development and implementation of IWRM will be integrated with good governance, gender and environmental aspects. In this respect an anti-corruption strategy in the water sector will be further developed and CRA will be supported. Netherlands environmental expertise (the Netherlands Commission for Environmental Assessment and others) will continue to play an important role.

Inclusion of other Dutch actors; Water Mondiaal represents the international paragraph of the Netherlands Water Partnership. Four areas have been jointly identified for further cooperation: river basin management, delta technology, water supply and sanitation and water for agricultural production. In these areas synergies between Water Mondiaal and the bilateral/regional programme will be defined, where activities in the context of Water Mondiaal will add value to the bilateral program. The embassy will act as a coordinator and facilitator in the process. This combined approach will raise the profile of the Dutch water sector, which will amongst others be of benefit in tendering for investment activities.

Risks and mitigation

- Commitment to institutional reforms and development requires funding at national and decentralised levels. This requires PFM capacity. This capacity needs improvement requiring further investments. In the Dutch programme, we will explicitly address PFM and corruption matters.
- Further institutional capacity strengthening within DNA, the National Water Directorate is required if it is to assume a leading role in coordination. The embassy will continue to support capacity strengthening and, together with the other spearheads will investigate possibilities for the establishment of a Technical Assistance (TA) and research facility.
- Developments outside of the water sector contribute to increasing water resources stress. Therefore the need for multi-sectoral planning and good governance is becoming more and more obvious. Development in other sectors will strongly influence competing claims on water. The embassy will create synergy between the sectors to allow for integrated planning and development. Furthermore, the concept of Corporate Social Environmental Responsibility will be strongly promoted. All partners active in the water (but also food security) spearhead need to work from this basis.
- The water portfolio has grown over the last few years and is expected to become even bigger, with inclusion of other instruments, in particular Water Mondiaal. This demands additional attention. The involvement needed in the field of integrated water management resources linked to the Food and Nutrition Security spearhead will also increase. Furthermore the embassy will be chair of the group of donors in the water sector as from 1st of January 2012, which will offer opportunities but will also demand extra capacity.

4.2 Food and Nutrition Strategy

Result chain

The Netherlands will be active in each of the four promising opportunities for change as outlined in chapter 3.2.2, building on experience gained in the past and acting as a broker between Dutch knowledge institutes and private sector initiatives that support the Mozambican development agenda. Many of the specific activities regarding food and nutrition security will need to be further developed by the embassy in consultation with the Ministry in The Hague during the coming months.

Given the strong donor emphasis on the social sectors and the need for a more equitable growth pattern in Mozambique, the embassy included in its previous MASP 'growth and equity' as a thematic area, focusing on access to land, finance and markets for small and medium scale enterprises and agricultural producers. This strategic choice is still justified given the current reality in Mozambique and provides a solid basis for developing a "food and nutrition security" programme. The embassy has been a leading partner in the area of access to land focusing on the empowerment of the communities to secure their land rights. Relations in this area date from a long time back, creating comparative advantage and added value in the policy level discussions. The embassy, during the last 4 years, has started up initiatives for improving business development services for small and medium scale farmers. There is evidence that investments in smallholders yield the best return in terms of poverty reduction and growth and therefore the focus on small and medium scale farmers, especially women, is still justified. However, the ambition to contribute to viable crop production through this assistance had to be tempered because of bottlenecks along the whole value chain (lack of inputs, technologies, finance, human capital, markets).

Trends in Mozambique and the Netherlands as well as some lessons learned now call for new approaches that will be guiding the food and nutrition security programme. The programme will be further developed and focussed on the basis of the following principles:

- In line with the policy note food and nutrition security (2011) from the ministry, the programme will have a strong focus on (1) increased food security, (2) reduction of mal-nourished households (3) enhanced business environment.
- Recognising the private sector as a driving force for development, the Food and Nutrition Security (FNS) programme will work more closely with the private sector. Different models will be supported; development through large commercial investors that target the involvement of the small and medium sized entrepreneurs; direct support to farmers associations and cooperatives, strengthening their institutional capacity and their strategies to become business oriented; a value chain approach, from production to markets, will be pursued for specific crops. The role of the private sector in applied research and innovation

will be strengthened. Special attention will be given to capacity building and integration of environmental sustainability, social equity, gender and impact of climate change.

