



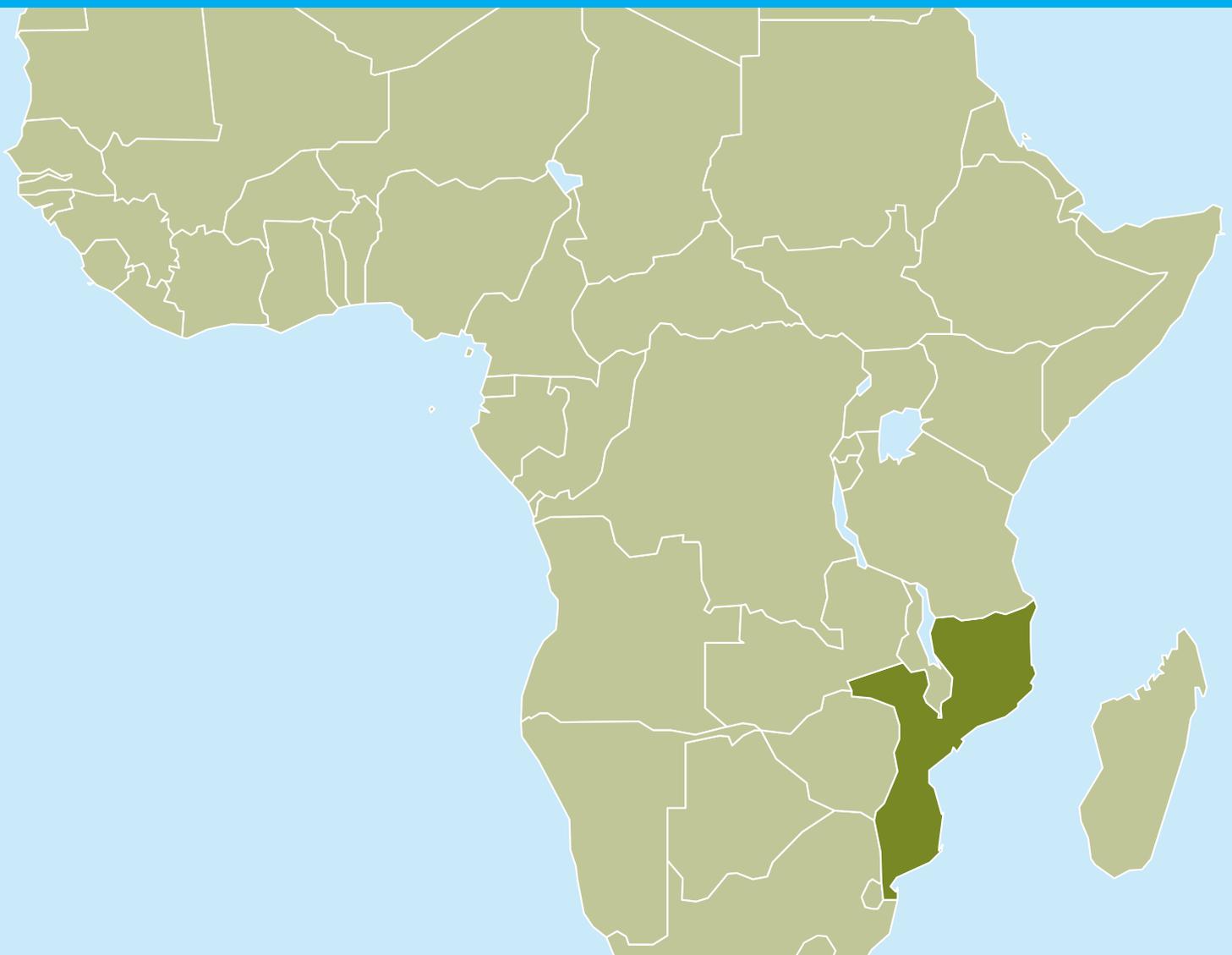
Kingdom of the Netherlands

Multi-Annual Strategic Plan

2014 - 2017

Mozambique

Mali Benin Ghana Ethiopia Horn of Africa South Sudan Kenya Rwanda Burundi Uganda Grote meren Mozambique Palestinian Territory Yemen Afghanistan Bangladesh



**NETHERLANDS EMBASSY MAPUTO-MOZAMBIQUE
MULTI-ANNUAL STRATEGIC PLAN (MASP)
2014-2017**

Transformation; new opportunities, new challenges!

Contents

| | Page |
|---|-------------|
| Chapter 1 Management summary | 1 |
| Chapter 2 Reflection on the MASP 2012-2013 | 2 |
| Chapter 3 Country and Spearhead specific analysis | 3 |
| 3.1 Country analysis | 3 |
| 3.2 Analyses per Spearhead and Top Sector Energy | 5 |
| 3.2.1 Water | 5 |
| 3.2.2 Food and Nutrition Security | 6 |
| 3.2.3 Sexual Reproductive Health Rights | 8 |
| 3.2.4 Energy (Top Sector Energy – gas and Top Sector Water - Maritime) | 9 |
| Chapter 4 Strategy, Results and Risks | 10 |
| 4.1 Water | 11 |
| 4.2 Food and Nutrition Security | 13 |
| 4.3 SRHR | 15 |
| 4.4 Strategy Energy Sector | 15 |
| Chapter 5 Other instruments of Netherlands Foreign Policy | 16 |
| Chapter 6 Financial implications | 17 |

Chapter 1 Management summary

All indications suggest that Mozambique will experience major economic growth over the next decade, driven by investment in firstly the energy sector - notably coal, gas and oil - and secondly in infrastructure required to explore and export these commodities.

Dutch firms are well positioned to play a significant role in Mozambique's development, but competition will be fierce. The Embassy will continue and where possible expand its activities in the field of economic diplomacy to actively support Dutch trade and industry.

The conditions to reap the benefits of its rich mineral wealth are, in Mozambique in 2013, far from being fulfilled. In the first place the necessary institutional and legal framework required for mineral resource based development is not fully developed and infrastructure required for the exploitation of the resources is far from complete. It will be hard work for Mozambique to reap the benefits, while at the same time the country will also have to look after its population, of which the majority still lives below the poverty line. It is expected that in 2018, but most probably even later, revenues from the extractive industries will really have an impact on the state budget.

In the second place, the timely construction of the required infrastructure is critical. But the biggest challenge facing Mozambique is to create the conditions for economic development while at the same time accelerating socio-economic development amongst the population as a whole, including reducing poverty, creating employment and fighting corruption, which could easily increase in the expected economic boom.

It is against this background, full of major challenges, that the Embassy, through its MASP, will focus its work both on Mozambique's promising economy and the opportunities that exist for Dutch firms as well as on the contribution that the Netherlands will continue to make to Mozambique achieving the Millennium Development Goals (MDG's) and the developmental goals of the post 2015 agenda.

By the end of 2017 it is envisaged that a considerable number of Dutch companies are firmly established in Mozambique. To this end the embassy continues to work in close collaboration with all the relevant departments and agencies in The Hague, as well as with the embassies in Pretoria and Dar es Salaam and make maximum use of the economic diplomacy instruments.

Corporate Social Responsibility will be a central theme in our exchanges with companies and authorities, being the key for inclusive and sustainable development. The Embassy's development expertise and well established network of key contacts in the public sector will be used for assisting interested parties in defining appropriate interventions.

Programs in the spearheads will be result-oriented, in which, more than before, public and private interventions go hand in hand. Results will at times be limited by the fact that the country is facing an enormous capacity deficit at all levels and in all sectors. Capacity building will be important in all our spearhead and energy programs, using Dutch instruments such as the Netherlands Initiative for Capacity development in Higher Education (NICHE) and Tailor-Made Training (TMT) to the fullest.

