

Strategy for development cooperation with

Mozambique

September 2008 – December 2012



REGERINGSKANSLIET

Government Offices
of Sweden

Memorandum

**Ministry for Foreign Affairs
Sweden**

Strategy for development cooperation with Mozambique 2008-2012

SUMMARY

This strategy gives the aim and direction of Sweden's development cooperation with Mozambique for the period 11 September 2008 - 31 December 2012. The point of departure for Sweden's support is Mozambique's own poverty reduction strategy, PARPA II, which has the support of Mozambican society and presents a realistic plan for fighting poverty. The formulation of objectives in the Swedish strategy is based on PARPA II but has been supplemented to reflect Sweden's priorities. Follow-up of results is based on Mozambique's own follow-up of PARPA II.

The overall aim of Sweden's development cooperation with Mozambique during the strategy period, starting from a rights perspective and the perspective of poor people on development and focusing in particular on women and children, is to reduce absolute poverty by promoting a democratic social development and rapid, sustainable and broad economic growth. The goal is to be reached by means of budget support for poverty reduction, and targeted efforts in three main sectors: democratic governance, agriculture and energy. Furthermore, support will be given to strengthening national research capacity. Efforts to strengthen civil society will complement support to the public sector. In choosing areas of cooperation, attention will be given to the three thematic priorities: democracy and human rights, environment and climate, and gender equality and the role of women in development. Support for reducing the spread of HIV/AIDS will be integrated into the cooperation programme. Part of Sweden's support will be directed to the Niassa province in the north of the country. Support at province level will reflect Swedish support as a whole and focus particularly on strengthening citizens' chances of demanding accountability from the local administration through efforts to strengthen the capacity of civil society and the public sector. In addition, efforts will be made to strengthen the private sector.

In its overall dialogue with the Mozambican government, Sweden will give priority to issues concerning democratic and effective governance. In particular the focus will be on fighting corruption, the rights perspective and the perspective of poor people on development as well as rapid, sustainable and broad economic growth. In addition, priority will be given to the development of an effective aid architecture for development assistance, chiefly through an increased focus on results and a rational division of labour and enhanced coordination between the donors, in line with the EU's code of conduct on complementarity and the division of labour.

Experience of previous development cooperation with Mozambique shows that the country has the ability to utilise considerable international development assistance in an effective manner. Assistance has contributed to high and relatively evenly distributed economic growth since the mid-1990s, which has resulted in a reduction in absolute poverty by almost 20 per cent. Results of Swedish assistance are on the whole positive, particularly regarding support for reforms within democratic governance, energy, roads, support to Niassa province and budget support for poverty reduction.

In the light of the good results achieved through cooperation and on the basis of the widespread poverty in Mozambique, it is proposed that Swedish assistance amount to about SEK 750 million a year. This sum will include support to research cooperation and credits (excluding support to the country covered by the framework of regional programmes and humanitarian assistance). A mid-term review of development cooperation will be carried out in 2010.

Section 1. Aim and direction of cooperation

In accordance with the objectives of Sweden's policy for global development (PGU), Sweden's development cooperation with Mozambique shall contribute to a just and sustainable global development and also, in accordance with the goal of Swedish development cooperation, contribute to creating the preconditions for poor women and men to improve their living conditions. The two PGU perspectives – the rights perspective and the perspective of poor people on development – are the starting-point for cooperation as well as Mozambique's development goal as formulated in the country's own strategy for fighting poverty, PARPA II. The principles of non-discrimination, participation, transparency and accountability will be a guiding principle for development cooperation with Mozambique. Donor coordination, harmonisation and alignment to Mozambique's own systems, processes and institutions will characterise cooperation in line with the principles of the Paris Declaration on aid effectiveness. The three thematic priorities – democracy and human rights, environment

and climate, and gender equality and the role of women in development – will influence cooperation.

1. Overall aims of cooperation

The overall goal for Sweden's development cooperation with Mozambique during the strategy period is:

- starting from the rights perspective and the perspective of poor people on development, to reduce absolute poverty, focusing in particular on women and children, by promoting a democratic social development and rapid, sustainable and broad economic growth.

The Swedish goal is based on the overall goal of PARPA II which is:

- *To reduce absolute poverty and promote rapid, sustainable and broad economic growth*

In order to improve the effectiveness of development cooperation in Mozambique, the aim of the international community is to implement the Paris Declaration and that 80 per cent of support to the government of Mozambique in 2009 be channelled in the form of programmes, where at least 40 per cent be channelled as budget support.