- Targeted interventions across sectors will be selected to support agricultural development i.e.: better inputs, developed value chain for a specific priority crop, developed infrastructure, sustainable use of water, better quality food etc. The embassy will seek synergy between the three spearheads, possibly in a regionally focused programme. Lessons learned and successful innovative practices can be used as an intervention model for other regions.
- Dutch interventions will be actively promoted in areas where we have knowledge and expertise to offer, such as water management in agriculture, strategic environmental impact assessment and agro-finance for example. All interventions must, however, ensure added value to the Mozambican development agenda. Instruments such as Niche, PSI, PUM and ORIO will be actively promoted.

The embassy wants to deliver concrete outputs by providing more innovative financial mechanisms for commercial and small-scale farming. In this process specific attention to gender will be given. It will contribute to increased capacity of input suppliers and business development services providers. The embassy will strengthen the land management system and promote consultations between commercial investors in land and the rural communities. Water being a key input for farming, water management systems for irrigation will have increased during the implementation period of the MASP. Lastly, contributing to improved access to nutritious food, action will be undertaken to support and fortify the value chain of specific food crops and – through the social protection programme – more and better interventions will be in place to increase purchasing power of vulnerable households to buy food.

Access to land and securing communities land rights are key areas for good governance in the FNS programme. Empowering communities to strike better deals with investors and support to the new cooperative movement are as well. These areas are in particular relevant as a countervailing power for development. In the past the embassy has sought complementarities with Dutch NGO's that also strengthen these countervailing powers. Support to cooperatives has been a good example, where there has been full coordination in funding as well as in strategic thinking between the embassy and, in this case, OXFAM-NOVIB to increase the effectiveness and efficiency of the cooperatives producing rice. Continued dialogue is foreseen to harmonise and to prevent overlap.

Risks and Mitigation

The main risks for the sector are the following:

- Insufficient public funding and spending for agriculture. This risk is assessed to be medium to low. It will be mitigated by the fact that agriculture and food production are key areas in the new poverty reduction strategy from the government. Based on the new priorities in the poverty strategy, the sector dialogue and the monitoring of the sector budget will be strengthened.
- Non attractive international price, market and trade policies. High food prices are a serious threat to social and economic stability and will impact on the food and nutrition security strategy. As a mitigating measure it is important to monitor changes in price, markets and trade policies and to develop scenario's for policy and budget responses (including the social protection measures from government). Scenario planning will be done through the medium term expenditure framework in order to prepare for and manage this risk.
- Insufficient integration of small farmers in commercial agriculture. In general Government promotes large plantation investments, such as in forestry and bio fuels, which creates opportunities for job creation but creates also risks for exclusion of rural communities. The good governance elements in the FNS strategy are small but important actions to help mitigate this risk and strengthen the voice of the poor.
- Poor capacity, systemic failures and insufficient human resources. Poor capacity is a generic risk for all sector programmes. Targeted capacity strengthening and technical assistance will be used to mitigate this risk as well as support to improved accountability by the partner organisations
- Programmes being insufficient driven by local demand present a generic risk. The embassy will stimulate alignment with national activities such as the land fund where possible. Also, the embassy will adapt its level of ambition to local absorption capacity and possibilities to deliver visible results in some of the above-mentioned areas, in partnership with government and the private sector.

4.3 SRHR

Result chain

The policy priority of the Netherlands Government on Sexual Reproductive Health and Rights, including HIV and AIDS overlaps nearly completely with the policy priorities of the Government of Mozambique.

Currently teenage pregnancies are on the increase: more than two third of young women (20-24 yr. old) give birth before they are 20 years old. We also know that more than half (54%) of the Mozambican population is 18 years old or younger. These combined data convince us to focus our support on the SRHR of adolescents: prevention of teenage pregnancies and contracting HIV. This implies the promotion of safe sex and increased use of modern contraceptive measures. Our principal partners, the Ministry of Health (MoH) and PSI, are well situated to address this. Together with other Health Partners we will exert maximum influence that in practice this focus is not lost.