In 2017 the spearhead Food and Nutrition Strategy (FNS) will have reached a point of increased and sustained (Dutch) private sector involvement, whereby ODA funding is replaced by private investment. Future, reduced Official Development Assistance (ODA) funding, will be focused on strategic partners in support of Small and Medium Enterprise (SME) development and the FNS situation of the poor segment of the population. Specific attention will be given to preventing or mitigating negative consequences from investments for women, e.g. securing land rights. The Dutch Good Growth Fund (DGGF) and other central instruments will be actively used in the development of sustainable value chains, introducing Dutch innovation, creating jobs, enhancing trade and linking-up with the Top sectors Agro-Food and Horticulture.

The strong role of the government and limited possibilities for investors in the water sector, make the transition in this field of a different character, with a focus on; facilitating the enabling environment, creating demand and support for continued water services provision. Efforts will be linked, where possible, with (semi) private partners and knowledge institutes. ODA funding will reduce and support development and investment in areas which are strategic for Dutch involvement. Making use of the excellent Dutch water reputation, the Dutch Delta experience will be further applied and promoted in collaboration with the International Financing Institutions (IFI's), as well as commercially. The consequences of climate change will increasingly be felt in

Mozambique and especially flood- (and drought) management in river valleys will need more attention. If enough interest exists, annual water trade missions will be organized to broker partnerships. By the end of the MASP it is expected that Dutch companies will have been successful in winning tenders financed by IFIs and third parties.

In 2017 ODA funding for Sexual and Reproductive Health and Rights (SRHR) will be required at the current level, as health services will still be insufficient. The strength of the embassy program is its brokering role for innovative modalities, which in 2017 should lead to increased Dutch private sector presence and coverage in the Health sector.

Good Governance is incorporated in our spearheads stimulating transparent, inclusive and sustainable economic development. Continuous dialogue with government is required now that resources are exploited in a context where national politics, the economy and the ruling party are blending. Support for social protection will be continued to assist communities at the lower end of the development-spectrum.

With this multi-faceted approach the embassy continues to be well placed to assist the country in its economic and social development trajectory and to strengthen Dutch-Mozambican economic ties, while simultaneously working towards poverty alleviation and inclusive growth.

Chapter 2 Reflection on the MASP 2012-2013

Choices for spearheads and modalities (strategic partners and geographic focus) have proven to be valid, have generated results in poverty alleviation through inclusive development and contributed to increasing presence of Dutch knowledge institutes in this transition phase. As the relations with strategic partners turned out to be more complex and required extensive monitoring by the embassy and counterparts, the number of activities in the water and food and nutrition sectors, has been reduced significantly.

In the overall field of Sexual and Reproductive Health Rights (SRHR), innovative developments (initiated by our strategic partner PSI and/or brokered by the embassy with private sector organisations) were started, allowing for accelerated and enhanced reproductive health service delivery, as well as opportunities for private sector investments. Despite many challenges the Ministry of Health implemented effective health programs and took responsibility in addressing systemic weaknesses. Increasing access to and use of modern family planning provided a challenge. Teenage pregnancies increased and contributed to malnutrition for children younger than five years. Donor support was unpredictable and fragmented and mediation between the Ministry and partners was required, a process in which the embassy played a constructive and central role. The cooperation with Oxfam/Novib for Lesbian, Gay, Trans, Bisexual Intersex (LGTBI) rights, gender based violence and human rights contributed to an increased awareness for rights of minorities.

The institutional capacity of the water sector remained a major challenge. Mozambican public and private water institutes have begun organising themselves in the Water platform (PLAMA), supported by Netherlands Water Partnership (NWP), for joined development of the sector. In order to increase the market for Dutch Water technology, a contract with a Mozambican public water organization (AIAS) and a consortium of Dutch specialized organizations has been concluded. Several Dutch water boards became active in Mozambique, expanding the Dutch presence in the sector. The embassy had to invest in coordination and an agreement between the Embassy and the Dutch Council of Water boards (*Unie van Waterschappen*) has been signed for continued coordinated collaboration. A specific, successful public-private partnership (PPP) in the area of urban water provision, became exemplary for development of other PPPs. The rapid Dutch response after the 2013 floods in the Limpopo and Zambezi basins provided opportunities for promoting the Dutch Delta Approach. This cooperation has improved relations with the IFIs and better positioned the Dutch water sector in Mozambique. The required holistic and trans-sectoral approach to water resources management proved to be a challenge in the hierarchical Mozambican context.

Considering the sensibility of access to land in Mozambique in all its aspects, the Embassy focussed its support on potential drivers of change for improved and inclusive land management. Support to land rights contributed to the empowerment of women and men, with community

organisations and associations becoming more democratic and women occupying leadership positions in the organisations. Although private companies invested through community land tenure arrangements, few genuine partnerships were achieved. Communities need continued assistance to invest wisely. The programs in the Zambezi Valley and the Beira Agricultural Growth Corridor (BAGC) produced the first results in linking small farmers to profitable value chains. Investors continued to face infrastructural limitations (e.g. electricity and water supply for irrigation). Small commercial farmers, selected in a seed multiplication project, started production and commercialization of soya seeds, using commercial funding. Small and Medium Enterprises (SMEs), supported by our strategic partners, required ongoing technical and financial assistance in key areas such as management, accounting and measuring performance.

Dutch funding of and involvement in social protection, contributed to an increased number of beneficiaries and to a more transparent and accountable system. After discussions with donors, government has allocated more funding to the social protection scheme.

The various activities in support of domestic accountability in Nampula province came to an end. They contributed to a strong civil society, currently engaged in the development debate with the provincial government, being an example for other provinces. Some former Non-Governmental Organizations (NGOs) have been recruited by investors to facilitate in community consultation.

In 2012 an economic diplomacy note was added to the MASP, not only defining actions to enhance Dutch economic interests in the spearheads of the embassy, but also in the energy and maritime infrastructure sectors of Mozambique. As a result of incoming and outgoing missions (June and July 2013) major Dutch companies are better positioned, a number of them being convinced to establish offices in Maputo. The Embassy's existing network in these sectors was substantially enlarged and fortified, enabling the Embassy to provide quality services to the Netherlands Top sector Energy and Maritime infrastructure.

Chapter 3 Country and Spearhead specific analysis

3.1 Country analysis

Two decades have passed since the signing of the Rome Peace Accords. The peace process is sustained and political and economic reforms are introduced. Rates of economic growth have consistently been strong, and overall optimism about Mozambique's economic potential has been boosted by the start of the exploitation of the country's enormous mineral resource wealth. However, the number of people living in poverty remains high and Mozambique remains amongst the world's poorest countries (Mozambique ranked 185 out of 187 countries in the Human Development Report 2013).

Mozambique enjoys an impressive economic growth. Between 1996 and 2013, the country's annual economic growth was on average between 7% and 8%. Currently the country is the best economic performer in Sub Saharan Africa. Together with prudent monetary and fiscal policies, as well as continued low inflation rates, Mozambique enjoys a high degree of economic stability, which in combination with the potential offered by the enormous mineral resources offer significant opportunities for foreign investment. Economic growth and Foreign Direct Investment (FDI) make Mozambique less dependent on aid flows. Where in the 1990's donor funding constituted more than 60% of the budget, its share has fallen to around 33% in 2013. However donor funding is of significant importance as it funds necessary investment in the social sectors. Tax revenues have increased substantially and currently represent around 23,5% of Gross Domestic Product (GDP), but only in 2018 and most probably even later, revenues from the extractive industry will really have an impact. International Monetary Fund (IMF) foresees a stable macroeconomic context, continued strong economic growth of 8% and above for the medium term, low inflation and a stable exchange rate for the Mozambican Metical against the major currencies. Sustained economic growth will enable the country to lift millions of people out of poverty

However, there are several caveats to Mozambique's economic achievements. In 1996/97, 69% of Mozambicans lived below the poverty line, by 2002/2003; this number had reduced to 54%. Despite economic growth, this percentage seems to have remained stagnant till to date, with strong regional and urban - rural disparities. Chronic malnutrition for children of five years and younger increased from 36 % in 1997 to 43% in 2011. Riots in 2008 and 2010 showed that growing numbers of unemployed urban youth can stir up fires of discontent. Investors are

confronted with limitations of a challenging investment climate. Mozambique is fluctuating in the lower ranks of the WB Doing Business report. Currently the country has dropped to rank 146 out of the 185 countries. Despite this low overall ranking, it is noticeable however, that the sub indicators; *protection of investment* (49) and *starting a business* (96) score well above the overall ranking. Furthermore the country dropped to rank 137 (out of 148) in the competitiveness 2013 report of the Global Economic Forum. The most problematic factors for doing business in Mozambique are access to finance, corruption, inefficient bureaucracy, lack of skilled human resources and infrastructure - especially reliable access to energy. The government realises that it has to improve the business climate and has started to implement a priority action plan. The impact as yet is limited however, because of insufficient rigour and adjudication of new laws, measures and regulations. FDI has gone mostly to mega-projects in extractive industries, which benefit from generous tax-breaks but have done little in terms of job creation for Mozambicans. Therefore Mozambique's economic growth cannot be described as pro-poor.

