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PORTUGAL – MOZAMBIQUE INDICATIVE COOPERATION PROGRAMME 2007-2009

Executive Summary

Principles

The Portugal – Mozambique Indicative Cooperation Programme (PIC) for 2007-2009 represents a new phase in the planning of Portuguese cooperation, having been drawn up according to the European Union's strategic guidelines aimed at gradually harmonizing processes, and thus reducing transaction costs and increasing effectiveness and efficiency.

From the multilateral viewpoint, the basic documents used to draw up this PIC were the Millennium Development Goals (MDGs) and the Paris Declaration on Aid Effectiveness. On the Mozambican side the basic document was the Plan of Action for Reducing Absolute Poverty (PARPA II), and from the Portuguese side *A Strategic Vision for Portuguese Development Cooperation* and the external evaluation carried out on the Mozambique Indicative Programme for 2004-2006.

This PIC takes account of principles accepted by the parties and explained in the 2005 Paris Declaration on Aid Effectiveness and the recommendations of the 2006 external evaluation, the aim being to improve the effectiveness, alignment and harmonization of Portuguese cooperation. As such, the intention has been to align Portuguese cooperation with the timing cycles of Mozambican planning, for which reason this new PIC will last for three years, thus falling into step with PARPA II. In addition, Portuguese cooperation will place special emphasis on multilateral mechanisms for supporting Mozambique. This will include support for Mozambique's state budget and membership of the Education Sector Support Fund (FASE), the purpose of both being to increase the alignment between Portuguese cooperation and Mozambique's priorities, systems and procedures.

Concentration

In order to improve effectiveness, the PIC will involve a sectoral and geographical concentration of Portuguese cooperation. Sectoral activity will involve the following priority axes:

1) Institutional Capacity Building:

- 1.1. Support for State Administration;
- 1.2. Justice;
- 1.3. Technical-Military Cooperation;
- 1.4. Technical-Police Cooperation;
- 1.5. Budget Support.

2) Sustainable Development and Combating Poverty:

- 2.1. Education;
- 2.2. Culture;
- 2.3. Sustainable Management of Natural Resources;
- 2.4. Socio-community Development.

3) Mozambique Island Cluster:

- 3.1. Mozambique Island Strategic Intervention Plan;
- 3.2. Millennium Town.

Geographically, Portuguese cooperation will concentrate on the provinces of Maputo, Sofala and Nampula.

Budget

The 2007-2009 PIC will have an indicative budget of 42 million euros. The amount available will be divided between the three priority axes as follows: i) institutional capacity building: 30%; ii) sustainable development and combating poverty: 60%; iii) Mozambique Island cluster: 10%.

Implementation and Monitoring

The PIC will be constantly monitored via local Portuguese cooperation structures and by the Mozambican authorities. Joint half-yearly reviews are planned, in which both countries' authorities will assess implementation of the PIC and can back the inclusion of new projects and the PIC,

and may back the inclusion of new projects and the curtailment of some already under way.

Evaluation

In order to garner recommendations on ways of improving implementation, in the last year of the PIC Portugal will ask for an external evaluation. The starting point for the evaluation will be the intervention framework included in the PIC, which details the objectives according to axes and intervention areas, the results indicators and the synergy to be sought with other donors.

Introduction

This Indicative Cooperation Programme (PIC) represents a new phase in the planning of Portuguese cooperation. It has been drawn up according to the strategic guidelines set out by the European Union, aimed at gradually harmonizing processes and thus reducing transaction costs, and so improving effectiveness and efficiency.

From the multilateral viewpoint, the basic documents used to draw up the PIC include the Millennium Development Goals and the Paris Declaration on Aid Efficiency. On the Mozambican side the basic document was the Plan of Action for Reducing Absolute Poverty (PARPA II), and on the Portuguese side *A Strategic Vision for Portuguese Development Cooperation* and the external audit made of the Indicative Programme for Mozambique (2004-2006).

This PIC takes account of principles accepted by the parties and explained in the Paris Declaration, and the recommendations of the 2006 external audit, the aim being to improve its effectiveness, alignment and harmonization. As such, the goal has been to align Portuguese cooperation with the timing cycles of Mozambican planning. For this reason, this new PIC will last for three years, thus falling into step with PARPA II. Although generally speaking a programme lasting longer than three years might be advisable, the alignment principle must take precedence.

Furthermore, to achieve greater effectiveness, this PIC will involve the sectoral and geographical concentration of Portuguese cooperation. In the former case, Portuguese cooperation will operate on the following axes: i) institutional capacity building; ii) sustainable development and combating poverty; and iii) the Mozambique Island cluster. From the geographical viewpoint, efforts will focus on three provinces: Maputo, Sofala and Nampula.

Many institutions have made worthy contributions to the drawing up of this PIC. In particular we should like to highlight those made by the Portuguese embassy in Maputo, both countries' Foreign Ministries, the various Mozambican and Portuguese sectoral ministries, and other bodies involved in this process, to whom we express our gratitude.

1. Framework of Relations Between Portugal and Mozambique

1.1. *General Objectives of Portuguese Foreign Policy*

With the end of the Cold War, the more recent experience of globalization has brought renewed awareness and new attitudes with regard to North-South relations. Such awareness forms the basis for the current historic change in the role of international cooperation, especially since the 2000 Millennium Summit. In an ever more coordinated way, member states of the Organization for Economic Cooperation and Development (OECD), and particularly members of the European Union, see their cooperation policies as integral elements of their globalization strategies.

For Portugal, cooperation is also one of the pillars of its foreign policy and an essential instrument in its relationship with the world, that policy being particularly evident in three respects¹:

- (i) its preferential relationship with Portuguese-speaking countries, especially the five Portuguese-Speaking African Countries (PALOP) and East Timor;
- (ii) promotion of the Portuguese language as a linguistic community with historic value and as a trump card in the current age of globalization; and



¹ *A Strategic Vision for Portuguese Development Cooperation*, point 1.1, p.12, IPAD, 2006.

(iii) boosting Portugal's capacity to mediate and influence as a member of international thematic networks, using the country's bilateral and multilateral cooperation to profit from the advantages that exist within certain international decision-making centres.

The central purpose of Portuguese cooperation is to improve the effectiveness of Portuguese official development assistance (ODA), with a view to reducing poverty and encouraging sustained development worldwide. This line of action adopts the main guidelines detailed in the strategic guidance document entitled *A Strategic Vision for Portuguese Development Cooperation*. This itself is included in the Programme of the 17th Constitutional Government and in the Main Options of the 2005-2009 Plan. It calls for the relaunch of cooperation policy in close harmony with the European Union's policies, which centre on coordination, complementarity and cohesion in the policies pursued.

In this connection, the Portuguese government sees cooperation policy as an essential instrument of strategic action, and highlights the need to reorganize the cooperation system in line with the principles of political and institutional coordination in order to make better use of resources.

Thus, the strategic political orientation set forth in *A Strategic Vision for Portuguese Development Cooperation* arises from the need to establish a more rigorous cooperation policy with greater strategic cohesion, more effective political control, more rational organization and a suitable funding system, bearing in mind modern realities and the international commitments made by the Portuguese state.

In such a context, as a member of various international bodies Portugal had undertaken to satisfy those commitments, and within the European Union in particular it has undertaken to meet the following goals: ODA to amount to 0.33% of GNI by 2006; 0.51% by 2010 and 0.7% by 2015.

Resources are limited, and as such they have to be concentrated in areas in which Portugal's comparative advantages are greater – language and

history. Thus, geographically they are concentrated in Portuguese-speaking countries, and in sectoral terms they focus on education and training, as well as on providing support for judicial and public-administration systems.

Given such a background, the strategic document sets forth the following basic guiding principles, allied to universal principles and values relating to economic and social development, consolidation of peace, democracy, human rights and rule of law²:

² *Idem*,
point 3, p.19.