The overall objectives of the Swedish process goals during the strategy period will be:

- to channel about 50 per cent of the support to the implementation of Mozambique's development strategy in the form of budget support for poverty reduction,
- to reduce the number of sectors from six to three main sectors – democratic governance, agriculture and energy – and to concentrate support in each sector;
- to improve the predictability of Swedish support to Mozambique regarding volume, long-term commitments and actual disbursements,
- to establish an effective division of labour among the donors and a common overall code of conduct and to be proactive in the discussion on sector concentration in the whole donor community since in several sectors Mozambique is one of the countries of cooperation with the most donors.

The Swedish dialogue is based on its policy for global development (PGU) and the Swedish Government's three thematic priorities: democracy and human rights, environment and climate, and gender equality and the role of women in development. The dialogue will complement financial support. In the overall dialogue, Sweden will give priority to issues concerning the rights perspective and the perspective of poor people on development (focusing on the principles of non-discrimination, participation, transparency and accountability), as well as aid effectiveness. Improvements in the situation and living condition of

women and girls will be particularly highlighted in the dialogue. Adaptation to climate change will be an important issue of the dialogue in the planning and follow-up of contributions, particularly in the support to the energy and agricultural areas.

Sweden's strategic issues for dialogue will be:

- increased respect for human rights, focusing on participation, openness, accountability and non-discrimination;
- democratic and efficient governance, including fighting corruption;
- increased climate adaptation in society.

2 . Directions and scope

2.1 Cooperation areas

On the basis of the country analysis, Sweden's comparative advantages and endeavours to achieve a greater division of labour with other donors as well as experience of previous cooperation, Sweden's cooperation programme will comprise budget support for the implementation of Mozambique's poverty reduction strategy and targeted support to three main sectors: democratic governance, agriculture and energy. Furthermore, support will be given to strengthen national research capacity. Support to the public sector will be supplemented with support to strengthen civil society, which also includes direct contributions in the HIV/AIDS area. Special efforts will be made in the northern Niassa province within the framework of the areas of cooperation. Special attention will be given in relevant parts of the support to Sweden's thematic priorities: democracy and human rights, environment and climate, and gender equality and the role of women in development. Sweden will furthermore integrate an HIV/AIDS perspective into development cooperation.

Swedish objectives in the respective areas of cooperation are closely linked to the areas given priority in Mozambique's poverty reduction strategy. Agriculture and energy are two of the main sectors in the third pillar of PARPA II – economic development. The other two pillars are democratic governance and human capital.

2.1.1 Reduction of poverty through budget support:

PARPA II priority:

- *to reduce absolute poverty and promote rapid, sustainable and broad economic growth. Public services to be delivered equally and their availability, effectiveness and efficiency improved*

Swedish objective:

- the effective implementation of Mozambique's poverty reduction strategy, PARPA II, in order to reduce poverty, strengthen

democracy, stimulate rapid, sustainable and broad economic growth and to achieve the Millennium Goals

The goal of Sweden's budget support is closely linked to the objectives of PARPA II with a clear focus on the effective and transparent implementation of the strategy through enhanced democratic governance and reduced corruption. The well established coordination mechanism that exists for budget support comprises all major donors, including the European Commission, and guarantees a harmonised dialogue and coordinated support for the implementation of the poverty reduction strategy. Continuous, annual follow-up will take place to check that the criteria have been fulfilled and will be the grounds for disbursement of budget support.

2.1.2 Democratic governance:

PARPA II priority:

- *a strengthened democratic development, increased gender equality and respect for human rights*

Swedish objectives:

- improved efficiency and financial control as well as reduced corruption in the public sector,
- increased citizen participation in democratic processes and improved insight into public institutions with greater accountability as a result,
- increased respect for, and observance of, human rights, with a special focus on protection of the most vulnerable groups in society, particularly women, children and the rural population.

Sweden's support will focus on improving public financial management and control systems and strengthening the capacity of the public administration in this respect. Improved public planning, control and follow-up systems, including internal and external auditing of public institutions, are examples of important efforts to support the fight against corruption. Extensive support will be given to civil society for organisational development in order to strengthen its role in follow-up of the poverty reduction strategy and also as monitor and influential actor as regards democratic development and increased respect for human rights with the focus on vulnerable groups, not least women and children. Furthermore, support will be given through civil society to strengthen the capacity of parliament in its review function and also of local government executive committees and provincial assemblies in their respective roles in different processes, as well as law amendment work and equal access to the legal system. Increased support to the legal sector will be examined and considered during the first part of the strategy period.

2.1.3 Economic development:

PARPA II priority:

- *high, broad and sustainable growth through increased productivity and prudent use of the country's natural resources*

Swedish objectives:

- increased household incomes and enhanced food supply for small-scale farmers and farm workers, above all women, through effective and sustainable use of natural resources,
- greater supply of sustainable energy,
- an improved economic climate and greater opportunities to participate in international trade in the Niassa province.