The government of Mozambique and its development partners agree that a policy shift is needed to stimulate a more inclusive growth. More than 70% of Mozambican families live in rural areas, and are involved in low production, subsistence agriculture. If all food produced annually was divided equally to all Mozambican families, it would not suffice to provide them with the necessary calories. Agricultural production and productivity are major bottlenecks to the country's economic development. This is aggravated by the fact that the livelihood of the majority of Mozambique's population, as well as investments, are increasingly being threatened by the effects of climate change, expressed in significant shorter periods between severe floods over the past 50 years.

Mozambique's democratic opening has been conducive to the creation of new political parties, but it has been difficult for these parties to become established. Opposition parties have not been able to challenge the much more resourceful and organized ruling party, which has persistently been dominating the political landscape. In the 2009 general elections, Frelimo won 191 seats in Parliament (76% of the seats), and the party provided 42 of the country's 43 mayors in the 2008 municipal elections. In 2011 the opposition party MDM managed to win a second major city during the municipal by elections. Political, economic and social life will be influenced by the presidential and parliamentary elections at the end of 2014.

Frelimo is firmly embedded in Mozambique's government and economy. Frelimo's structures have grown alongside state structures. As the country has moved from socialism to capitalism, the party leadership became increasingly linked to businesses and the private sector. Increasingly the party is criticized for being intolerant to those who demand inclusiveness and equal benefits from the economic achievements; Frelimo is challenged to adopt open and effective dialogue mechanisms for the management of benefits from natural resources.

Mozambique has dealt adequately with most of the problems directly related to its previous armed conflict, but there are still threats to the country's peace and security. Mozambique has long land and coastal borders and an under resourced civil service (including police and customs). As a result adequate protection of the country's territorial integrity is challenged. Consequently, 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 prices on international and regional markets, which have led to rising costs of living and to social unrest. Unresolved issues between Frelimo and Renamo and the fact that Renamo still has and uses arms add to uncertainty about the overall stability in the country.

Developments in governance have been mixed. The decentralization process, public finance management and tax administration have seen progress in recent years. Less positive trends can be seen in the justice sector and the fight against corruption. The judiciary faces several constraints in its capacity to prosecute major criminal cases. Although the anti-corruption legislation has improved, the implementation leaves room for improvement. Furthermore, the fact that the President nominates the chairperson of the Constitutional Council, Supreme Court, Administrative Court and the Attorney-General, severely limits the autonomy of the judiciary.

Civil society organizations have difficulties holding the government accountable. Most civil society organizations are poorly resourced and lack skilled personnel. A noteworthy development has been the fact that a small group of organizations has become more vocal, improving their mechanisms to monitor government activities in the development of its natural resources and the distribution of benefits (i.e. in Nampula province). The government has shown that it has difficulties with NGOs that focus on inclusive development and community rights.

Mozambique has become a country of two worlds. Whereas the development of the natural resources will propel the country on a development trajectory, the majority of the population, especially in peri-urban and rural areas, will remain in need of assistance for the foreseeable future. The mineral resource based economic development process offers significant opportunities to lift the country out of poverty, if it stimulates social development by linking to other sectors such as agriculture and rural development. In the process from aid to trade several opportunities for engagement of the Dutch private sector and knowledge institutes exist.

3.2 Analyses per spearhead and Top sector Energy

3.2.1 Water

Context analysis

Because of increasing demand, Mozambique's water resources are under great pressure. More than half of the surface water originates from neighbouring countries, making regional water cooperation essential. Natural disasters continue to have devastating impacts on the lives of people and on the economy (the 2013 floods reduced the GDP growth by 1%). Mozambique will not achieve the water MDGs¹, despite its strong and steady economic growth over the past ten years.

The increasing pressure on water resources for social and economic functions, while maintaining environmental integrity, poses huge challenges on water management. Capable public water institutions are essential to guide and control the planned mega-investments in water supply and sanitation, hydropower, mining and irrigation. Institutional strengthening of public entities is needed as mandates of the several water organisations are not always clear in combination with hierarchical, politically influenced decision making.

Lack of competent staff, an inadequate financial resource base (80% of the public investment costs is externally funded) and unreliable water related data hinder development of the sector. Except for urban water supply in the big cities, cost recovery in the water and sanitation sector is low. The private water sector is not well organised, nor capacitated. The overall result is ineffective and inefficient planning and implementation of what in essence are good water management policies and strategies.

Climate change will aggravate the increasing pressure on water resources and increase the risk of natural disasters, which may particularly have an impact on women. The challenge will be to prepare Mozambique's river basins for social and economic development, by making them safer and more resilient to the effects of climate change.

The Mozambican water sector is socially and economically underperforming. Existing investments are not always sustainable because of poor service delivery in water supply and sanitation services, and inadequate protection of land against natural disasters. Water availability (the right quantity and quality of water at the right place and at the right time) for social, productive and environmental use and water safety (safe deltas and river basins) are central in this MASP.

Opportunities for trade and development.

Despite the already mentioned limitations, ample opportunities for sector development and further Dutch (private sector) engagement exist. The long history of Dutch ODA cooperation with the Mozambican water sector has resulted in solid and trusted partnerships between the two countries' private and public sectors. The Netherlands will continue to provide its knowledge, resources and investment support. Our cooperation will entail a mix of ODA and non-ODA instruments (Bilateral embassy program, contribution to water programs from IFIs, Water Mondiaal, Disaster Risk Reduction facility-DRR, the Facility for infrastructure Development-ORIO, NICHE/TMT, Dutch Water boards and the Dutch Good Growth Fund -DGGF) to our strategic partners in the fields of:

Institutional development

- The National Water Directorate-DNA (strategic –international- water resource management, development of legal frameworks and guidelines).

Water safety

- ARA Zambezi and ARA Sul (operational water resource management).

¹ Current levels of access to drinking water and sanitation are below Sub-Saharan average and Mozambique will most probably not achieve the MDG targets for sanitation and rural water. Yet the GoM reconfirmed its goal to achieve the water-related MDGs by 2015, i.e. through more involvement of the private sector.

- International River Basin Organisations (Trans- boundary development and management of international water resources).

Water availability

- FIPAG (investments and operation of urban water supply).
- AIAS (urban water and sanitation infrastructure).

Water productivity in agriculture

- The Zambezi Valley Development Authority–ZVDA (overall water and land development and preparation for a safe and productive Zambezi delta) and
- Beira Agricultural Growth Corridor-BAGC (see also 3.2.2).

The collaboration in water safety and water availability already incorporates (semi) public and private organisations and the geographically focussed programs in the Zambezi Valley and the Beira Agricultural Growth Corridor provide an opportunity for linking water and agriculture. Through involvement of the Dutch Sustainability Unit, it is expected that a substantial part of the water portfolio will meet the RIO-markers for the climate finance criteria.