- (i) committed pursuance of the Millennium Development Goals;
- (ii) improving human security, especially in fragile states or post-conflict situations;
- (iii) support for Portuguese as an educational and training instrument;
- (iv) support for economic development, with a view to social and environmental sustainability;
- (v) more active involvement in international discussion on the principle of international convergence around common objectives.

These principles are seen as the starting point for defining geographical and sectoral priorities. Geographically, Portuguese cooperation continues its tradition of concentrating on Portuguese-speaking countries, especially the PALOP and East Timor, without prejudice to increased South-South links, particularly between Brazil, the PALOP and East Timor, and supporting the Commonwealth of Portuguese-Speaking Countries (CPLP). In sectoral terms, the emphasis is firstly on good governance, participation and democracy, as part of enhanced institutional capacity building.

However, this reference framework for Portuguese cooperation and the hierarchy of geographical and sectoral priorities cannot be uncoupled from the capacity to work within a multilateral framework. Also, the rigid distinction between bilateral and multilateral cooperation no longer makes sense, and essentially we need to find ways of boosting bilateral cooperation and linking it to multilateral efforts. Thus, Portuguese cooperation must raise its ability to work at the interface between the bilateral and multilateral, and deepen the relationship between both forms of cooperation.

Another important field is support for the private sector and market economies in partner countries. Such support is intended to boost development and improve international economic integration, both via the Portuguese Institute for Development Assistance (IPAD) and the Financial Development Company (SOFID), a new financial institution whose mission will be to help expand the economies of partner countries through the involvement of Portuguese companies.

³ A **cooperation cluster** comprises several projects carried out by different institutions (individually or in association with institutions from the partner country) in the same geographical area and within a joint framework.

To implement the new strategic vision for Portuguese cooperation, the concept of a cooperation cluster³ was introduced, which is now the central strategic instrument for economic and social development in a target region, in line with the receiving country's sectoral policies. Thus, as the body coordinating Portuguese cooperation, IPAD plays the role of motivator, coordinator, organizer and also, to an extent, funder. Under a strategic plan a whole range of projects will be developed, which are smaller in scale and focus on specific actions, all aimed at taking an integrated approach to the target region. Mozambique Island is the geographical zone chosen for the cooperation cluster.

1.2. *Strategic Objectives of Cooperation with Mozambique*

The recent history of cooperation between Portugal and Mozambique reflects the good political relations between both countries, based on a shared cultural, legal and institutional background and specific specialist skills in fields that are essential for development. The Portuguese language facilitates Portuguese cooperation in Mozambique.

In this context, institutional cooperation between both states has been developing both bilaterally, via Indicative Cooperation Programmes (PICs) taking the form of programmes and projects proposed and implemented annually with the assistance of sectoral ministries, local

authorities and civil society, especially Portuguese development non-governmental organizations (DNGO's); and multilaterally in articulation with other cooperation partners, including European Union programmes for which Portugal has also contributed as a Member State, and the United Nation's specialist agencies.

When designing general instruments for cooperation between the two countries, account was taken of the MDGs, which aim at collective involvement to ensure lasting development and poverty reduction, as well as the recommendations arising from the launch and consolidation of the African Union and NEPAD (the New Partnership for Africa's Development). As an EU Member State, Portugal supports the EU's strategy for Africa, which aims at putting the continent back on the pathway to sustainable development and attaining the MDGs. Portugal's full commitment to the MDGs will help it to satisfy the principle of alignment and harmonization between national and international strategic aims, thus enabling Portuguese cooperation to contribute more to achieving the major international cooperation objectives. Again within the scope of the EU, Portuguese cooperation aims to encourage implementation of the European consensus surrounding a European development policy which sets out the joint principles under which the EU and its Member States will implement the Union's development policies in a complementary way.

Embracing good international practices when developing cooperation policies and strategies calls for greater coordination between the various international cooperation partners. Portugal understands and shares the Mozambican government's concerns on this matter. It coordinates its actions with other international cooperation partners within the framework of the privileged dialogue existing between the Mozambican government and its international partners under the Memorandum of Understanding between the Government of the Republic of Mozambique and the Programme Aid Partners for the Provision of Direct Budget and Balance of Payments Support, as well as under the Paris Declaration on Aid Effectiveness.

Portugal operates through trust funds on various programmes in Mozambique implemented by multilateral organizations such as the United Nations Development Programme (UNDP), the United Nations Education, Science and Culture Organization (UNESCO) and the World Bank's Global Health Fund. Portugal also supports joint actions within the scope of the CPLP.

1.3. *Main Bilateral Agreements*

The close ties between Portugal and Mozambique have resulted in agreements in a wide range of areas. Thus, in addition to the various PICs and annual cooperation plans, the following bilateral agreements are worthy of note:

- General Cooperation Agreement between Portugal and Mozambique signed on 1975/10/02;
- Economic Cooperation between Portugal and Mozambique signed on 1981/05/25;
- Supplementary Protocol to the Economic Cooperation Agreement between Portugal and Mozambique signed on 1982/06/30;
- Cooperation Agreement on Education, Teaching, Scientific Research and Staff Training between Portugal and Mozambique signed on 1985/05/23;
- Technical-Military Cooperation Agreement between Portugal and Mozambique signed on 1988/12/07;
- Legal and Judicial Cooperation Agreement between Portugal and Mozambique signed on 1990/04/12;
- Convention between Portugal and Mozambique to Prevent Dual Taxation and Tax Avoidance, signed on 1991/03/21;
- Cooperation Agreement between Portugal and Mozambique on the Reciprocal Promotion and Protection of Investments and the Related Appended Protocol, signed on 1995/09/01;
- Internal Security Cooperation Agreement, signed on 1995/09/12;

- Public Finances Cooperation Protocol between Portugal and Mozambique signed on 1998/10/10;
- Social Insertion Cooperation Protocol between Portugal and Mozambique signed on 1999/07/23;
- Health Protocol signed on 1999/07/15;
- Cooperation Protocol between the Portuguese Development Support Institute, the Portuguese Water Institute and the Mozambican National Waters Directorate, signed on 2006/07/17;
- Agreement to Reverse the Shareholder Structure of Hidroelétrica de Cahora Bassa (HCB), under which Mozambique increased its holding in HCB from 18% to 85% and Portugal reduced its stake from 82% to 15%, but made a commitment to remain a strategic partner and key shareholder, signed on 2006/10/31.

2. **Analysis of Mozambique's Situation and Level of Development**

2.1. *Analysis of the political, economic, social and environmental situation*

2.1.1. POLITICAL SITUATION

Mozambique's political situation is one of political stability and democratic co-existence between the country's various political forces.

After the constitution introducing a multi-party system was adopted in 1990, followed by the signing of the General Peace Agreement in 1992 which ended the country's armed conflict, the consolidation of peace and strengthening of democracy have been government priorities. The prevailing spirit of dialogue between the political forces represented in the national parliament has enabled legal and functional instruments essential to a democratic system to be adopted and developed.

For the Mozambican government, the main priority is to reduce absolute poverty levels, by ensuring the economic and social development of rural zones as a way of eliminating regional imbalances. The government also aims to continue and to strengthen bilateral and multilateral cooperation in order to increase the country's capacity to combat poverty. Closer cooperation ties are also aimed at consolidating Mozambique's integration into regional and international blocs.

Other priorities are the fight against corruption and bringing citizens closer to the legal system. Citizen participation in deciding the country's fate is key to consolidating democracy. Mozambique will hold its first elections to the provincial assemblies in 2007, its third local elections in 2008, and its fourth general, legislative and presidential elections in 2009.

2.1.2. ECONOMIC SITUATION

Government policies and reforms, together with major foreign assistance, have helped to ensure macro-economic stability, fast growth, socio-economic change and reduced poverty. Real GNI growth over the last decade has been about 8%, and can be attributed to:

- (i) the building sector, which is greatly boosted by international support;
- (ii) foreign investment in the form of major aluminium, natural-gas and mining projects;
- (iii) agricultural sector growth, despite adverse natural conditions between 2000 and 2005;
- (iv) transport and communications.