In the economic development area, Swedish support will concentrate on the development of sustainable agriculture, energy and also research cooperation. The cooperation programme also covers investments in road and bridge building which, however, will be completed during the strategy period. Special attention will be given to gender equality and the role of women in efforts in the area of economic development.

In the energy area, Sweden will continue its investment in rural electrification and the development of institutional capacity for an efficiently regulated energy market and climate adapted and sustainable energy supply, with the aim of minimising negative climate effects. Support for energy effectivisation, generation of electricity and electricity transmission will be considered.

The development of sustainable agriculture is a priority in PARPA II and necessary if poverty is to be further reduced. Sweden's support to the sector will mainly be directed to a sector programme the aim of which is to increase diversification and productivity in agriculture, improve access to markets and extend export capacity above all for small-scale farmers. Support to policy development and institutions is an important component and will contribute to necessary reform of the sector which, amongst other things, includes land rights and climate adaptation. Special attention will be given to women's access to land, capital, technology and inputs.

Special efforts will be made in the northern Niassa province within the framework of the areas of cooperation, focusing on strengthening the capacity of actors in the local administration, civil society and the private sector. This support includes contributing to an improved private sector climate in the province.

2.1.4 Research cooperation

Swedish objective:

- a strengthened national research capacity

In the area of research, Sweden will support the development of national capacity for independent research within several faculties at the Eduardo Mondlane University. The support will also include reinforcement of research planning and promotion of cooperation with other universities in the region.

2.1.5 Concentration and phase-out

A process of concentration of Sweden's support was initiated during the previous strategy period and will continue during the coming strategy period. The choice of areas to concentrate on has been made in collaboration with Mozambique and other donors in the country. The concentration of Sweden's portfolio means ongoing support to higher education, culture, roads/transport and the national HIV/AIDS council will be phased out. Likewise, a number of efforts in the area of democratic governance will be concluded. The phase-out enables more focused and results-oriented cooperation within a lesser number of areas of cooperation. The phase-out will take place in accordance with Mozambique's priorities and in close consultation with other donors who are active in the specified areas.

2.2 Forms of cooperation

Providing that Mozambique continues to fulfil the requirements for budget support for poverty reduction, this form of assistance will constitute approximately 50 per cent of Swedish assistance in accordance with the process objective. The process of gradually phasing out project support and introducing different forms of programme support will continue to be the aim in areas of Swedish cooperation. Efforts directed to civil society and the private sector will primarily complement support to the public sector. As a complement to assistance in the form of grants, concessionary credits and guarantees may be considered, particularly for contributions in the energy sector.

In connection with recurring natural disasters, Mozambique may need humanitarian relief and recovery assistance. Mozambique has built up its own capacity in this area and may, where necessary, reallocate funds in the national budget. Financing of possible humanitarian relief and recovery efforts should therefore be channelled through the state budget as far as possible.

2.3 Dialogue issues

Sweden's three thematic priorities – democracy and human rights, environment and climate, and gender equality and the role of women in development – will be the point of departure for Sweden's dialogue.

The annual joint and mid-year review of the government's poverty reduction strategy and budget will be central occasions for dialogue. Within the framework of the budget support mechanism, the dialogue between donors and Mozambique takes place at a multilateral level. Regarding directed Swedish support there is also a continuous bilateral dialogue between Sweden and Mozambique. Sector and annual reviews and also planning and follow-up meetings are natural occasions for dialogue. A dialogue strategy for the period will be formulated.

2.4 Scope (*volume*)

Mozambique is one of the world's poorest countries and its needs are great. Previous experience shows that Mozambique has the preconditions for effectively utilising relatively large amounts of support and attaining good results in the areas Sweden has chosen to concentrate on. In accordance with the agreed country frame allocation model, support to Mozambique will amount to about SEK 750 million a year during the strategy period. These amounts will include research cooperation and credits (excluding support to the country within the framework of regional programmes and humanitarian assistance).

The preconditions for Swedish development cooperation with Mozambique are i) continued peace, ii) the continued political will to fight poverty and corruption and iii) the continued maturing of democracy, including respect for human rights. If these preconditions are not judged to be fulfilled, or a lack of results or recipient capacity is noticeable, the volume of Sweden's development assistance may be affected. In the event of any changes, consultation will take place between the Government Offices/Ministry for Foreign Affairs and Sida. A change in the volume of cooperation requires a government decision.

3. Implementation

3.1 *Cooperation with other donors including multilateral actors*

Cooperation between donors is well developed in Mozambique and is based on the principles of the Paris Declaration. Regarding budget support, there is cooperation between 16 bilateral and three multilateral donors. Planning and follow-up of the implementation of PARPA II takes place within the framework of a mechanism jointly established with the government. This comprises sectorial and cross-sectorial working groups led by the government with the broad participation of donor representatives and civil society.