The optimum use and added value of Dutch expertise is ensured through a Memorandum of Understanding (MoU) between the Governments of the Netherlands and Mozambique, which prioritises Mozambican and Dutch sourcing for investment and cooperation in the water sector. The recently established Mozambican Water Platform (PLAMA) is important for developing partnerships and to improve market access for the Dutch water sector. Following the floods in the beginning of 2013, the combined Dutch-Mozambican expert missions and technical assistance in flood recovery, have resulted in a strong partnership and dialogue with the Government of Mozambique (GoM), World Bank (WB) and the African Development Bank (AfdB). A situation of acute needs led to flexible and immediate Dutch knowledge mobilisation and cooperation with government and financial institutions.

Economic water diplomacy efforts, directed to the Netherlands (semi) private sector partners, need to be intensified. Providing information on business opportunities and challenges in Mozambique is essential. Based on the MoU, ODA funding can attract public funding and third party financing, using flexible modalities in cooperation programmes. Examples where Dutch partners already do play a role are the Greater Maputo Water Supply, Zambezi Valley development, Master Plan for the City of Beira, Flood protection and management in the Limpopo Valley and a World Bank funded large scale irrigation project- PROIRRI. Other promising areas for such development are delta technology, coastal management, integrated land and water planning and management, (urban) water supply and waste water technology especially for the mining sector. Trilateral cooperation, e.g. with Brazil and/or Vietnam in coastal zone and integrated water management will be further explored. To facilitate the transition from 'aid to trade' substantial staff time will be devoted to encourage and support the broadening and intensification of partnerships between the Mozambican and Dutch (private) water sector. This role as broker will extend to partnerships with other financiers and international investors.

3.2.2 Food and Nutrition Security

Context Analysis

Agriculture is an important sector in the economy of Mozambique. It contributes 25 percent of GDP and employs 78 percent of the workforce. As such agricultural development offers an opportunity to promote inclusive economic growth, narrow income disparities between rural and urban areas and reduce poverty in regions that benefitted little from the economic gains of recent years.

Mozambican agricultural production is mainly rain fed and is a subsistence family undertaking (27% female -headed households); only 5% of the producers use irrigation. Several constraints limit agricultural production. Smallholder farmers have no secure land rights which affect long-term investments. An initially strong political commitment to pro-poor land reform, expressed in the innovative land law, is being challenged by policy makers who want to make quick gains, neglecting community land rights. Limited access to improved seeds, extension services and fertilizer furthermore hinder production and market chain development. Lack of enabling infrastructure (-small scale- irrigation systems, roads and electricity) contributes to the stagnation of agricultural productivity at levels between 30% and 60% of available potential. The involvement of the political elite in food imports and the seed market is not conducive for private development. Risk-adverse financial providers are hindering access to capital and financial services (only 4% of the rural population has access to capital). In general, Government promotes large plantation investments, which contribute to the development of the macro-economy, but are not focused on inclusive development. This requires the development of the small- and medium agricultural

enterprise sector. 83% of women living in rural areas work in the agricultural sector. Due to socio-cultural factors their access to and ownership of land is very limited, this associated with the low literacy levels hinders female development.

The incidence of severe chronic malnutrition in Mozambique is 23%. Northern and central rural areas 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. 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 on average reduced 1.1% per year, as a direct result of climatic variability, requiring an integrated approach to the sustainable management of water and land.

Agricultural growth in Mozambique was 7% in 2003 and currently stands at 9,5%. The Mozambican strategy is to (i) increase productivity, production, and competitiveness in agriculture; (ii) enhance services and infrastructure for better access to markets; (iii) promote sustainable use of land, water, forest, and fauna resources; (iv) strengthening institutional capacity for the sector.

The government promotes investment in selected staple food crops (maize, rice, grain, beans, cassava, potatoes, sweet-potatoes and tomatoes) and a number of cash crops (cashew, cotton, soya, sesame and tobacco). However, recently new, export-oriented value chains, particularly for horticultural crops (such as bananas, mangos, sesame, baby corn and green beans) and aquaculture, suited for smallholder production, have emerged. There is a growing number of emerging farmers and agribusiness entrepreneurs with the potential to participate in productive commodity value chains whether for internal or external markets. Innovation and agro-processing investments are however urgently needed. This presents opportunities for the Dutch Top sectors Agri-food and Horticulture. As an example: annually 20.000 tons of potatoes are imported from South-Africa alone. Also most of the seed potatoes are imported from South-Africa (some Mozambican potato farmers opt to import seed potatoes from the Netherlands, as these are of better quality than the South African).

In Mozambique four different agricultural production development models can be recognized: (i) large scale farms, often foreign investments, with contract labor (e.g. rice production with Chinese investments in the Limpopo delta); (ii) large scale farms with own production areas, combined with out grower production (e.g. sugar cane production in the Incomati delta); (iii) cooperative landownership and production through in-growers (e.g. rice production in the Licungo basin); (iv) SMEs with out growers (*Empresa de Commercializacao Agricola* in the Beira Corridor). The cooperative and SME model offer best options for inclusive development. The implementation of the Mozambican agricultural strategy offers many entries for enhancing the trade and investment relations with the Agro-food and Horticulture Top sectors of the Netherlands.

Export from Mozambique to the Netherlands is insignificant (0,1% in 2013 of the Mozambican export volume went to the Netherlands). Dutch seeds and seed potatoes are being imported in Mozambique, as well as eggs and dairy products. At present only few Netherlands small and medium enterprises, knowledge – and financial institutions operate in the agri-food sector. To enhance the relations between Mozambique and Netherlands private sector and knowledge institutes in the food and nutrition sector, a MoU has been signed with the Zambezi Valley Development Agency (ZVDA), providing priority for Dutch knowledge and investment.

Social protection programs complement the role of agriculture in contributing to inclusive development in Mozambique. The social protection program targets poor and vulnerable households through cash and in kind transfers and replaces subsidies to fuel and bread. A major challenge is to make social protection relevant to climate change based vulnerabilities.

Opportunities for trade and development

Several Dutch embassy programs and Dutch central instruments offer good links for trade opportunities. Support to the National Directorate for Land and Forest and the Foundation for Community Land presents an opportunity to further support secure land rights for women- and other smallholder farmers and their incorporation in investment plans. Dutch companies are well placed to become involved in sustainable agriculture/horticulture value chains.

Knowledge of local multiplication of seed potatoes and horticulture seeds is absent; parallel with import from the Netherlands, pilots can be executed to gain experience with local multiplication

with the help of Dutch knowledge institutes and private sector. There is an increasing demand for innovation, good quality seed potatoes, and other improved seeds. DGGF finance (Dutch and local SME investments, export guarantees) and capacity building can help develop the seed sector.

Partnerships exploring an integrated approach to a market chain development, including quantity and quality of food, provide interesting opportunities.

Enhanced access to capital by 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 (providing grant funding for renewable energy development). These can be further developed and provide matching funding.

3.2.3 SRHR

Context

Mozambique is one of the poorest countries in the world, with more than half of the people living under the poverty line. Close to half the children younger than 5 years are chronically malnourished. The average family size continues to increase. Access to modern methods of family planning remains low at 24%. In August 2011 the government approved a renewal of the Penal Code, amongst others legalizing abortion. Parliament however has not yet adopted laws to facilitate abortion. It is remarkable that the mortality for children under the age of 5 is decreasing and set to achieve the MDG 4 (reducing child mortality) for 2015. It remains a challenge however, to reduce the high maternal mortality, despite improved access to health services. Minority groups such as the lesbian, gay, transsexual and bisexual communities 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 exploited by officials such as police men and health workers. Health issues are strongly influenced by culturally based perceptions.

The Ministry of Health (MoH) is the most important provider of health services in the country. The Health Sector Strategic Plan (PESS '14-'19) aims at providing more and better health services, based on health reforms, decentralization, as well as new strategies for health financing and human resource development and management. Community Based Health Care and Mother and Childcare are prioritized, with a focus on fighting malaria, HIV/AIDS, tuberculosis and malnutrition.