Mozambique's Trade Balance

	2002		2003		2004		2005		2006		Unit: USD Million
	USD	USD	Growth	USD	Growth	USD	Growth	USD	Growth		
Exports	809,81	1.043,91	29%	1.503,86	44%	1.745,00	16%	2.391,00	37%		
Imports	1.215,70	1.648,00	36%	1.849,70	12%	2.242,30	21%	2.616,00	17%		
Rate of Cover	67%	63%		81%		78%		91,4%			

Source: Bank of Mozambique.

Mozambique's foreign trade growth, particularly exports, gives a clear impression of economic dynamism, and the improved rate of cover shows that the trade balance contributes considerably to growth, in this case by gradually reducing the balance of trade deficit.

Over the next few years, the Mozambican economy will benefit from the start-up of the Moma and Chibuto heavy sands projects, as well as from reactivation of the Mpanda N'kua dam project. We also expect to see renewed business dynamism amongst small and medium-size companies.

The Mozambican government has begun to reform the public sector. Major steps have also been taken to improve the formal business environment and transform informal business into formal trade. To implement the public-sector reform strategy, the government has set up a unit to:

- (i) redefine and strengthen the state's role;
- (ii) improve the quality of public services;
- (iii) increase citizen's participation at the various levels of state;
- (iv) encourage decentralization;
- (v) consolidate anti-corruption mechanisms;
- (vi) encourage transparency and good governance.

2.1.3. SOCIAL SITUATION

Mozambique has a young population, with about 45% under 15 years of age and an average age of 17.5. Population density is lower than average for sub-Saharan Africa. The population is projected to rise from the current 18.7 million to 27 million by 2010⁴. Despite such growth, there has been a slight reduction in the birth rate.

⁴ Mozambique. Country Strategy Paper 2006-09, p.10, African Development Bank, April 2006.

Mozambique has substantially improved its education system. From 1999 to 2004 primary school enrolments rose from 1.3 million to 3.5

million, exceeding the three million forecast by the Plan of Action for Reducing Absolute Poverty (PARPA) I. Similar success has been achieved in the fight against illiteracy, which fell from 60% in 1999 to 53.6% in 2004. The big challenge facing education is to expand the vocational/technical education network. Another priority is to create the conditions to enable secondary school pupils who want to continue their education to do so.

As for health, the main challenges are still the fight against illness such as malaria and HIV/AIDS. In the latter case the situation has not improved, infection rates rising from 13% in 1999 to 16% in 2004⁵.

⁵ Preparation of the 2006 End of Term Review, p.35, SOFRECO, January 2006.

Generally speaking, both education and health are still essential for the country's uniform growth.

Rural development is at the top of the country's economic and social development agendas, bearing in mind that in 2003 64.3% of Mozambique's population was rural. In such regions poverty is associated to some extent with the poor development of agriculture, rural infrastructure and markets. Moreover, financial institutions are still unwilling to support this sector of the population.

2.1.4. MOZAMBIQUE'S SITUATION IN THE INTERNATIONAL CONTEXT

Mozambique's foreign relations give priority to ties with southern African countries within the Southern African Development Community (SADC). Financially, South Africa is Mozambique's leading foreign investor, being involved in economically important projects such as the Maputo Corridor, Gás de Pande and the Mozal Aluminium Plant, as well as investing in agriculture and tourism.

Under SADC's trade protocol, Mozambique has undertaken gradually to reduce its trade tariffs with other SADC member states until free trade is

achieved. Tariff reductions will start in 2008, and there will be free trade by 2012 with all countries except South Africa, which plans to end all tariffs by 2015.

On a continental scale, Mozambique sees its involvement in African fora and initiatives as especially important, and has played an important role in the African Union, of which it held the presidency in 2003 and 2004.

Mozambique has been one of the driving forces behind NEPAD since the initiative was launched. Its active involvement in the NEPAD Implementation Committee helped it to strengthen its ties with certain international partners, especially some G8 members who are particularly active in supporting NEPAD. The first enlarged meeting of G8 NEPAD personal representatives was held in Maputo in May 2002. In July 2006 the Mozambican government launched the National Forum of the African Peer-Review Mechanism in Mozambique, aimed at assessing the political, economic and social performance of African Union countries.

In addition to regional and continental relations, Mozambique also sees its relations with the US and certain Western European countries as especially important. Along with the European Commission, the World Bank and the various United Nations bodies, these nations are its major cooperation partners, and provide support for the country's economic and social recovery and the restoration of infrastructure destroyed by war and natural disasters.

Relations with the European Union form part of the Cotonou Agreement. Mozambique's international partners have supported it by providing financial assistance. That support has increasingly been channelled through a budget-support programme that satisfies the principles set forth in the Paris Declaration⁶, via the Planning Support Programme.

As for the CPLP, its Regional Centre of Excellence in Public Administration will be based in Maputo, with the aim of promoting programmes and training human resources in public administration for CPLP countries.

⁶ Paris Declaration on Aid Effectiveness, OECD, March 2006.

2.1.5. ENVIRONMENTAL SITUATION

Most of Mozambique's population depends on the exploitation of natural resources for its subsistence and income.



There is a strong link between poverty and the environment. Increased population density has resulted in faster environmental degradation. Poor family units tend to depend for their daily subsistence on activities that have a direct environmental impact, such as inhabiting and cultivating areas with a propensity to erode; the continued use of vegetable matter and wood for building, food and the production of domestic utensils; inadequate drainage and sanitation; the use of burning to

clear areas for cultivation; and the incorrect handling and disposal of solid and organic waste.

In urban areas, where population density is greater, environmental degradation can exacerbate families' health problems and reduce their well-being. Endemic illness such as malaria and cholera are a direct consequence of poor drainage, sanitation, solid-waste management and water supply.

Mozambique's main environmental priorities fall into the following camps:

- (i) cleaning up the environment;
- (ii) land planning;
- (iii) preventing soil degradation;
- (iv) managing natural resources, including the control of burning;

- (v) legal and institutional matters, i.e. environmental education, compliance with the law and institutional capacity building;
- (vi) reducing air, water and soil pollution; and
- (vii) preventing and reducing the effects of natural disasters.

2.2. POVERTY-REDUCTION ANALYSIS

The Mozambican authorities define poverty as the impossibility – owing to incapacity or lack of opportunity – of individuals, families and communities to gain access to minimum conditions, as measured by basic social norms⁷.

⁷ Plan of Action for Reducing Absolute Poverty (PARPA) 2006-2009, p.8, Republic of Mozambique, May 2006.

According to the Mozambican government, the factors which determine poverty are:

- (i) the low level of education of family groups;
- (ii) high dependency levels;
- (iii) low earnings from agricultural and manufacturing activities;
- (iv) limited access to infrastructure.

Because poverty is a multi-dimensional phenomenon, no single indicator can cover all of its aspects. Several indicators are required, encompassing all of its aspects, in order to provide a fuller view.

About 54% of Mozambique's population still lives in absolute poverty, most in rural areas where people farm or are involved in related activities. Poverty is greater in the north of the country, and in the southern provinces, amongst women. Although access to health and education services and basic sanitation has improved significantly, the poorest sectors of the population still have very limited access to these services. Serious efforts have been made to meet the MDGs. The best results have been achieved in reducing overall poverty, reducing child mortality, improving maternal health, and increasing school attendance rates, especially amongst the female population.

2.3. MOZAMBIQUE'S DEVELOPMENT STRATEGY

The Mozambican government's main priority has been to combat absolute poverty. It demonstrated this by implementing the Plan of Action for Reducing Absolute Poverty (PARPA) 2001-2005, containing its strategic vision for reducing poverty and the main aims and key actions to be pursued. These formed the basis for medium-term and annual state budgets, programmes and policies.

The poverty-reduction strategy has two aims: firstly, to extend and improve basic social services to the entire population; and secondly, to develop new forms of income for the poorest sectors of the population, which can only be achieved in a situation of strong economic growth.