Today, there is cooperation with the European Commission within the areas budget support, agriculture, roads and gender equality and human rights. Opportunities for intensified cooperation with the Commission within the framework of EDF 10 are aimed for, particularly in the area of democratic governance. Forms for intensified cooperation with the Commission will be actively sought for increased harmonisation and coordination between EU member states in Mozambique. Sweden will make efforts in particular to ensure that the EU code of conduct on complementarity and the division of labour is observed and that the dialogue on this issue is strengthened.

Cooperation with the World Bank and the IMF chiefly takes place within the framework of budget support and in infrastructure. Sweden will proactively seek collaboration with these institutions in the context of aid effectiveness and follow-up of results. Increased cooperation with the African Development Bank will be sought. Furthermore, Sweden is a major and important donor to several of the, all in all, 19 UN organisations operating in the country. Implementation of what is known as “One UN”, in which the UN’s Country Team develops common programmes for all the UN organisations in the country, will be followed up and new forms for cooperation with the UN will be examined within the framework of the ongoing reform process.

If democratic development, the fight against corruption, respect for human rights, political stability or the results of the overall development cooperation are judged to move in a negative direction during the strategy period, a review will be carried out of the forms of assistance and channels used.

3.2 Alignment, harmonisation and coordination

Sweden plays a prominent role in the implementation of the Paris Declaration. Together with other donors, Sweden has drawn up a framework for results which means, among other things, a commitment to increase the proportion of programme support to the government in order to achieve the goals and planned results of PARPA II. In accordance with this, Sweden will make efforts in particular to achieve a clear division of labour and a greater flow of information between donors in the continued process towards increased coordination. Sweden will actively contribute to the development of a comprehensive code of conduct for donors in Mozambique. At the present time, Swedish assistance is already relatively well adapted to Mozambique’s own systems and budget processes, however further efforts will be made during the strategy period to increase alignment. Mozambique’s new procurement regulations as from 12 June 2006 will in general cover all new Swedish support to Mozambique’s government, although documented exceptions may be made.

4. Follow-up

The implementation of PARPA II and of the Paris Declaration is followed up in joint annual and mid-year reviews of PARPA II and the state budget and through regular meetings in working groups at sectorial level. These reviews take place with broad participation by representatives from the ministries responsible, civil society and donors. The follow-up of results is carried out on the basis of PARPA II's follow-up and evaluation systems, which are considered to be relevant and based on good fundamental principles. Follow-up is also based on a special results matrix, PAF, which has been drawn up for budget support. The follow-up of support to civil society and other non-governmental actors is carried out separately.

PARPA II covers the period 2006-2009. At the end of the period the implementation of PARPA II will be evaluated and a successor to it presented. A review of Sweden's development cooperation will be carried out in 2010 and should be coordinated with the evaluation of PARPA. In connection with this review, further possibilities of concentrating Sweden's portfolio will be looked into. The European Commission also intends to review its programme in 2010 and Sweden will be proactive in looking for cooperation opportunities in this process. The forms for support to Niassa will be reviewed during the strategy period.

In connection with Sida's annual reports and the 2010 review, special attention will be given to the Swedish government's three thematic priorities.

Section 2. Background

1. Summary country analysis

Over the last fifteen years Mozambique has recovered from almost 30 years of war and armed conflict (1964-1992). Since 1993, Mozambique has been one of the countries with the most rapid economic growth in the world with an average GDP growth of 7 per cent a year. The number of people living in absolute poverty is estimated to have been reduced from 69 per cent in 1996 to 50 per cent in 2005. This period has also seen a major extension of infrastructure and increased supply of social services.

Despite a considerable reduction in poverty, Mozambique is still one of the world's ten poorest countries measured both in income per capita and in human development. It is estimated that only four of the eleven Millennium Goals will be attained by 2015: the goals of reduced poverty, child mortality, maternal mortality and dangerous diseases. The rate of illiteracy is 54 per cent (38 per cent men, 69 per cent women) and only 4

per cent of the population have education higher than primary school. Furthermore, according to an estimate made by the World Bank in 2006 about 45 per cent of the 4 per cent with higher education were working outside the country. Of all those migrating from Mozambique about 25 per cent have higher education. Child poverty is widespread and 58 per cent of children live below the poverty line compared with 49 per cent of the adults. Mortality rates for children under five are among the highest in the world, malaria and diarrhoea being the commonest causes of death. Mozambique is one of the countries to be worst hit by the HIV epidemic with 16.2 per cent prevalence (2007).