Next to improving the use of modern contraceptive methods our support in the next 4 years will contribute to less women dying as result of being pregnant and less new-borns dying at or soon after being born. For actual service provision (supply) the Ministry of Health is the most important provider. Although focus is required on improved family planning services, antenatal control and basic (emergency) obstetric and neonatal care, this is best achieved through general health system strengthening support, with an emphasis on improved human resources for health. Improved public finance management, with a focus on anti-corruption and administrative efficiency (procurement) is an ever present focus. The embassy will explore the possibility to create a TA fund that will allow for greater control of TA by the Ministry and other partners. The same fund is intended to provide the embassy with access to improved linking and learning, through targeted research, predominantly with Mozambican partners.

Behaviour change is difficult and complex. The embassy strongly supports social marketing (PSI) to apply commercial (manipulative) techniques to have people abstain from unsafe sex, sleep under mosquito nets, eat nutritious food, drink clean water, wash their hands, use safe sanitation and use health services, such as maternities, when necessary. A better understanding of this demand side for health services may involve the stimulation of vouchers to pay for transport for poor pregnant women to reach maternities or even health insurance schemes for specific groups.

In order to work as efficiently as possible with the staff available, the embassy maximises the overlap between the spearheads and the benefits of cross-cutting themes. In synergy with the food and nutrition security spearhead our SRHR partners will be influenced to improve supply of and demand for micronutrients and our FNS partners to improve value chains with food fortification. It is important to realise that the drive to reduce teenage pregnancies will in itself reduce the prevalence of malnutrition. The synergy with the spearhead water is clearly sanitation. To maximise the health benefits from the use of clean water use of safe sanitation is paramount. In population dense areas such as municipalities, options will be explored to provide holistic integrated support whilst maximising the benefits of our spearheads and our added value in being recognised as a credible honest broker with our other development partners to harmonise and align with Mozambican authorities.

The overlap between our SRHR spearhead and the GoM priorities is less pronounced in the area of sexual rights. Now that abortion has been legalised the embassy will stimulate the ministry to also make the necessary services more available. On the other hand our Embassy will continue to build on the existing relationships with strong civil society organisations to emphasise the need for improved domestic accountability, protection of the rights of sexual minorities, otherwise specifically vulnerable groups and gender. The embassy will explore possibilities to further strengthen the cooperation between these civil society organisations by promoting the development of an NGO consortium.

Risks and mitigation

To avoid increasing donor dependency to fund a large part of the public health service delivery, it is important to mobilise support from civil society and parliament to promote sustained and even increased domestic financing. After a couple of years of decline the current trend appears one of steady recovery.

- Although rights based advocacy NGO's are tolerated it remains a risk if they one day might be considered to become too vocal. Sustained support by the Netherlands is helpful to mitigate this risk.

- Within the strong hierarchical structure and processes the position of the Minister of Health remains pivotal. The openness and leadership of the current Minister is very much appreciated by all partners and deserves our support to avoid change and promote domestic ownership.
- Given the weak institutional capacities the system remains vulnerable for failure of components, such as the logistics and supply system. Focused support and early warning alertness are crucial.
- We strongly apply zero-tolerance for corruption, but acknowledge that, especially our public sector partners may not be sufficiently equipped to prevent all fraud or theft, and deal diligently with cases as they may occur. Our close relationship with our partners works in practice as an early warning system and we are confident that our partners will monitor to the best of their abilities and respond adequately to concerns we may have.

4.4 Cross Cutting: Good Governance

Result chain

The embassy will work on good governance issues that are necessary to overcome specific bottlenecks within the sectors and on good governance issues that are of a more general nature but that are crucial to create an enabling environment for results and impact of the interventions in the embassy's spearheads (see chapter 3). Improving governance is generally known to be a long term process. Results and impact are usually difficult to quantify and qualify and if results can be shown, it takes a prolonged effort to achieve them. Therefore, part of our added value stems from the continuation of support we have given for the last years and the lessons we have learned in the process. Another added value is the embassy's integrated approach to good governance that allows lessons learned on sector level to feed in to interventions on the cross-cutting governance level and vice-versa.