Under PARPA I, Mozambique's development depended critically on its socio-political stability, and was based on six "fundamental areas of action": (i) education; (ii) health; (iii) agriculture and rural development; (iv) basic infrastructure; (v) good governance; and (vi) financial and macroeconomic management. Those priorities were selected by diagnosing Mozambique's poverty factors, based on studies focusing on poverty reduction, in the

light of international experience and consultation with civil society and the private sector.

Under PARPA I, Mozambique's poverty level fell from 69.4% in 1996-97 to 54% in 2002-2003, which is a decline of approximately 15.3%. That was 5% better than originally forecast in PARPA I⁸.

To further its poverty-reduction efforts, on 2 May 2006 the Mozambican government approved PARPA II, spanning 2006 to 2009. The aim of this new programme is to reduce poverty from 54% in 2003 to 45% in 2009.

⁸ Plan of Action for Reducing Absolute Poverty (PARPA), 2001-2005, p.2, Republic of Mozambique, April 2001.

PARPA II maintains the same priorities as regards developing basic infrastructure and agriculture, rural development, the continued expansion of health and education services, and better financial and macroeconomic management⁹.

⁹ Plan of Action for Reducing Absolute Poverty (PARPA) 2006-2009, pp. 1-2, Republic of Mozambique, May 2006.

The big difference between PARPA I and PARPA II is that the latter's priorities include greater national economic integration and higher productivity. In particular, it focuses on basic development at district level, the creation of a favourable environment for expanding national production, improving the financial system, propagating small and medium-size enterprises within the formal sector, and developing systems to collect domestic revenue and allocate budget resources.

In addition to poverty reduction, PARPA II is also intended to:

- (i) achieve a real increase in GNI by encouraging a favourable business climate;
- (ii) achieve greater coordination with the international community and attract foreign aid to the country, particularly in the form of budget support;
- (iii) ensure the equitable distribution of earnings, especially to the poorer sectors of the community, by means of improved social services.

The poverty-reduction strategy is managed through the public planning system, whose highest level is the government five-year plan, beneath which are two main classes of instruments:

- (i) medium-term planning instruments. In addition to PARPA, these include sectoral and provincial strategic plans, the Medium-Term Fiscal Scenario, and the Three-Year Public Investment Programme;
- (ii) annual operational instruments, the Economic and Social Plan (ESP) and the state budget.

3. **Overview of Cooperation and Political Dialogue, Complementarity and Consistency**

3.1. *Overview of Past and Present Cooperation between Portugal and Mozambique*

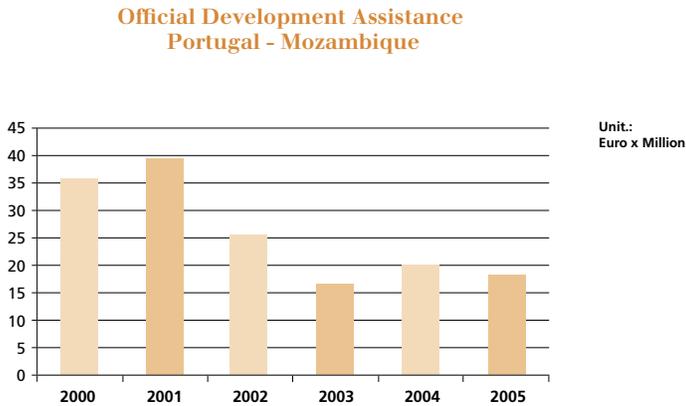
Portugal has set out its cooperation strategy with Mozambique by dovetailing its areas of expertise and other existing advantages with the priorities set forth by the Mozambican authorities. The goal is to help reduce poverty, especially via the Plan of Action for Reducing Absolute Poverty (PARPA), and to aid economic and social development. This strategy is implemented through Annual Cooperation Plans (PAC) encompassed by a three-year Indicative Cooperation Programme (PIC).

Portugal's bilateral cooperation programmes with Mozambique have centred on education, health, agriculture and rural development, good governance, budget support, socio-community development, police cooperation, gender and culture. In addition, there have been supplementary support programmes covering technical-military cooperation, the environment and natural resources.

The 1999-2001 Portugal-Mozambique PIC was signed in Lisbon on 3 March 1999. The ODA for that period totalled €123.3 million, including Portuguese emergency aid following the 1999 and 2000 floods that devastated Mozambique. An Annual Cooperation Plan was introduced in 2001 which fell short of its targets. Owing to various constraints, between 2002 and 2003 it was not possible to sign a new indicative programme, nor PAC.

The 2004-2006 Portugal-Mozambique PIC took the form of three PAC detailing the sectoral projects and programmes to be developed under the priorities set forth, and provided €42 million of funding.

From 2000 to 2005, bilateral Portugal-Mozambique ODA actually granted and accounted for according to OECD Development Assistance Committee criteria was as follows, in euros:



Source: IPAD

The sums for 2000 to 2002 involved reducing Mozambique's debt to Portugal and emergency aid to attenuate the effects of the aforementioned floods.

When the 2004-2006 PIC ended, the process of drawing up a new plan included evaluating the 2004-2006 one in order to draw lessons for the future. The evaluation centred on the relevance, logic, cohesion and results achieved by the 2004-2006 PIC and associated PAC (2004, 2005 and 2006). On the one hand, the intention was to reveal how well Portuguese cooperation performed in Mozambique, by conducting a survey of the planning experience (PIC) in order to draw valid lessons for preparing and implementing a new strategy and development plans with Mozambique. Evaluation also produced ideas as to how Portuguese cooperation might be coordinated and harmonized in the future, with a view to decentralizing and delegating responsibility to other international cooperation agencies operating in Mozambique, and with the aim of introducing harmonization and alignment processes as understood in the Paris Declaration.

The study will provide the Portuguese and Mozambican governments with a basis for any strategic adaptations or changes to programmes, projects and intervention areas for Portuguese cooperation.

3.1.1. ANALYSIS OF THE 2004-2006 PIC

More than anything else, assessment of the 2004-2006 PIC demonstrated the need to underline the importance of the MDGs as core principles, which must be taken into consideration when drawing up a strategy for cooperation with Mozambique.

Annual planning, in the form of PAC, was deemed to be inefficient, particularly because political negotiations involved an additional burden in terms of time and human resources, for both the Portuguese and Mozambicans. Constant meetings to negotiate or prepare negotiations gives rise to a sense that the focus is constantly on the design and content of what is to be negotiated, rather than concentrating efforts on implementing what has been agreed.

While annual planning is fairly easy to carry out, such as in the case of short-term technical-assistance or training projects, for other kinds of projects longer-term planning is not only possible, but also desirable. A case in point is the refurbishment of buildings, integrated projects for education, water and sanitation projects and others that require an integrated approach involving several components with an extended timetable over several years.

A further conclusion was the need to align Portuguese action with Mozambique's planning cycles. Thus, Portugal will time the new three-year PIC to align with the implementation of PARPA II.

Going on past experience, it was concluded that any programmes and projects to be implemented must be continually perfected and must include the following features:

1. Clear definition of the project

All projects must be justified on the basis of the MDGs and the PIC in force at the time, the intended goals, the implementation plan, an appropriate funding plan, a timetable for financial implementation and implementation indicators to enable them to be monitored.

2. Regular monitoring of projects

Projects must be regularly monitored by joint missions from the Ministry of the Economy, the sectors involved and IPAD, in the field. This includes evaluation of how actions are progressing, and the limitations and restraints that need to be removed.

3. Financial autonomy enabling funds to be applied more quickly and flexibly

To this end, it must be ensured that funds are released in good time, with no delays in relation to the planned release, and in the amounts set forth.

4. Clear identification by Mozambique of who the Portuguese liaisons are

A local structure for Portuguese cooperation has to exist, comprising the Cooperation Adviser and resident IPAD specialists, who will be the focal point for solving problems and contacts with head office. It will also help to clarify and speed up decision-making and implementation if there is a focal point on the Mozambican side for each specific project.

5. Alignment with Mozambique's policies and priorities

Projects must be designed in accordance with the Mozambican government's and ministries' strategic documents.