An essential cause of the widespread poverty is that growth has not generated any marked increase in formal employment in the country. Only 10 per cent of the labour force have regular paid employment while the rest work in the informal sector, primarily self-subsistent or small-scale farming. Economic growth has been from a low level. The possibility of retaining a high rate of growth is dependent on the government's implementation of a number of reforms in the public sector, judicial system, agriculture and the private sector.

The country is relatively rich in natural resources but they are only utilised to a small extent and in an unsustainable manner. Mozambique is dependent on agriculture for food supply, employment, income opportunities and growth. Agriculture represents almost 20 per cent of GDP, 80 per cent of employment and 55 per cent of household incomes. More than 90 per cent of economically active women operate in this branch of the economy, which means it is of central importance from a gender equality point of view and for the living conditions of women and children in rural areas. Mozambique has great agricultural potential, but today agriculture is inefficient with low utilisation of cultivable land and unproductive cultivation methods. Between five hundred thousand and a million Mozambicans are in need of food aid every year. Chronic malnutrition is a major public health problem. The country is also regularly afflicted by major natural disasters, above all floods along the rivers and prolonged drought in the interior of the country. Due to climate change, the effects of such disasters are increasing in severity.

In spite of the country's great potential for hydroelectric power, access to electricity is low, particularly in rural areas. This inhibits the changeover from a subsistence economy to a market economy and also the development of a competitive industry. This in its turn affects the possibility of creating job opportunities. The lack of electricity in rural areas also means limited accessibility and inferior quality with regard to health care and teaching.

Officially the government respects human rights and Mozambique has acceded to many of the most important conventions on human rights, however not the International Covenant on Economic, Social and

Cultural Rights (ICESCR). The press is relatively free and outspoken and operates within good legal frameworks. Organisations in civil society can operate relatively freely, the country holds regular presidential, parliamentary and local government elections, and there are several political parties. However, democracy is still in its infancy and in practice many Mozambicans are subject to discrimination. Access to basic social services is limited and often misses the most vulnerable social groups. Opportunities for judicial trial are minimal. The police and courts systems are characterised by corruption and people who have committed serious crimes often go unpunished. The state structures are often politicised and centralised with a strong concentration of power which contributes to a risk of corruption.

Despite relatively progressive legislation, the rights of women and children are only respected to a limited extent. At the local level, exercise of power and authority is vertical, often patriarchal, and the division of labour and resources follows the power structure. Women are often excluded from planning and decision-making processes as well as from the implementation of development efforts and their work is focused on maintenance rather than development. Gender-related violence is widespread and sexual and reproductive rights for women and girls are seldom recognised. Maternal mortality rates are high, largely due to the high number of teenage pregnancies. The HIV epidemic is affecting women to an increasing extent; 75 per cent of newly infected individuals in the age group 15-24 are women. Very few new-born babies are registered. 60 per cent of the children attend primary school and 48 per cent complete grade 5 (39 per cent girls, 57 per cent boys). In spite of an improvement regarding almost all welfare indicators since the war, chronic malnutrition among children is one of the most important underlying causes of the high rate of child mortality.

Niassa was long the poorest and most isolated province in Mozambique. The province constitutes an important part of Mozambique's granary with considerable agricultural potential. With its large nature reserve Niassa is also judged to have the prerequisites for the development of tourism. In spite of considerable improvements and a clear reduction of poverty in the province, the social indicators are still poor and child malnutrition rates are among the highest in the country.

Mozambique's programme for poverty reduction, PARPA II, which covers the period 2006-2009, is the country's second poverty programme. PARPA II is based on the five-year programme with which the government went to the polls in 2004 and hence has been widely discussed and won strong political support. PARPA II is based on three mainstays; democratic governance, human capital and economic development, and contains eight cross-cutting issues: gender equality, HIV/AIDS, environment, natural disasters, rural development, secure food supply, science and technology, IT, and demining.

National ownership of PARPA II is great and the programme contains a credible and feasible strategy for poverty reduction. The consultation processes have been improved which means that PARPA II is well established in society with relatively broad participation both in the planning and follow-up processes. The greatest challenge to the effective implementation of the poverty reduction strategy is the limited capacity of central actors and the need for improved financial control, including anti-corruption work. Furthermore, the ability to guarantee a rights perspective and the perspective of poor people in planning, implementation and follow-up needs to be strengthened.

2. Summary results assessment

The country strategy 2002-2006 was carried through in the prescribed manner and in general positive results were achieved at sector, sub-goal and overall levels. The overall objective of the strategy was to contribute to a reduction in poverty. Reliable statistical surveys show that absolute poverty decreased by an average 3 per cent a year and that economic growth was 7 per cent a year with an increase in consumption of 4 per cent per year per household. Based on the agreement between Sweden's support and PARPA I and the fact that Sweden's assistance constitutes about 6 per cent of total assistance to the country, the conclusion is that Sweden has contributed to these results.