The total health resource envelope has increased over the years and was estimated at \$759m (32 USD/per person) in 2012. Donor fragmentation, including vertical/targeted programmes remains a challenge for more effective aid. The total workforce has increased by 35% from 2006 (25.683) to 2011 (35.500), but the density of professional health workers per 100.000 inhabitants remains far below the minimum standard suggested by the WHO.

Although the average price of medicines procured by the Ministry of Health is amongst the lowest in southern Africa, concerns of poor quality remain. Frequent stock-outs and quantities of expired medicines are the result of weak supply management. The past few years serious concerns over poor public finance management (PFM) have led to donor disbursement delays. The quality of the data from the routine information system is of varying quality. This contributes to poor planning and subsequent ad-hoc management. Investments in infrastructure and equipment continue to be donor driven and are not guided by strategic planning.

The robustness of the National Health System to continue to produce results despite serious challenges (natural disasters; fragmented and unpredictable donor support), is impressive: 79% of the children are fully vaccinated before their first birthday. 64 % of the deliveries occur in a health facility. 33% of pregnant women received preventative malaria treatment, and 75% of the pregnant women got a Long-lasting Insecticide Treated mosquito net. 84% of the pregnant HIV+ women received treatment to prevent their baby becoming infected as well. HIV prevalence in Mozambique has in recent years stabilized at 11.5% among adults between 15 to 49 years of age.

Opportunities for trade and development

The economic growth based on the extractive industries, leads to a growing middle class and a gradual but steady increase of the private medical sector, predominantly in urban centres. Modern mobile telephony and banking make it possible to reach out to consumers and retailers at the bottom of the pyramid, through social marketing and stimulate more healthy behaviours.

The SRHR Portfolio has a limited number of activities, implemented by Strategic Partners. Core funding for our strategic Partners (MoH and PSI) provides flexibility to explore and stimulate

innovative developments. An example of such an innovative development is *Movercado*, a distribution system based on mobile telephone platforms, created by PSI, the largest social marketing company in Mozambique. *Movercado* provides a complete system, including selling of goods, payment of health promoters, interactive contact with clients for follow-up with health advice and services. *Movercado* works with local entrepreneurs with small and medium size shops in peri-urban and rural areas, where clients can obtain goods on showing a code on their mobile phone. This stimulates SME development and creates employment, especially in the poorer segments of society. Developed for the health sector, *Movercado* offers great potential for other spearheads; distribution of improved seeds, nutritional supplements, fertilizer, but also payments for social benefits etc. Through *Movercado*, partnerships are developed with UNFPA and MoH, but also with (Netherlands) insurers and retailers. *Movercado* has forged a partnership between UNFPA and PSI to re-vitalize the Programa Geração Biz (PGB). PGB is nationwide network youth-to-youth (peer) educators supported by the Ministries of Health, Education and Youth & Sports. PGB focuses on sexual reproductive health rights and aims to contribute to a reduction of teenage pregnancies, including early child marriages.

The embassy brokered the Memorandum of Understanding (MoU), expected to be signed soon, for rehabilitation and equipment of 3 clinics. Simultaneously the MoH is reconsidering its health financing strategies: innovations like *Movercado* provide opportunities for Dutch commercial companies to enter the Mozambican health sector, i.e. for the delivery of medical equipment and the introduction of (health) insurances.

Next to our strong involvement in providing basic health services to Mozambicans, the innovative developments in the SRHR portfolio, including private sector participation, provide excellent opportunities for improving quality and quantity of services. This is important for economic development, as access to good quality health services is of paramount importance for companies trying to establish their core-business in Mozambique.

Opportunities in the Regional Program (RP) for HIV/AIDS & SRHR

Our Embassy is represented at the Regional Advisory Group (RAG) for the RP. The RP provides excellent added value to our bilateral program through the promotion of sexual and reproductive rights at the level of Southern Africa Development Community (SADC) and by addressing issues related to migration. The lessons learned from a conditional cash transfer program (RHIVA) will be introduced in Mozambique, probably using the innovative technology of *Movercado*.

3.2.4 Energy (Top sector Energy –gas and Top Sector Water – Maritime)

Context analysis

During the past years huge offshore gas discoveries were made along the northern Mozambican coast. Proven discoveries are three times the gas findings in Groningen in the Netherlands in the late fifty's. In the coal rich province of Tete the estimated coal reserves are 23.3 billion tons, equal to three times the 2012 world production. According to the World Bank the quality and quantity of coal and gas reserves are world class and of transformational size for Mozambique.

The forecast is that the annual average economic growth in the period 2014-2017 will be 8 % and higher. Presently the extractive industries is the fastest growing sector (33% per year), it contributed 1.7 percentage points to growth in GDP (of a total of 8.7%) in the second quarter of 2013.

In the coming years economic growth in Mozambique will be driven by on-going and intended investments in the coal, gas-, transport- and maritime sectors. Massive rail projects will link coal-producing areas to new and refurbished ports like Nacala in the north, eventually making Mozambique a leading African coal exporter. Investments from large mining firms like ENRC (Kazakhstan), Rio Tinto (Australia) and Vale (Brazil) will ensure that the rail capacity will eventually support exports of up to 100 million tonnes per year of coking coal.

The institutional framework in the gas- and coal sector has evolved steadily over the past years. In 2011 a new law was approved for the regulation of PPPs, mega projects and concessions. New mining and petroleum laws, with related fiscal frameworks, are yet to be approved by Parliament. Mozambique is since 2012 EITI compliant and has launched 3 EITI reports (2008/9/10).

The question is, whether Mozambique is able to manage the natural resource driven economic transformation and adequately guide the mega-investments with the limited capacities of its institutions and labour workforce. Mozambique is seeking advice from several bilateral and

multilateral partners such as Norway, the Netherlands, the World Bank and IMF to meet the challenges.

The energy sector was identified in the 2012 Economic Diplomacy Note of the embassy, as an important intervention area in the coming years. In 2013 an economic mission to Mozambique, with participation of more than 20 Dutch leading companies in the gas and maritime sectors, was fielded. This mission was followed by a mission of senior Mozambican decision makers, led by the minister of Mineral Resources, to the Netherlands. Both missions were successful and have resulted in a better positioning of a number of Dutch companies in Mozambique to obtain service contracts in the gas and maritime sectors.

Opportunities for trade and development

The National Petroleum Institute is currently preparing the next licensing round in the energy rich offshore Rovuma basin in the north. LNG gas production facilities will be built in the north in the next years. The Gas Master Plan for Mozambique has outlined the gas production development options and specifies the huge requirements in development of infrastructure, production facilities and related service- and chemical industries.

The natural resources boom in Mozambique offers many opportunities for engagement of the Netherlands Top sector Energy – gas and Top sector Water – maritime. Billions of US dollars investment are foreseen in the coming years to construct the LNG infrastructure in the north of Mozambique and new harbour infrastructure in Palma, Mocimba de Praia and Pemba is required. Anadarko, the lead concession holder in the gas fields in the north, is presently implementing an 800 million US dollar preparatory investment to build the required logistic infrastructure for the LNG train constructions, of which most probably 4 will be developed in the first phase. Several thousand jobs will be created, requiring administration, catering and human resource management. Tens of kilometres of submarine pipe installation is required which only can be done with highly advanced technology, using special ships. It is evident that the Netherlands outstanding experience in these areas provides an excellent opportunity for involvement. The same applies for capacity building and the expected harbour development. Capacity building and knowledge sharing provide opportunities for the Netherlands Top sector Energy. Good possibilities also exist to develop government-to-government relations for sharing Dutch experience in the gas sector.