6. Mozambique's close active involvement in implementing projects

The Mozambican and Portuguese authorities need to monitor and coordinate projects. Such coordination will enable changes to projects to be jointly discussed in good time, and duly justified. Whenever

necessary, organizations from civil society will be approached to implement and manage projects, given that they have particular knowledge of the social reality and have been operating in the field for a long time.

3.1.2. RECOMMENDATIONS

In addition to continuing the practices mentioned above, Portuguese cooperation must act on a series of recommendations arising from the assessment, in order to make its efforts more efficient:

1. It must adopt planning systems tailored to the country's specific realities, as regards design, forms of support and planning time. That means shaping priorities and support instruments to each country's context and incorporating existing international strategies and principles into its planning, which in Mozambique's case means harmonization and alignment with documents such as PARPA II and the Paris Declaration on Aid Effectiveness, which has already been covered in this PIC.

2. It must ensure greater involvement by various players in the negotiating process, in order to create an inclusive process of consultation and discussion with all stakeholders, funders and those who implement actions, including sectors of civil society involved in cooperation. The consultation process must be systematic and organized so as to enable experiences to be exchanged, needs to be identified, results analysed, past cooperation activities assessed, and discussion of lessons learned from past programmes.

3. The present PIC must be an integrated plan, with properly tailored and feasible planning. It must establish the priorities, lines of action and projects already identified, for a period of several years. The present PIC is intended to:

A. explain the reasons why the priority axes and the main projects were chosen;

- B.** detail the specific objectives and goals to be achieved by each of the axes;
- C.** establish clear rules for classifying projects.

4. Annual political negotiation of PAC should be replaced by six-monthly evaluations by IPAD and the Mozambican authorities, in order to evaluate and update the programme. Such a change would enable the PIC to be planned for several years in advance, make it easier to forecast funding and broaden the project management horizon.

5. There is a need for greater concentration by the sectors involved, in order to prevent the dispersal of effort. Thus, the PIC must define priority areas and projects, in line both with Mozambique's priorities and the strengths of Portuguese cooperation. Consequently, in this PIC Portuguese cooperation will be concentrated sectorally and geographically.

6. It must set parameters and terms of reference for submitting and approving projects, in order to improve their planning, monitoring and evaluation. Thus, any projects submitted must include a series of essential elements: general and specific objectives; a description of activities and expected results; a timetable of actions and budgeting; and result-assessment indicators.

7. It must incorporate across-the-board issues into its planning along the various axes of concentration, as far as possible. In Mozambique's case, gender and environmental sustainability are key issues. Where possible, they must also form part of the project-approval criteria.

8. Given the complexity and demands of international development cooperation in Mozambique, various forms of representation must be established. In addition to a permanent cooperation structure in Mozambique, greater demands upon human resources may mean that

external consultants and specialist assistance might be used to participate in working groups focusing on the priorities of Portuguese cooperation, and thus make up for shortfalls in human resources in the field. The importance that both countries give to education, for example, is an encouragement for Portugal to provide its structure in the field with education specialists. This could involve outside consultants, in other words hiring Mozambican specialists or sending IPAD staff to Mozambique.

9. Programmes and projects that do not align with partners' strategies will not be eligible.

10. In addition to the essential elements of a project, as detailed in point 1 of 3.1.1, IPAD is responsible for keeping an ongoing record of the actions carried out and for overseeing the implementation of plans and timetables. It also monitors the indicators so as not to allow any implementation delays or project deviation. To ensure more fluent implementation, communication must also be improved between and with those who are implementing projects, and monitoring techniques must be improved, both in the field and at IPAD headquarters.

3.2. Information on Other Cooperation Partners' Programmes

There are very many cooperation partners operating in Mozambique, working bilaterally and multilaterally in all manner of sectors. In recent years cooperation partners have visibly moved towards schemes that channel aid by means of budget support.

Bearing in mind the PARPA axes, over the last few years the main cooperation partners in Mozambique have concentrated their efforts on the following areas¹⁰:

Germany: Rural development, education, health and institutional capacity building programmes;

¹⁰ Details taken from the ODAmoz database.

Austria: Education, health, institutional capacity building and rural development programmes;

African Development Bank: Education, health, institutional capacity building and rural development programmes;

World Bank: Education, health and institutional capacity building programmes;

Belgium: Health, rural development, institutional capacity building and education programmes;

Canada: Rural development, environment, education, health and institutional capacity building programmes;

European Commission: Health, rural development and infrastructure programmes;

Denmark: Rural development, environment, education, health and institutional capacity building programmes;

Spain: Education, health, institutional capacity building and gender programmes;

United States: Rural development, health and institutional capacity building programmes;

FAO: Rural development, environment, health and institutional capacity building programmes;

Finland: Rural development, education, health and institutional capacity building programmes;

France: Education and institutional capacity building programmes;

Ireland: Rural development, education, health and institutional capacity building programmes;

Italy: Rural development, gender, education, health and institutional capacity building programmes;

Japan: Rural development, education, health and institutional capacity building programmes;

Netherlands: Environment, health, education and gender programmes;

Norway: Rural development, health and institutional capacity building programmes;

UNDP: Health, gender, rural development and institutional capacity building programmes;

WHO: Health programmes;

Switzerland: Rural development, health and institutional capacity building programmes;

United Kingdom: Education, health and institutional capacity building programmes;

UNESCO: Health, education and institutional capacity building programmes;

UNICEF: Education, health, gender and institutional capacity building programmes.

Most cooperation partners focus on education – and health-related issues. Most are also assisting with institutional capacity building and rural development. Geographically, Sofala and Zambézia are the provinces with the highest number of projects, while Tete, Manica, Niass and Gaza have the fewest.

In addition to this support through bilateral projects, under the G-18 banner many of these cooperation partners have provided Mozambique with budget support. Such support is essential for Mozambique, because together the support provided by those countries accounts for 80% of its foreign aid. The aim is to provide efficient and effective financial support for implementing PARPA, with the target of reducing all facets of poverty. It is one of Africa’s largest joint aid programmes, both as regards the level of funding and the number of cooperation partners involved. Together with general budget support, many cooperation partners have been providing sectoral support, especially in education (FASE) and health (PROSAÚDE).

State Budget Resources

	2005	2006	2007	Unit.: Metical x Million
Domestic Resources	24.532	27.017	32.461	
Foreign Resources	19.990	25.864	38.435	
Total Resources	44.522	52.881	70.897	
Foreign. Res. as % of Total Res.	45%	49%	54%	

Source: General State Accounts (2005) and 2007 State Budget.

Rate of Growth of State Budget Resources

	2006	2007
Domestic Resources	10%	20%
Foreign Resources	29%	49%
Total Resources	19%	34%

Source: General State Accounts (2005) and 2007 State Budget.

As part of its efforts to reduce absolute poverty, the Mozambican government has received financial and specialist support from several cooperation partners. In recent years, foreign support has been increasing, growing by about 29% in 2006. 2007 is expected to see even greater growth in this domain, and it could well account for 54% of all resources. Given the great importance of foreign funding for implementing the actions set forth in PARPA, there has to be a clear overall strategy both on the government's part and that of the cooperation partners, enabling foreign aid flows into the country to be guided, systematized and regulated. This need stems from the importance of ensuring that state bodies coordinate the way in which they manage and consequently channel such funds into priority areas. It is to that end that the government has drawn up its National Cooperation Policy.

3.3. *Political Dialogue between Portugal and Mozambique*

Under Article 8 of the Cotonou Agreement between the European Union and the African, Caribbean and Pacific countries (ACP countries), Portugal, through its diplomatic representation in Maputo, participates in weekly meetings between EU Member-State representatives, the European Commission and the Mozambican authorities. The meetings are aimed at strengthening political dialogue in order to find points in common. According to Article 96, said political dialogue should focus on the elements referred to in the Cotonou Agreement.