The DAC evaluation (2006) of budget support to Mozambique during the period 1994-2004 shows that budget support contributed to a reduction in poverty. The evaluation states, *inter alia*, that budget support has been a successful example of cooperation between donor and recipient country, contributing to increased poverty-related expenditure, economic growth and poverty reduction in the country.

The main lessons and results with reference to the four sub-goals in the country strategy are:

1. Social and human development:

The coverage of the education and health care systems improved during the strategy period. Enrolment in primary schools increased from 44 to 87 per cent between 1999 and 2006 and the proportion of pupils completing primary education increased from 27 to 48 per cent between 1999 and 2005. The number of health and medical establishments increased by 25 per cent between 2002 and 2006. However, problems relating to quality remain. The negative effects of the HIV/AIDS epidemic increased during the period. The prevalence of HIV/AIDS continues to increase and was 16.2 per cent in 2007. Swedish support to the Eduardo Mondlane University contributed to an increased research capacity. The university offers higher academic education in 16 different

areas and postgraduate studies in cooperation with Swedish and South African universities.

2. Sustained economic development:

Swedish support financed, among other things, a large-scale extension of the road and electricity network, contributed to developing agriculture and to establishing a foundation for the development of markets and the private sector in the Niassa province. During the strategy period, more than 2 000 kilometres of road were rehabilitated, three cities electrified and about 15 000 small-scale farmers in Niassa gained access to local and regional markets. Agriculture grew by 10 per cent a year and is the sector that has contributed most to reducing poverty during the period. Sweden contributed to this through its support to the agricultural programme PROAGRI which increased access to agricultural services at the local level. Swedish support in the road sector achieved good results but, bearing in mind the division of labour, other actors such as the EC are judged to have better possibilities of supporting road projects.

3. Democratisation and a democratic social development

Sweden has aimed for good administration in the sectors supported. Sweden also contributed directly in strategic areas such as internal and external audit, public financial systems, the reform of the public sector and decentralisation. Independent international evaluations show that considerable progress has been made as far as government financial control is concerned. Sweden's support through the Swedish National Audit Office (RiR) shows clear results regarding institutional capacity, and the quality and quantity of audits carried out at central, provincial and district levels. Since 2005 this institution has increased the number of audits carried out by 115 per cent. Also within internal audit (Inspectorate General of Finance), results are positive and efforts are being made to gradually improve the quality and quantity. In 2007, 49 new technologists were recruited and 130 audits carried out (an increase by about 25 per cent compared with 2006).

4. Support directed to the Niassa province in order to create the preconditions for a reduction in poverty and human development through increased production and sustained growth to the benefit of poor people and also to contribute to ending the province's isolation.

In cooperation with Ireland, Sweden's support had a direct and positive impact on poverty reduction, growth and democratic governance in Niassa. In an innovative way, support to the private sector in Niassa developed the local business sector and stimulated socially and environmentally sustainable foreign investments, particularly in forestry, and promoted local, regional and international trade. Swedish support also contributed to strengthening local media and the growth of a more active civil society. The province is now less physically isolated than previously and poverty has been reduced from 72 to 52 per cent during the period which is more than the average for the country. _

Experience of previous development cooperation shows that most progress has been made in areas where there were few donors, good coordination and where there was an openness and transparency surrounding the budget and multi-year strategic plans. Support to projects and programmes with parallel systems and/or many donors was less effective and particularly exposed to corruption.

Main overall lessons from the strategy period are consequently that i) predictability of Swedish support as a whole was inadequate and should increase for all types of forms of assistance, regarding both volume and the long-term commitment and regularity of support, information about disbursements, and reporting on support channelled outside the national systems, ii) contributions for development of capacity, economic growth and in order to directly meet the needs of poor people are considered to be effective in fighting poverty, iii) equality between women and men and the consequences of the HIV/AIDS epidemic are estimated to be important areas to integrate into all support, iv) a continued process regarding the division of labour among donors is essential for increased aid effectiveness. The greatest obstacles to achieving the result objectives of Swedish support in the cooperation strategy were lack of capacity and, in some cases, corruption and misuse of funds.

3. Summary analysis of other donors' actions and role in the country, including multilateral actors and the European Commission

All major donors are present in the country. Apart from Sweden, the largest donors are the World Bank, European Commission, UN, UK, Netherlands, USAID, and the Millennium Challenge Corporation. There are trends towards increased flows of assistance from the Commission, UK and certain other big donors.