Despite the competition, the Netherlands is well positioned to become a major player in the industry, but companies will have to act proactively. The Netherlands can build on its extensive network and goodwill created during the more than 30 years of development cooperation, which included larger infrastructural works such as the Maputo rainwater drainage, the Beira waste water drainage and large dredging contracts for the harbours of Maputo and Beira. Relations with mineral resources, port, transport and public works authorities are excellent.

Chapter 4 Strategy, Results and Risks

General remarks

Cooperation modality; The embassy will continue working with its strategic partners for integrated program development. This will gradually reduce the number of activities from 72 by end 2012 to around 45 end 2013. By the end of the MASP 2014-2017 approximately 20 activities will remain. Strategic partners are encouraged to work together in geographically determined areas (i.e. Zambezi Valley, Beira Agricultural Growth Corridor and other development corridors), where good opportunities exist for combining the different spearhead programs for poverty alleviation and private sector development, providing partnership opportunities for Dutch entrepreneurs. The Mou's in our water- and food security and nutrition program support preferential Dutch engagement. Attracting Dutch investors means knowing the culture and political economy of the private sector in Mozambique. The Embassy will increase its efforts in getting to know their business partners well and provide active facilitation in brokering partnerships. Together with AgentschapNL, the embassy will engage in active economic diplomacy in the Netherlands to promote investment of identified partners.

Good governance activities, for transparent and (gender) inclusive development are mainstreamed in the programs of the spearheads. Additionally, support will be given to the following overarching activities, pertaining to public financial management and corruption, and voice and accountability.

- i) Until the end of 2014, support to the Auditor General, for increasing coverage and quality of

public audits; ii) support to the Tax Authority, among others through the Netherlands tax authority. It is foreseen to prepare and sign a tax treaty between the Netherlands and Mozambique; iii) support to *AGIR*, an umbrella organization for support to civil society organizations to defend the rights of sexual minorities and fight against domestic violence, as well as voice and accountability. Our cooperation with the Dutch Sustainability Unit will be used to strengthen monitoring of gender, climate change, and environmental impact of our programs.

Overall capacity building; 12m€ for 4 years has been allocated to Mozambique for capacity building and training through the NICHE and TMT program. In all spearheads and the top sector energy these instruments will be actively promoted for focused programs in support of our strategic counterparts. Both structural training programs, as well as short term training for targeted professionals (public and private) will be provided through twinning between Mozambican and Dutch polytechnics, universities and knowledge institutes.

Outlook for the spearheads by 2017; In the following sub-chapters results and strategies will be described, providing an outlook towards 2017. The outlook will depend on overall characteristics in the spearhead, developments and limiting factors, which will determine leverage to obtain results. The spearhead Food and Nutrition Security will likely see increased and sustained (Dutch) private sector involvement, whereby ODA funding is replaced by private funding. Requirements for further ODA funding will substantially decrease and be focused on a few (activities from) strategic partners which gradually will depend on other income. In 2017 ODA funding will support continued transformation and addressing the FNS situation of the poor segment of the population. Required engagement with the government and limited possibilities for investors in the water sector, make the transition of a different character. The focus is on: facilitating enabling environment, creating demand and support for continued water services provision. Efforts will be linked, where possible, with (semi) private partners and knowledge institutes. ODA funding will decrease and allocated for development and investment in delta- and water technology, which are strategic for Dutch involvement. In 2017 continued ODA funding for SRHR will be required, at similar levels as currently provided, for further provision of health services. The strength of the embassy program is its brokering role for innovative modalities, which in 2017 should lead to increased Dutch presence and coverage in the health sector. Overall the GoM contribution to all spearheads is expected to increase.

EU Joint Programming; the EU and member states have started a joint programming process for further harmonizing of the aid portfolios and for aligning trade initiatives. The embassy will actively support the development of this process, including European private sector involvement in Mozambique.

4.1 Water Strategy and results

Three detailed market scans will be prepared to identify opportunities and critical factors for Dutch investment and cooperation opportunities in the three sub-sectors; urban water supply and sanitation; river basin management and safe delta technology; and water and agriculture. The embassy will phase out its program in rural water and sanitation, as well as support to the regional training program for water management (continued support is expected from central funding).

Support to DNA, also with Dutch Technical Assistance (TA)₂ will address institutional reforms, required for a lean, strategic and normative institution. This will help to create the enabling environment and potentially also a demand for more Dutch expertise and business interest. The Mozambican Water platform will be supported and strengthened by NWP, offering a platform for organisation of the water sector and for identification of further business opportunities for Dutch and Mozambican partners.

In support of improved river basin management and safe delta technology, the focus will be on ARA-Zambezi, and ARA-Sul. The Netherlands is already involved in the development of the Zambezi Valley. Our Mozambican counterparts foresee further involvement of Netherlands institutes and investors, required for land and water related development activities. Direct support will be provided for ARA Zambeze to develop into a strong organisation, and partner for the Zambezi Valley Development Agency (ZVDA), managing water resources for development in the Zambezi Delta area.

In the Limpopo valley, Dutch expertise is active in dealing with emergency and long-term planning. ARA Sul is a central organisation in water management in this area. Support to ARA-Sul will be provided through its twinning with Wetterskip Fryslan. A link between Dutch TA preparing

for investment of World Bank funding in water safety and protection in the Limpopo area is established and offers potential for expansion. Furthermore, the embassy will provide all necessary support required for the establishment and functioning by the end of 2017 of an International River Basin Organisation for the Incomati and Maputo river basins.

The Dutch financed and developed Master Plan for Beira will provide several investment opportunities and development programs (financed by other parties) for Dutch knowledge and private sector partners. The Beira Master Plan process (linking development and project implementation with funding) is creating interest from other cities (and financiers), providing future additional options for Dutch participation. ODA support might be required to unlock this potential.

Water and sanitation provision will be supported by continuing our programs with Dutch added value in water technology in urban areas. The AIAS programme will develop new concepts and models to finance, implement and operate small urban water supply and sanitation systems, with a strong involvement of the private sector. The established Dutch involvement by an existing consortium will generate innovative business opportunities. FIPAG (urban water supply) support will be consolidated in collaboration with its strategic partner. Public-Private-Partnership models will be designed and tested, providing options for export of Dutch water technology, sustainable asset management and service delivery.

Water and agriculture synergy, is the least developed subsector, but is part of our ZVDA program, where a subcontract for development of small scale irrigation has been awarded. Based on a land use planning exercise, proposals for irrigation based agriculture and horticulture development will be developed. The Beira Agricultural Growth Corridor also offers options for water and agriculture development.

Potential for creation of a Dutch water alumni network will be explored and developed if possible, with the aim to promote linkages between the sectors and promote investment opportunities. It is foreseen to organise a trade mission on water investments, specifically for the mining sector, in the second half of 2014.

Risks and Mitigation

- *Low commitment to reforms hampers institutional development.* Dutch Delta technology is being mobilised by and appreciated in Mozambique, but there is a risk that decision makers go back to the "business-as-usual". The Embassy will maintain intensive policy dialogues. Technical cooperation needs to be supported by contacts at political level.
- *Increased demand for qualified staff by the big investors.* Well trained staff leave the public water sector for better paid jobs in the private sector. In accordance with the responsible Mozambican ministry, staff retention bonuses are provided.
- *Limited prospects for self-sustainability of key organisations (DNA, ARAs).* The new contracts (ARA-Zambezi, AIAS and the Inco-Maputo Region Basin Organisation) include go/no-go triggers regarding financial sustainability, achievement of agreed results and exit strategies have been defined.
- *International commitment for regional water cooperation may be insufficient.* This risk will be mitigated through substantial work on trust building among riparian countries (South-Africa, Swaziland and Mozambique), preparing for the delegation of powers to a trans-boundary River basin Organisation. The programme incorporates payment triggers for the establishment and operationalization of the RBO.
- *Weak implementation of gender strategies.* This risk is mainly caused by failure to identify gender-specific needs at operational level. This will be mitigated by encouraging systematic base line information collection of gender disaggregated data as part of the projects. Continued support from Dutch Sustainability Unit is foreseen.
- *Risk avoiding Dutch investors miss opportunities.* The Mozambican market is not an easy market. The Dutch water sector is very conscious of the risks of doing business in a country like Mozambique. Consequently other players (South African, Brazil, Portuguese, Indian and Chinese) could use market opportunities created through Dutch assistance. The Embassy will work closely with AgentschapNL and NWP on economic diplomacy directed to Dutch potential partners.