As part of the dialogue, Mozambique informs EU members present in Maputo of various issues linked to its domestic policy and its main international concerns, so strengthening the idea of Mozambican foreign

policy based on non-interference, a culture of peace, human rights and general disarmament. For its part, the EU provides the most important information concerning the European debate. Throughout 2006, issues linked to the final revision of the current EDF and preparation of the 10th EDF, and also issues surrounding the 2nd Europe-Africa summit, due to be held in Lisbon, were particularly important.

Also under the aegis of the Development Partners Group, of which Portugal is a member, there is thematic and sectoral monitoring of various aspects linked to the implementation of development strategies.

As a member of the CPLP, Portugal has also monitored political developments in Mozambique.

3.4. Type of Partnership with Mozambique and Progress on Harmonization and Alignment

Efforts to achieve greater coordination between cooperation partners began in the 1990s, and were formalized in 2000 with the Joint Macrofinance Support Programme based on a memorandum of understanding. That agreement provided a joint vision and enabled regular dialogue and a joint annual review. The review provides for a retrospective examination of performance both by the Mozambican government and the cooperation partners.

Approval of PARPA in September 2001 provided a formal basis for aligning the cooperation partners around the government's poverty-reduction strategy, and its preparation facilitated the first agreement between cooperation partners to coordinate budget support. That link enabled increased coordination between cooperation partners and the emergence of initiatives tending towards greater harmonization and alignment, in line with the 2003 Rome Declaration on harmonization at country level. This kind of activity by cooperation partners is also aimed at helping to achieve the MDGs.

In 2004 the Programme Support Partnership was established by the Mozambican government and 15 international agencies, aimed at providing direct budget support and balance of payments, as part of its poverty reduction strategy. Having been an observer in the partnership, Portugal put its name to the agreement. In order to satisfy the Paris Declaration, Portugal will take steps to increase its annual budget support. Following the same line of thought, Portuguese cooperation plans to join one of the Sectoral Support Programmes, namely FASE.

Further to what was agreed in the 2005 Paris Declaration on Aid Effectiveness, Mozambique's cooperation strategy, which is currently drawn up by the government, states that the cooperation partners must be aligned with the priorities, systems and procedures of the beneficiary country. One of the document's recommendations will be



that the cooperation partners must harmonize the timing of their programmes to coincide with Mozambican planning, and that the transfer of funds by partners be easier to forecast. Until now, Portugal's cooperation programme has not aligned with the timing of Mozambican planning, which is based on the basic poverty-reduction document (PARPA II) for 2006-2009. In line with international recommendations and the assessment carried out of cooperation with Mozambique, the current PIC will enable Portugal to align its planning with Mozambique's timetable.

A group of cooperation partners, including Portugal, is taking steps to harmonize its programme timetable so that from 2010 it matches or almost matches Mozambique's timetable. About half of those partners are updating their strategies in order to align with the timing of PARPA II. Portugal will be one of the countries to align their programme timing with Mozambique's from 2010 onwards, and as

such it will satisfy its international commitments on harmonization and alignment.

3.5. *Analysis of Cohesion between Aid and Development Policy and other Portuguese Policies*

In addition to Portugal's development aid policy, the country also has other sectoral policies that have helped to support Mozambique's efforts to achieve the MDGs. Steps will be taken to create synergy between these various efforts, in order to produce a joint strategy.

Because the coordination of Portuguese cooperation is one of IPAD's main activities, it is essential to consider the important articulation of IPAD's work with that of the sectoral ministries that have specific interests in this area. These various sectoral activities should be coherently encompassed by a strategically guided policy with shared aims and complementary activities, both as regards bilateral and multilateral actions.

To achieve the desired coordination, the Inter-ministerial Committee for Cooperation (CIC) has been formed. Its role is to strengthen the Foreign Ministry's role of coordinating all Portuguese cooperation policy, in articulation with the other ministries and public and private organizations involved. The committee's main aim is to provide political leadership and control, given that policy consistency is a condition for effective action. All ministries with an interest in cooperation are represented on the committee.

The CIC's mission is to monitor the planning and implementation of development cooperation on a monthly basis. In addition to matters of a general nature, it also discusses sectoral cooperation and overall cooperation with each of Portugal's partner countries.

The importance of cooperation policy could be enhanced by organizing a council of ministers on this subject, to deal with basic themes linked

to cooperation, such as the integrated cooperation budget, plans agreed with partner countries, the balance of activities, and experiences. Political discussion of development cooperation is essential for increasing national consensus on what its main thrust should be and how to put it into practice. The presence of all ministries in this council could not only ensure coordination and guarantee the complementary nature of intervention in each sector, but also ensure that cooperation policy is coherent with other Portuguese policies affecting the development of countries at which it is aimed.

PART II
PORTUGUESE
COOPERATION
STRATEGY

1. Portuguese Cooperation Strategy

Portuguese cooperation in Mozambique for the duration of the current PIC aims to achieve greater effectiveness and visibility by concentrating on specific sectors and geographical areas. The 2007-2009 PIC is the strategic guidance document for cooperation with Mozambique for the next three years, and embodies the aims of Portuguese cooperation for each sector and the main actions to be developed. Instead of Annual Cooperation Plans, there will be constant monitoring and joint definition of projects or programmes that can be included within the aims and principles set out for each intervention area. This document satisfies the cooperation programme structure recommended by the EU, providing greater cohesion between Member States' strategies.

The strategic sectors of cooperation with Mozambique have been defined by matching the priorities set out by the Mozambican government for developing the country to the objectives and financial – and human-response capacity of Portuguese cooperation, and to its advantages in specific areas.

On the one hand, the quality and effectiveness of support requires a good political framework supported by suitable policies for developing Mozambique, and so the fields of action will be selected in line with the



national development framework and related priorities, which is to say PARPA II.

On the other, the rationalization of funding available for Portuguese cooperation requires that Portugal concentrate its allocation of resources and introduce mechanisms to improve the effectiveness of its aid. Such effectiveness can be boosted by improving coordination and complementarity. Portuguese cooperation will continue to participate in the coordination mechanisms which the Mozambican government and donor countries establish to improve the impact of aid in the various fields of action.

As regards existing advantages, it is generally agreed that Portugal's comparative advantages, bearing in mind local needs and possible complementarity with other donors, mainly centre around two areas: firstly education and training, given the common language and various similarities arising from the two countries' common past; and secondly institutional capacity building in various fields, owing to the similar organizational and institutional frameworks of both countries.

The approach of this PIC is to implement bilateral cooperation projects both via direct budget support to the Mozambican state and support for sectoral funds, through Portuguese involvement in the Education Sector Support Fund (FASE). Bilaterally, in the development phase covered by this PIC it was decided to back programmes and projects that (i) support education and training for the Mozambican people; (ii) support institutional capacity building in the various fields of public administration and in fields that are essential to good governance; and (iii) encourage socio-community development and poverty alleviation via integrated local projects, giving rise to synergy between the various social and vocational fields.

The emphasis will also be on integrated efforts targeting the Mozambique Island cooperation cluster.

Generally speaking, the main instruments for providing support are:

- **Specialist cooperation.** Advisers and specialist assistance are essential for aiding institutional capacity building, via local capacity building and training activities, in order to strengthen public administration, strengthen the capacity to draw up and implement development policies and strengthen democratic institutions.
- **Partnerships between similar institutions.** In specialist sectors the emphasis will be on creating or strengthening partnerships between similar institutions (e.g. between research institutes, professional associations, teaching institutions, specialist bodies and associations) which hold key information and specialized knowledge enabling cooperation actions to be implemented (especially for training) that are more sustainable as regards the matters they cover and their longevity.
- **Support for civil society.** Projects to be developed in Mozambique will be co-financed by development non-governmental organizations (DNGOs) that contribute to social, economic and cultural development. The Portuguese side will submit the list of DNGOs to its Mozambican counterparts and identify the projects to be implemented and the amounts of related co-financing to be provided by IPAD. In addition, whenever justified, Portuguese civil society will implement cooperation projects under this programme.
- **Humanitarian aid.** To respond to natural disasters or epidemics direct bilateral aid may be provided, involving the dispatch of medicines and vaccines, or by offering medical care. However, this type of aid would be better channelled through NGOs and/or multilateral organizations that have particular advantages, capacities and skills for operating in the field.