As the largest donor in Mozambique, the World Bank plays an important role. The Bank's cooperation strategy for the period 2008-2012 is built on three pillars and has a results matrix that is coordinated with PARPA II. The financial framework remains at about the same level as previous strategy periods at USD 155 million a year. 40 per cent of the country allocation is in the form of budget support. The World Bank's budget support is now fully harmonised with the donor group and coordinated with the government's system. However, difficulties remain concerning coordination of the bank's investment loans with national systems. The World Bank's added value for Mozambique includes, among other things, coordination and high-quality analytical work which to an increasing extent is carried out together with other assistance partners and the government.

The European Commission is one of the largest donors to Mozambique and is an increasingly important actor in many areas in the country,

politically, in terms of trade and within development cooperation. The Commission has completed its country programme in EDF 9 and has increased its support to Mozambique within the framework of EDF 10. The Commission has appropriated EUR 622 million for a six-year period, focusing on budget support, agriculture and roads. The Commission will carry out a review of the programme in 2010.

Mozambique is one of the eight countries in which the UN is implementing reforms in what is known as “One UN Pilots”. Implementation of “Delivering as One” means that UN country teams develop joint programmes that include all UN organisations operating in the country. The reform process involves greater utilisation of comparative advantages, lower transaction costs, a focus on national ownership and strengthened mutual responsibility between the UN, the Mozambican government and bilateral donors. The UN plays a prominent role in strategically important areas such as, for example, election issues, the rights of the child and good governance. As part of its pilot activities, the UN will work from a new UNDAF framework based on PARPA II.

The African Development Bank is an important financier in the country and its strategy for the period 2006-2009 focuses on budget support, infrastructure, build-up of capacity, policy dialogue and increased donor coordination.

4. Summary analysis of Sweden’s role in the country

4.1 Swedish conclusions and EU political decisions and processes relevant to cooperation

The EU code of conduct on complementarity and the division of labour in development policy is an important platform for coordinated and coherent dialogue between member states and other donors.

In the trade area, the EU plays an essential role at both national and regional/international levels. In the EU circle, Sweden will follow the process for an Economic Partnership Agreement, EPA, and other trade issues within the framework of SADC.

4.2 Policy coherence for development

Sweden plays a prominent role at the international level in trade-related development cooperation and supports several regional trade-related initiatives in sub-Saharan Africa, which include cooperation with the National Board of Trade. The broad Swedish efforts in the trade area strengthen and complement assistance-financed development cooperation.

Foreign investments in Mozambique have increased in recent years and there are opportunities for Swedfund to play an important role as investor in the future.

Adaptation to climate change and sustainable use of natural resources in the region is one of the main areas for the regional water resource initiative in southern Africa. Swedish support to this initiative may provide lessons and experience relevant to other areas.

4.3 Other Swedish relations

Apart from development cooperation, relations between Sweden and Mozambique are limited. Trade volumes between Mozambique and Sweden are low. There are about a dozen small Swedish companies, primarily in the service sector, and a few timber companies that invest in forestry, chiefly planting, in the Niassa province. A Swedish company is planning to start production of renewable energy in the form of biofuel from local crops. The Swedish Trade Council will analyse the possibilities for establishing a function as trade officer in Maputo and examine whether there is interest in a trade delegation, initially focusing on tourism.

4.4 Sweden's comparative advantages - conclusions about Sweden's role

Sweden is Mozambique's sixth largest donor and hence plays an important role in development cooperation. A good reputation and tradition of democratic, open and effective administration gives Sweden special advantages in the area of good governance where it has been possible to carry on a critical dialogue, particularly as far as corruption is concerned. Furthermore, Swedish assistance fills a supportive function through transfer of knowledge, dialogue and exchange of experience.

Sweden has long experience and a strong resource base and can show good results in the proposed areas for concentration in this strategy. Sweden has considerable knowledge and long experience of cooperation in the agricultural sector and plays a vital role in raising the level of priority of this area. Sweden's long presence in the sector also provides a solid platform for a constructive dialogue and to pursue policy issues. In the energy area, Sweden has extensive and relevant experience above all as regards, *inter alia*, regulation of the energy market, rural electrification and sustainability issues. Furthermore, Sweden is one of the few donors who give long-term support to the build-up of research and analysis capacity in Mozambique. Long-term cooperation has long existed between Swedish universities and researchers and their Mozambican counterparts. Sweden's extensive experience of cooperation with and support through civil society in Mozambique gives Sweden broad knowledge of both the characteristics and working conditions of these actors. Experience of and knowledge about the work of Swedish popular movements gives Sweden an opportunity to contribute unique competence in cooperation with civil society. Several Swedish frame

organisations have long operated in Mozambique and have built up a considerable capital of confidence among their national and local partners.