4.2 Food and Nutrition Strategy and results

Its strategic partnerships provide the embassy with excellent networks in key agricultural production areas in Mozambique, crucial for poverty alleviation and to facilitate linking with the

Netherlands Top sectors Agro-Food and Horticulture. In line with the policy note Food and Nutrition Security from 2011, our strategy will continue to be directed to obtain results in; i) increase of sustainable food production; ii) better access to nutritious food; iii) efficient, inclusive markets and improved business climate. Hereby we will seek synergy with the other spearheads, the central programs and engage the Netherlands Top sectors where possible. To assure climate, gender and sustainability relevance, a relation is established with the Sustainability Unit-DSU. The selected strategic partners in the Food and Nutrition area;

- The Zambezi Valley Development Agency (ZVDA), areas i, ii and iii
- The Beira Agricultural Growth Corridor (BAGC), areas i, ii and iii
- Technoserve, area i, ii
- The National Directorate for Land and Forest (DNTF), area iii
- ORAM, area iii and
- the National Institute for Social Action (INAS), area ii.

Presently approximately 20 small local agribusiness have been assisted by the BAGC in their start-up phase to further develop their business and at least 25% of the beneficiaries of BAGC projects are women. The BAGC Partnership (government-donors-private sector) invests in essential infrastructure measures (e.g. local electrification), improving the business climate. In 2014 a new 4 year cooperation phase with the BAGC will be signed to capitalize its Catalytic Fund (CF) that supports starting agribusinesses, which should benefit Dutch investors. The ZVDA's main task is to attract investment (FDI, grants, soft loans, non-concessional borrowing) for development of the Zambezi Valley, involving Dutch organisations as stated in the MoU. By 2017 the ZVDA will have established itself and generate its own income. Dutch support will gradually phase out and be replaced with non-ODA and (Dutch) investment funding. Technoserve is an NGO supporting value chain development in promising food and cash crops. It is brokering interesting local partnerships with banks and other service providers. In 2016 a new cooperation phase will be started with Technoserve. The focus thereof also depends on interest from Dutch partners.

The support to the National Land and Forest Directorate (DNTF) on land rights, essential for inclusive growth, has started in 2013. DNTF will receive support to develop and manage the land reform process. The, to be established, Foundation for Community Land will prepare communities and associations to enter into agreements with investors. The embassy will co-fund the Foundation starting in 2014.

Support to the National Institute for Social Action (INAS) has contributed to a better system for social protection in Mozambique, currently reaching close to 262.000 households. This program provides an essential element in poverty alleviation and it is foreseen that in 2017 a final cooperation agreement with INAS will be signed.

In 2013 the AECF Renewable Energy and Adaptation to Climate Technologies (REACT) window was started in Mozambique. After the first tender 25 companies (including Dutch entrepreneurs) were invited to submit business plans for selection for the matching funding available from the AECF REACT program. This provides an interesting and valuable financing source, additional to the BAGC Catalytic Fund that works with small starting entrepreneurs. The embassy foresees a continuation of this program as from 2016 for a period of 4 years.

Cooperation with AgentschapNL will be intensified to generate and enhance the interest of Dutch companies in the identified Top sectors to invest in Mozambique. The Director of the ZVDA will visit targeted companies and organisations in the Netherlands (Chambers of Commerce, producer associations etc.), with specified development- and investment proposals. Annual, focussed agro-trade missions are foreseen.

ODA results

- Transparent, productive and sustainable use of land by communities;
- Increase in production of sustainable food crops by small scale commercial farmers;
- Reduction of chronic undernourishment (linking with SRHR);
- Improved access to markets for maize, honey and rice produce;
- New, growing and climate smart agribusiness in the Zambezi Valley and the BAGC;
- In case of a positive decision by Mozambican partners; construction of soil and plant laboratory, involving Netherlands training and certification organizations;
- Increased cooperation and contracts between the Dutch private sector, knowledge institutes and strategic partners.

Trade results

- Increased number of Dutch knowledge institutes acquiring contracts financed by IFIs (WB, AfDB);

- Embassy digital customer relations management system operational for registry of business contacts and follow-up actions;
- FNS Alumni network developed and active;
- Increased number of funding proposals in the agri-business submitted to the DGGF;
- Successful ORIO projects focussed on Zambezi Valley or the BAGC in irrigated agriculture (rice, sugarcane);
- Market analysis studies for promising value chains completed, in cooperation with the agricultural attaché in Pretoria;
- Successful PPPs in the nuts, cotton and potato value chain;
- Successful Dutch involvement in (oil) seed value chain (seed multiplication, production, marketing, processing).
- Agro-trade missions to Mozambique in 2014, 2015, 2016.

Risks and Mitigation

Insufficient Mozambican public funding and spending for agricultural development. Agriculture and food production are key areas in the new poverty reduction strategy from the government. With an improved business climate, private funding will slowly replace public funding.

Non attractive international price, market and trade policies. High food prices influence social and economic stability and impact the food and nutrition security situation. Changes in price, markets and trade policies will be monitored and implications discussed with Government (i.e. the social protection measures taken).

Insufficient integration of small farmers in commercial agriculture. Government promotes large plantation investments, with risks for exclusion of rural communities. Civil society will attempt to mitigate this, by monitoring developments and demanding accountability.

Poor capacity, systemic failures and insufficient human resources. Poor capacity is a generic risk for all sector programmes. Targeted capacity strengthening (NICHE and TMT) and technical assistance will be used to mitigate this risk.

Interest of Dutch companies remains limited. The embassy will actively engage in economic diplomacy directed to targeted companies in the Netherlands, by active promotion of investment opportunities and application of the PSD and Trade instruments for investments in promising value chains.

Budget for social protection from government will not increase. IMF has been involved in supporting government to identify fiscal space for social protection financing. Government has is reacting positively.

4.3 SRHR

Strategy and results

In the SRHR and HIV/AIDS spearhead we will continue to exploit the relation with our strategic partners. The SRHR portfolio will contain a small number of focused activities and aim at synergies between partners across spearheads and with the Regional Programme. In addition a significant amount of time and effort will be geared towards brokering public-private-partnerships in provision of health services, involving Dutch private sector.

With the inclusion of the Programa Geração Biz and using the innovative mobile telephone platform (*Movercado*) the population, especially (urban) youth and adolescents will be reached more effectively, resulting in a reduction of maternal mortality by contributing to the prevention of AIDS, improved health services and greater use of family planning.

The embassy aims to achieve ambitious results in the coming years, while Mozambique is likely moving towards a lesser dependency on aid. The issue of equitable access to quality health services, especially for SRHR and HIV/AIDS, will remain in need of our support. ODA funding focused at delivering health services will gradually be combined with non-ODA funding, in parallel with our more trade focused approach, serving both Mozambican and Dutch interests.

Results

- Improved sexual knowledge and freedom of choice for young people;;
 - More use of condoms and family planning;
 - Less teenage pregnancies;

- Less childhood marriages;
- Less chronic malnutrition amongst children under-5 yrs. of age;
- Through improved access to medicine and contraceptives, improved use of modern family planning methods, contributing to:
 - Reduced gross fertility rate;
 - More people with HIV eligible for treatment actually receiving treatment;
- Malaria and HIV/AIDS prevention and treatment, leading to:
 - Lower mortality rate (esp. youth and pregnant women) from these diseases.
- Better health care during pregnancy and childbirth (including safe abortion) and more pregnant women using antenatal and delivery support services, contributing to:
 - Improved maternal and neonatal mortality;
 - Less HIV+ mothers passing their infection onto their babies;
 - Official recognition and protection of the rights of sexual minorities and legalised access to abortion.
- Contribute to development of Public Private Partnerships, involving the MoH, PSI and Dutch companies.
- Improve synergy between public actors and the Mozambican SMEs by accelerated use of *Movercado*.
- Promote results achieved in Regional Program with conditional cash transfers for SRHR and HIV/AIDS.