In light of developments in the Netherlands, Mozambique and based on lessons learned the embassy's approach to good governance in the coming four years will be the following:

- Governance issues that are specific to sectors will be addressed at sectoral level. Governance issues that are of a more general (cross-cutting) nature but important for results within the sectors will be addressed at national level. As an example, the institute for data collection, price setting and accountability in the water sector (CRA) will be supported.
- Focus of the cross-cutting governance interventions will be on public finance management, 'voice' of civil society and social protection, which ensures accountability to the poorer segments of the population and offers them a possibility for political engagement. Further support to the National Institute for Social Affairs (INAS) is requested from Good Governance funding.
- The embassy will work to optimise synergies between governance interventions at national level and interventions within the sectors.
- Support to Public Finance Management will be continued and the embassy will explore the possibility of broadening its PFM support to the tax authority, in order to enhance the country's capabilities to generate public revenue and to reduce donor dependency.
- Civil society support will be continued in light of the growing need for advocacy and monitoring of government and business activity.
- Good governance support will be less focused on Nampula and more concentrated on the national level. Support to the National Program for Decentralised Planning and Finance will be more focussed and reduced. The portfolio of good governance activities in Nampula will be gradually phased out in the coming years.

Risks and mitigation

The main risks/mitigating measures for good governance interventions are the following:

- The development towards an open, active and autonomous civil society could be hampered, leading to less domestic accountability. The embassy will continue to support further emancipation of a number of NGO's.
- Corruption and conflict of interests hinder public sector reform. Apart from the continued support to PFM and to transparent planning and budgeting, which is an important part of decentralisation, continued support to monitoring by civil society is crucial to counter corruption.
- Lack of capacity and resources for effective public sector reform. The National Program for Decentralised Planning and Finance that is financed by the embassy contains a substantial capacity building component.

Chapter 5

Other instruments of Netherlands Foreign Policy

Bilateral relations

Mozambique and the Netherlands have a long history of friendly relations. The support many Dutch have given to the struggle for independence is still remembered. The issues of piracy and drugs (Mozambique as transit country) are becoming of more concern and will ask for increased attention and reporting of the embassy. Both will be dealt with within the EU and UN frameworks. Piracy is also the main issue of collaboration with the Defence Attaché, who is based in Pretoria. In 2014 presidential and parliamentary elections will be held. A revision of both the Election Laws and the Constitution is now being prepared. This will require close monitoring on a bilateral basis and with EU and G19 partners.

The embassy will follow Mozambique's position in international fora and report on it.

Economic Diplomacy

Mozambique's natural resource wealth can be highly profitable for both investors and Mozambique's citizens. Significant opportunities for large-scale economic development, based on the use of these natural resources and on the spillover of the expansion of extractive industries already exist or are in the process of being developed. On the one hand the new revenue source can allow the country to become less dependent on foreign aid. On the other hand the key challenge for the country is the need to complement the current export drive based on mega-projects with a diversification strategy that activates a broader set of growth drivers and taps more effectively into Mozambique's abundant factors of production, in particular labour, land and entrepreneurial drive.

Next to the megaprojects but also related to these, development of small and medium enterprises is required (SMEs). The country finds itself at a crossroads, presenting possibilities for Dutch entrepreneurs, companies and knowledge institutes. They can more than ever before seize the opportunities offered by the fact that the Mozambican authorities look at the private sector as the engine of development and that also in the development programme of the embassy the private sector is seen and worked with as a key contributor to inclusive economic growth. However, the business environment in the country is not yet favourable to private investments, both national and foreign. It suffers from obstacles that discourage new investments such as very high interest rates due to an inefficient financial market, bureaucracy within the public institutions in the licensing of new businesses, lack of roads for product flow from production areas to consumer areas, as well as difficulties in land access. Some of these obstacles are being addressed as part of the development programme of the embassy; some are being addressed within the broader constituencies to which the Netherlands belongs i.e. the EU, the UN, IMF/WB etc. The same applies to international trade policies.

As becomes clear from the previous chapters the links between the sectors in which the Netherlands is active and Dutch companies and knowledge institutes are already strong, cooperation can be strengthened further. The embassy has set itself targets for an increased use of the Dutch Trade instruments. Also because an increased interest from the Dutch side can be expected, the embassy will play a much more active role promoting trade and investment in the larger framework of economic diplomacy. Several high level visits in 2011 both to Mozambique and to the Netherlands are a good starting point for increased activity. The embassy will pay specific attention to the follow-up of these visits.