Sweden's comparative advantages are also based on long and trusting cooperation as a development partner of Mozambique. Sweden is regarded as a trustworthy actor without colonial ties and, through its support to the freedom movements in southern Africa, has a strong position in the whole of the region. Against this backdrop, Sweden has a sound platform for dialogue on policies and development and good possibilities of exercising influence and promoting a greater focus on poverty and ensuring that attention is given to the rights perspective and the perspective of poor people.

To sum up, Sweden has good chances of contributing to improved living conditions for people living in poverty in Mozambique. Confidence in Sweden in Mozambique, on the part of the government and other donors, UN organisations and the European Commission, offers Sweden an excellent opportunity to proactively pursue issues concerning enhanced harmonisation, effectivisation and targeting of results in total development cooperation in Mozambique. Sweden has good opportunities to cooperate with and complement the Commission's activities in the country. New opportunities have opened for increased commercial cooperation, particularly in bioenergy and forestry, where a planned investment through the Swedish Trade Council would further facilitate cooperation.

5. Considerations concerning objectives and the direction of future cooperation

In the light of the above analyses, the conclusion is drawn that the aim of Swedish development cooperation should be, based on the rights perspective and the perspective of poor people on development, to reduce absolute poverty, primarily among women and children, by promoting a democratic social development and rapid, sustainable and broad economic growth.

Swedish support is estimated to have the greatest added value for the fight against poverty if it is given as budget support supplemented with targeted support to democratic governance, energy and agriculture for the implementation of Mozambique's poverty reduction strategy. For a greater impact of efforts, support to the public sector will be supplemented with contributions to promote the development of independent research, civil society's capacity to demand accountability, and the private sector in Niassa province.

Democratic governance has played a central role in Sweden's support to Mozambique. Sweden's long tradition of transparency and openness and

effective administration means that Sweden enjoys much confidence and can play an important role as a cooperation partner in the area of democracy and human rights and also anti-corruption work.

Furthermore, Sweden has long experience of cooperation relating to public financial management systems that show good results. Swedish support through civil society, focusing on gender equality, HIV/AIDS, democracy and human rights, is an important complement in order to fulfil the goals of Swedish development cooperation and strengthen the impact of its thematic priorities.

The agricultural sector has relatively few donors and is a decisive sector for food security and a sustainable and broad economic development in Mozambique. Sweden's support should focus on issues relating to increased productivity, land rights, institutional development, climate change and a focus on the needs of people who live in poverty.

Agriculture, the development of the private sector and international trade are mutually dependent on each other in the country's development endeavours and have the potential to generate clear synergies in the form of increased food security, job opportunities and household incomes.

Access to electricity plays a strategically important role for economic growth and for the fight against poverty. In its cooperation Sweden should pay particular attention to questions such as the regulation of the energy market, energy production, electricity transmission, energy effectivisation, rural electrification, institutional issues and sustainability aspects such as energy conservation, climate adaptation and operation and maintenance. There are essential synergies between energy and agriculture where, among other things, competition for land and water resources with consequences for food production is of central importance for the planned large-scale production of biofuel. Furthermore, electrification is a decisive precondition for a more effective and high-output agriculture with processing opportunities.

As the only cooperation partner in long-term research cooperation, Sweden has played a unique role in establishing analysis and research capacity in the country. This support also promotes institutional cooperation between national, Swedish and other universities in the region.

Over the previous strategy period, the geographic focus of Sweden's support on Niassa contributed towards breaking the province's isolation and for this reason continued commitments in the province will primarily aim to secure sustainability and to ensure that the population benefits from the investments. Support is estimated to be of central importance for increasing economic growth and the number of job opportunities in Niassa. Furthermore, support at provincial level will create opportunities to clearly follow up how well centrally disbursed

budget and sector support respectively are utilised and managed at province, district and lower administrative levels as well as the role of different actors and their interaction at these levels in the implementation of PARPA II.

Support to civil society is strategically important for promoting a pluralist and democratic society with a large and diversified number of actors who, starting from a rights perspective, are able to promote collective interests and function as both an independent monitor of government action and influential actor in different processes. Targeted contributions will be considered to limit the spread and effects of HIV/AIDS, primarily among women and children. Direct support in this area will mainly be through non-governmental organisations and take into account the overall donor picture in the area and it will also be balanced against Sweden's ambition to concentrate cooperation.

Sweden has identified a number of risks to development cooperation in Mozambique which will be managed within the framework of a continuous dialogue with the government, civil society and other donors. Comprehensive risks are closely linked to the development of the democratic system: *inter alia* the implementation of open and fair elections in 2008 and 2009, the continued development of the multi-party system and a stronger parliament as well as a radical reform of the judicial system. Citizens' continued limited opportunities to participate and demand accountability are risks which need to be given attention in the dialogue at all levels. The risk of corruption is high and will be dealt with both in the overall dialogue and at the level of actual efforts.



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