- **Funding via multilateral organizations.** This is a further channel of support, both as part of projects developed by specialized agencies, and as part of wider initiatives in compliance with international commitments, especially the MDGs, at European Union or United Nations level.
- **Clusters.** Implementation of *A Strategic Vision for Portuguese Development Cooperation* includes the concept of cooperation clusters, comprising a group of projects implemented by different institutions (individually or with the partner country's institutions) in a single geographical area, and within a common framework. Thus, a cluster must be the central instrument for strategic efforts to bring about social and economic development in a target region, in line with the sectoral policies set forth by the beneficiary country. As the body coordinating Portuguese cooperation, IPAD mobilizes, coordinates, organizes, and also partly finances. Thus, as part of a strategic plan, a whole range of projects will be developed which are smaller in scale and focus on implementing specific actions that work together to achieve an integrated approach to the target region. In Mozambique's case, the cluster will centre on Mozambique Island.
- **Budget Support.** Channelling aid into the receiving country's state budget in order to support national development strategies. Such support aims to align aid with partner countries' priorities, systems and procedures, and strengthen their capacities. The aid will be more effective when channelled through budgetary and expenditure frameworks that reflect the priorities of anti-poverty strategies. As countries develop more transparent and efficient public-finance management systems, the leeway for providing budget support increases.

Budget support is a Portuguese cooperation priority. Support for good governance also satisfies the 2005 Paris Declaration

on Aid Effectiveness, which mentions the need to boost the development strategies of partner countries and the related operating frameworks – i.e. budgets. This is also the approach of *A Strategic Vision for Portuguese Development Cooperation*, which sees such support as a form of sustainable development with long-term benefits.

Strategic Choices

The sectoral priorities for Portuguese cooperation in Mozambique will be as follows:

Summary of Priority Intervention Areas and Axes

Strategic Axis I	Institutional Capacity Building
Intervention Area 1.1.	Support for State Administration
Intervention Area 1.2.	Justice
Intervention Area 1.3.	Technical-Military Cooperation
Intervention Area 1.4.	Police Cooperation
Intervention Area 1.5.	Budget Support
Strategic Axis II	Sustainable Development and Combating Poverty
Intervention Area 2.1.	Education
Intervention Area 2.2.	Culture
Intervention Area 2.3.	Sustainable Management of Natural Resources
Intervention Area 2.4.	Socio-community Development
Strategic Axis III	Cooperation Cluster

The axes have been chosen in line with the perceived comparative advantages that Portugal still has, essentially in the training of human resources and specialist assistance in a range of fields, which match Mozambique’s needs and priorities. In addition, at a time when the need to boost Mozambique’s capacity to better implement budget aid in various sectors is being emphasized, Portuguese help in institutional capacity building is of particular importance.

In choosing these axes and fields of action, the purpose of Portuguese cooperation is to support Mozambique in meeting the MDGs and the targets set in PARPA II. The three-year duration of this PIC takes account of the need to align Portugal's cooperation programme with Mozambique's own priorities and planning cycle, in order to fit in with the PARPA II timetable.

Geographically, Portuguese cooperation will concentrate on the provinces of Maputo, Sofala and Nampula. In other provinces, Portuguese cooperation will operate indirectly by supporting DNGOs. The above provinces have been chosen as a way of covering the whole country, one being in the south, another in the centre and one in the north. In addition, Maputo was chosen because it contains the capital and seat of government, and can be the target of several institutional capacity building projects. Sofala contains the country's second city, Beira, and here Portuguese cooperation has been developing several education and culture projects. Nampula is a province in which Portuguese cooperation has a strong presence, thanks to its technical-military cooperation and the Mozambique Island cluster.

The 2007-2009 PIC will have a minimum indicative budget of 42 million euros for the three years. Each axis will have a budget allocation calculated as a percentage of the overall amount for the three-year duration of the PIC, divided as follows:

- I. Institutional capacity building: **30%**.
- II. Sustainable development and combating poverty: **60%**.
- III. Mozambique Island cluster: **10%**.

*Axis I:
Institutional Capacity Building*

A Strategic Vision for Portuguese Development Cooperation identifies good governance, participation and democracy as sectoral priorities, with the focus particularly on actions to build institutional capacity, given that governance weaknesses have been cited in several international reports as one of the main obstacles to achieving the MDGs.

Good governance is seen as having three main dimensions: (i) the technical dimension – the economic aspects of governance, namely transparency and the provision of accounts, effective management of public resources and an institutional environment favourable to the private sector; (ii) the social dimension – creation and strengthening of democratic institutions and administration of the public sector, so as to ensure the services needed by the population; and (iii) the political dimension – government legitimacy, respect for human rights and rule of law. Good governance is first and foremost an internal process, but development cooperation can help to facilitate or encourage reforms led or conducted by partner countries.

This axis is especially important for consolidating rule of law, particularly by developing government departments' specialist capacities, seeking to meet human-resources training requirements and the need for institutional capacity building. Projects will also be considered that aim to support aspects that are decisive for good governance, i.e. in internal administration, justice and public finances. Although some existing or planned projects are described below, new projects can also be included within this essential area of Portuguese cooperation.

Over the current PIC period, this axis will encompass the following fields:

1.1. *Support for State Administration*

PARPA II sees properly functioning state institutions as particularly important for combating absolute poverty. Poverty means not only a lack of material resources, but also the lack of access to services, exclusion from decision making, lack of participation, greater exposure to abuses by public officials, higher exposure to crime and a failure of assets to gain in value. For all of these reasons, the proper functioning of state institutions is very important for reducing poverty. As regards public institutions, profound changes are needed to make them work better, improve the quality of civil servants and improve the services provided. Thus, further reform of the public sector is vital for supporting the growth and consolidation of business and civil society's institutions, for helping to remove the obstacles to investment, and for providing for citizens.

In this domain, Portuguese cooperation will encourage training, assist capacity building for public bodies, support the good management of public affairs, support the consolidation of public administration, support the drawing up of laws, and enhance the ability to plan and improve management mechanisms. The emphasis will be on sectors that play a central role in economic and human development, and on achieving the MDGs, especially relating to public finances, statistics, the environment, natural resources and land planning.

Priority will be given to actions of a structural nature, looking to the long term, and/or with an impact on policy creation and implementation.

1.2. *Justice*

Justice is very important for strengthening rule of law. An efficient legal system and administrative practices that guarantee justice and equality for all contribute to transparency, improving trust in democratic institutions and protecting human and social rights.

Cooperation on justice cuts across all sectors of society. It is structural and essential for consolidating democracy, alongside good governance and respect for human rights.

In this field, Portuguese cooperation is aimed at helping to strengthen rule of law via training and building up the capacity of public bodies, and supporting the creation of suitable laws. Mozambique's aim of tailoring its laws to ensure the good administration of justice means that current laws need revision and new laws must be drawn up. Portuguese involvement in this field is intended to continue the support provided as part of legal reforms and capacity building for various institutions linked to the sector, our efforts being combined with Mozambique's own strategies in this connection.

Portugal will act via specialist cooperation instruments covering institutional capacity building, staff training, specialist and legal advice and the drafting of laws, as a continuation of basic work which is helping to strengthen the foundations of rule of law. At the same time, it will focus on strengthening synergy between the various players involved, creating a bridge between institutions and the organs of justice and civil society. Law societies and law faculties will make an essential contribution to this.

Efforts in this sector will be articulated with the PIR PALOP II project, whose aim is to harmonize the legal framework of the Portuguese-speaking world, and which involves several Portuguese, Mozambican and other Portuguese-speaking training centres and departments.