In economic diplomacy, the Netherlands' commitment to corporate social and environmental responsibility (shared values) will be a guiding principle as well as the need to guarantee that Dutch trade and investment adds value to inclusive growth in Mozambique.

Procurement: Mozambique is one of the pilot countries of the IPI (Implementation Platform for IFI procurement). Jointly with EL&I and the private sector the embassy will work on identifying possibilities for Dutch companies in the sectors of maritime infrastructure and health.

Policy Coherence for Development (PCD)

There are no specific bilateral obstacles in the economic relationship between Mozambique and the Netherlands, which currently hinder bilateral trade relations.

In particular in the water sector several initiatives are at work/will become active in Mozambique: Water Mondiaal, Frysland PPP, PSI, PPP facility, WASH-United, DeltAlliance, WASH UNICEF, WB (WSP), AfDB (WSI), IWMI, WSUP (PPP's), 2g@there, Top Sector Water, Young Water Experts

programme, WUR (EL&I funded) activities, UNESCO-IHE, Dutch private sector, other programmes of BZ thematic departments . The strength of the Netherlands' should not be weakened by uncoordinated initiatives. The embassy sees as its primary responsibility to ensure coherence in Dutch interventions.

Another type of coherence has to do with the way interventions impact on the global public goods. Uncontrolled large commercial investments in mining and agriculture are a serious threat for Mozambique's global goods such as water, land, forests and bio-diversity. Climate change is another real threat, as water availability changes (floods and droughts) and biodiversity further depletes. Climate change, aggravated by uncontrolled mining of natural resources in megaprojects, can destroy valuable farming systems and livelihoods. Private sector interests can be counterproductive for long term social development. The embassy will incorporate the concept of Policy Coherence for Development in its strategy for the water and food security spearheads. The embassy will take a decision in 2012 whether it is in a position to become a pilot country in this respect, depending on available capacity and program progress.

Public Diplomacy/Culture and development

The image of the Netherlands is positive. Mozambique rarely asks for clarification on 'moral issues'. A growing number of 'non- traditional' partners such as China, Brazil, India, South Africa, South Korea and Vietnam are becoming more active and receiving increasingly positive attention from the Mozambican authorities. The embassy will therefore look into ways and means to proactively disseminate information on the results of Dutch activities and potential of Netherlands knowledge, potential and capacity. The *new media* will be made use of (recently the embassy opened a Face Book page). Both the development programme and innovative business projects will be taken as starting points for public diplomacy and Holland branding. Part of this strategy is a careful targeting of support to Mozambican cultural activities, with emphasis on meeting of cultures (e.g. in architecture, film and music and sports).

Consular

The embassy is part of the regional collaboration programme which is being implemented by the Regional Support Office (RSO) in Pretoria. All consular back office tasks will be transferred to the RSO office. Up till now no Orange carpet policy was needed but it cannot be excluded that with intensifying economic relations this will have to be looked into during the MASP-period. For urgent visa applications and/or applications for members of the government the German Embassy is providing assistance. The embassy is representing Austria, Slovenia, Luxembourg and Belgium for the issuing of visa. The embassy will continue to provide consular support whenever needed. Because of the size of the country it is assisted by two honorary consuls, one in Beira and one in Nampula.

In the field of illegal migration and human trafficking the exchange of information and collaboration with the ILO (Immigration Liaison Officer) in Pretoria will be continued. These issues are also part of the EU dialogue with Mozambique.

Chapter 6

Financial implications

Financial ODA implications 2012-2015 in € (Policy area, budget-code, description)

2.5 Security, good governance and rule of law	15.458.000
4.1 Food security	30.735.000
4.2 Effectiveness policy on poverty reduction	9.000.000
4.3 Private sector development	4.415.000
5.2 Support to Civil Society	675.000
5.3 Equal rights and opportunities for women	3.440.000
5.4 Sexual and reproductive healthcare and rights & HIV/aids	50.469.000
6.2 Integrated water management, water and sanitation	62.705.000
total budget 2012-2015	176.897.000