Risks and Mitigation

The public sector will resist to the structural changes. In the new Health Sector Strategic Plan the need for Health Reforms, the need for decentralisation and promotion of public-private-partnerships, using innovative technologies is indicated. Donors and partners will maintain focus on government's commitment to change.

Donors loose interest in sectoral pooled funding. Donors were divided and had unilateral approaches to (perceived) negative developments in the health sector. Through continued and structural dialogue with the Ministry of Health, which resulted in key improvements and a re-organisation of the donor group, a better climate exists for joint funding. It is encouraging to note the increase of the contribution from the state budget.

4.4 Strategy Energy sector – gas and water sector – maritime

Dutch companies in the gas and maritime sectors are presently positioning themselves in Mozambique to win contracts. Major contract awarding with regard to LNG development will only take place in the second half 2014. Minor research contracts, technical assistance and human resources management contracts might be awarded on shorter term. Focused capacity building activities are in preparation. The aim is to have two leading Dutch companies from the Top sector Energy - gas and Top sector Water – maritime established in Mozambique, in 2017. A number of Dutch knowledge institutes is providing training and/or technical assistance to key Mozambican institutions and companies.

The embassy will partner with the relevant departments in the Netherlands (Ministry of Foreign Affairs, Ministry of Economic Affairs, Ministry of Infrastructure and Environment and AgentschapNL), the energy advisor in Dar es Salaam, the NWP/Water Mondiaal and the Netherlands African Business Council (NABC). In the partnering with the Dutch embassy in Dar es Salaam, synergies will be sought between the activities of both embassies for capacity building in the energy sector.

Results; Energy – gas

- Gas trade mission to visit Mozambique in 2014 and 2016;
- At least 3 leading Dutch companies have contracts in the gas sector;
- 85 sector staff have participated in Oil & Gas training;
- 2 NICHE courses implemented, 5 TMT courses conducted;
- Annual Master classes Oil&Gas provided in Mozambique by leading Dutch companies;
- Support of focussed trade gas and maritime visits and missions (in- and/or outgoing) in cooperation with the energy expert stationed in the embassy in Dar es Salaam.

Results; Water - maritime

- Maritime trade mission to Mozambique in 2014 and 2016;
- At least 2 leading Dutch companies have contracts in the maritime sector (construction of ports and related infrastructure);
- Dutch companies involved in project implementation based on the Beira Master Plan.

Risks and Mitigation

Weak capacity from Government to manage the investments. The gas and mining sectors are very complex with multifaceted technological, fiscal, finance, legal, economic, human resources and human rights dimensions. Competition between Foreign Service providers is fierce and the government's institutional capacity is weak. Several partners offer institutionalised training. Short term training (TMT, Master classes), can mitigate this problem.

Limited impact of capacity development activities. Government employees have a limited timespan to absorb knowledge. Impact of training courses might be limited as courses have to be short. Repetitive annual events (TMT, economic missions and master classes) can address this problem.

Reputational risks for investing companies (and indirectly the embassy). Companies might be tempted to go for quick return on investment and compromise on performance regarding social and environmental management and performance (local sourcing, resettlement of population). The embassy will draw attention to Corporate Social Responsibility (CSR)-related risks and provide relevant information on CSR risks in Mozambique.

Gas boom could end soon; will Mozambique be ready in time; This risk can hardly be mitigated by donors. Despite its potential there are concerns that the global gas market might collapse due to new supplies flooding the market and that Mozambique will not be ready in time to profit from current high prices. Donors can assist government to prepare the necessary institutional and legal framework as soon as possible and commit to effective and efficient construction of necessary infrastructure.

Chapter 5 Other Instruments of Netherlands Foreign Policy

Bilateral relations; Mozambique and the Netherlands have a long history of friendly relations. The role that many Dutch have played in the struggle for independence is still remembered and much appreciated. There are no problematic areas in the bilateral relationship. The emergence and strong presence of 'non-traditional' partners like China, Brazil, Vietnam, Thailand, Turkey- to mention a few - makes that the Embassy has to intensify its efforts to consolidate and maintain our position.

Piracy has become less of a threat than during the previous MASP period. Mozambique continues to be a drug transit country. Reporting on these issues will be mainly dealt within the EU and UN frameworks. SADC defense collaboration in fighting piracy is the main subject in the contact with the Defense Attaché, based in Pretoria, together with a concise Defense training program for Mozambican defense personnel.

In 2014 presidential and parliamentary elections will be held, which will require close monitoring, mainly in the EU framework.

Consular; The embassy falls under the Regional Support Office in Pretoria. All consular back office functions have been taken over by the RSO. An Orange carpet policy has been developed. The embassy is representing Austria, Slovenia, Luxembourg and Belgium for the issuing of visa. Because of the size of the country it is assisted by two honorary consuls, one in Beira and one in Nampula.

Miscellaneous trade related issues; In addition to the economic diplomacy related to the transformational program as described in chapters 3 and 4, the embassy will continue to offer services to Dutch and Mozambican companies (trade requests in all sectors).

In the first quarter of 2014 bilateral consultations between the Dutch Directorate of Civil Aviation and its Mozambican counterpart are scheduled. A draft proposal for a new Air Service Agreement is presently under discussion.

At the moment of writing of this MASP contract negotiations were under way between a Dutch consortium and the Mozambican Ministry of Labor on the design and implementation of a renovated social security scheme and pension fund. This is the direct result of PUM specialists having been allowed on an exceptional basis to advise the government and is a good example of Dutch ODA leading to commercial contracts.

Public Diplomacy; The image of the Netherlands is positive. The Netherlands is best known as a water country and the embassy is actively positioning the Dutch gas expertise and experiences,

which are not well known. The Dutch development achievements still offer the best possibilities for public diplomacy but commercial transactions /innovative business projects that are being aimed at for the new MASP period, will be used for public diplomacy and Holland branding as well. More use will be made of the extensive alumni network in Mozambique. The embassy is actively using Facebook and Twitter.

Trilateral Cooperation; The embassy is investigating several options for trilateral partnerships. With Brazil discussions are underway in the field of health and related to our strategic partnership with the Zambezi Valley Development Agency. The latter is on the specific request of the Mozambican authorities. With Vietnam explorative talks are taking place on a Delta based approach (lessons learned through Dutch interventions in the Mekong Delta can be used for climate change related issues in Mozambican deltas). If a case can be made for a program that is in the interest of the three parties involved, such a trilateral cooperation can be initiated by the first half of 2014.

Chapter 6 Financial Implications

Financial ODA implications 2014-2017 in € (budget-code, description of the policy area)

Mozambique

| Budget 2014-2017 | | |
|------------------|--|--------------------|
| 2.1 | Improved food security | 35.700.000 |
| 2.2 | Improvements in water management, drinking water and sanitation | 33.377.000 |
| 2.3 | Sustainable use of natural resources, combating climate change, increasing population's resilience to unavoidable climate change in developing countries | 7.500.000 |
| 3.1 | Sexual and reproductive health and rights for all; stopping the spread of HIV/AIDS | 50.310.000 |
| 3.2 | Equal rights and opportunities for women | 4.000.000 |
| 4.3 | Developing the rule of law, reconstruction, peacebuilding, strengthening the legitimacy of democratic structures and combating corruption | 800.000 |
| Total | | 131.687.000 |

Regional Africa

| Budget 2014 - 2017 | | |
|--------------------|---|-----------|
| 2.2 | Improvements in water management, drinking water and sanitation | 7.333.000 |