With a view to satisfying the objectives described, the various components are intended to achieve following main results:

- training of judicial-system personnel (specific training needs of identified target groups, reforms of legal codes, improved operation of the courts, guaranteed open access to justice, strengthening of institutions, and making Mozambique's legal system fairer, more equitable and more accessible to the nation's population);

- tailoring laws to society's needs, so helping human, social and economic development;
- improving the training given by legal and judicial training centres;
- ensuring that the Mozambican state complies with its multilateral international commitments.

1.3. *Technical – Military Cooperation*

A Strategic Vision for Portuguese Development Cooperation states that technical-military cooperation aims to (i) improve the effectiveness of domestic stabilization processes, and the process of creating and consolidating rule of law, and (ii) improve the state's capacity to ensure security levels compatible with the principles of democracy, good governance, transparency and rule of law, involving aspects linked to structuring, regulation, management, funding and control of the defence system, and thus aiding development.

Technical-military cooperation with Mozambique has taken the form of three-year framework programmes developed via projects whose strategic aim is to support the Mozambican armed forces' efforts to be an increasingly important point of reference and factor of national unity in the long term. The aims of Portuguese cooperation in this domain are:

- to encourage the idea that the military is a structural factor for states and nations, decisively contributing to the consolidation of national identity;
- to support the organization, training and operation of Mozambique's armed forces, always bearing in mind the country's socio-economic and politico-military situation;
- to give high priority to technical-military cooperation projects linked to Mozambique's cultural and economic development, i.e. organizational, logistical, administrative and technical training;

- to consolidate the training of military units and support services provided as part of technical-military cooperation that might be used by used by Mozambique's sovereign bodies in peacekeeping and humanitarian operations under the aegis of the UN or duly mandated regional security and defence organizations.

Work in this field is aimed at achieving the following objectives:

- conceptual, as part of institutional capacity building – concerning legal / administrative organization of the higher echelons of defence and the armed forces;
- military training – helping military personnel to acquire specific skills by means of doctrine, organization, equipping and the operation of military instruction centres, institutes and schools;
- building the capacity of armed forces officers – through training in Portugal: courses and study placements provided under the programme for training personnel in Portugal, within the scope of technical-military cooperation with PALOP countries and East Timor;
- services – to support logistics (uniforms and equipment), provide hospital/medical assistance in Portugal and supply batches of medicines.

1.4. *Police Cooperation*

According to *A Strategic Vision for Portuguese Development Cooperation*, police cooperation is intended to help develop the way in which the internal security system, border controls, information management, public-order maintenance and crime fighting are organized, with emphasis on relations between security services and forces with respect to organization, methods and training. This will enable them to help improve internal stability, the autonomy of political institutions, public safety and consolidate the essential values of democracy and rule of law. Portuguese cooperation has great experience at all levels of internal security, ranging from economic growth to quality of life.

Portugal's efforts in this field are based, on the one hand, on the Internal Security Agreement signed by both countries, and on the other the Republic of Mozambique's 2003-2012 Strategic Policing Plan, which sets out all of the cooperation and institutional capacity building requirements. The presence since 1999 of an officer at the Portuguese embassy to liaise between both countries' security forces and services and coordinate the implementation of current and future cooperation has been essential for implementing police projects. The aim is to link these efforts with those of other multilateral partners, such as the UNDP and the EU.

Under this PIC, police cooperation between both countries aims to strengthen specialist Portuguese police assistance in the Republic of Mozambique by means of training in various fields, provided by members of the PSP and GNR, both in Portugal and in Mozambique.

The cooperation programme's central aim in this field is to support Mozambique in ensuring public safety throughout its territory, by supporting the reform and development of the internal security sector. The specific police cooperation objectives include:

- stepping up Portuguese technical-police assistance in Mozambique in 2007;
- maintaining more effective cooperation between both sides;
- implementing the cooperation agreements and protocols already signed;
- setting out cooperation priorities for 2008 and 2009.

1.5. *Budget Support*

Budget support seeks to satisfy the Paris Declaration on Aid Effectiveness, which refers to the need to strengthen national development strategies in partner countries and the corresponding operating frameworks, specifically their budgets. Such support also aims to improve the alignment of aid with the priorities, systems and procedures of partner countries and help to improve their capacities.

Budget support was first provided in the second half of the 1990s. It was an initiative launched by Denmark, Norway, Sweden and Switzerland. In September 2001, approval of the Plan of Action for



Reducing Absolute Poverty (PARPA) 2001-2005 provided a formal basis for cooperation partners to align with a government poverty-reduction strategy, and it paved the way for the first agreement between cooperation partners to coordinate budget support.

In 2004 the Partnership Support Programme was set up between the Mozambican government and several countries, including Portugal. Currently, there are 15 countries in the group, plus the African Development



Bank, World Bank and European Commission (G-18). The programme's main aim is to provide efficient and effective financial support for implementing PARPA, and it explicitly targets the reduction of all facets of poverty in Mozambique.

The agreement between Portugal and Mozambique for budget support under the programme was signed on 9 February 2004, and provided for a 4.5 MUSD contribution spread over the agreement's three-year duration, from May 2004 to December 2006. In April 2007, under the current PIC Portugal renewed its involvement in the programme, and plans to provide a minimum of 4.5 MUSD between 2007 and 2009.

Budget support has already proven to be an effective support instrument for Mozambique. Mozambique and other cooperation partners see this cooperation mechanism as increasingly important in making a contribution to national appropriation by the Mozambican authorities.

Axis II: Sustainable Development and Combating Poverty

Given that poverty is multidimensional, and also bearing in mind the MDGs, Portuguese cooperation aims to help the Mozambican people's human and economic development by focusing on education and culture, socio-community development and the sustainable development of natural resources.

2.1. *Education*

Education occupies a central place in human rights, and is key to development and the exercise of other rights. As stated in Portuguese cooperation's ***Documento de Estratégia Sectorial para a Educação***¹¹ [Sectoral Strategic Document for Education], education enables people to acquire knowledge, values and skills to help them better themselves and adapt to social and cultural changes, to dialogue better, to understand the needs of others and to participate actively in development strategies. As such, it strengthens citizenship. This leads to the creation of more open and democratic, more equitable and fairer societies, and is one of the most powerful tools for reducing poverty and inequality. As a vehicle for training and transmitting information, education also creates major synergy with other areas of development, especially health and environmental protection.

¹¹ *Documento de Estratégia Sectorial para a Educação*, IPAD, 2007, 24 pp.

The strategic guidelines set out in ***A Strategic Vision for Portuguese Development Cooperation*** reaffirm the central role of education as key to supporting the sustainable development of partner countries. Two of the MDGs concern education: achieving universal primary education (MDG 2) and eliminating the gender disparity at all levels of education (MDG 3) by 2015.

Education is also a priority for the Mozambican government. Under PARPA II, it is one of the key sectors. Only a well-trained and skilled population

can fully participate in society. The benefits of education, especially for young women, go beyond the individual and have a multiplier effect for all of society in the social and economic spheres and for involvement in the community's political life.

Viewed bilaterally as a priority area, education will continue to absorb a significant share of the resources provided by this PIC. In the future, the aim will be to systematize efforts according to the various levels of schooling.

Portuguese cooperation's efforts in this domain will concern, firstly, specialist cooperation, thanks to the common language, which aids the transmission and understanding of knowledge. Thus, particular attention will focus on **study grants** as a form of intervention, and so emphasis will be placed on supporting the programme of domestic grants for degrees intended for Mozambican public and private higher education institutions. Foreign grants will be for post-graduate studies, masters degrees and PhDs in Portugal. The provision of grants will meet the needs of Mozambican policies to attract, train and upgrade human resources.

In Mozambique's case, two specific instruments will also be used: the **Portuguese School of Mozambique (EPM)** and **support for the Education Sector Support Fund (FASE)**.

On the one hand, the intention is to maximize use of the EPM as a structure for Portuguese cooperation in implementing training in as many fields as possible. As education and dissemination of the Portuguese language are central to Portuguese cooperation, the EPM will play a central role in this field, especially with regard to training.

On the other, with a view to strengthening the national education system, Mozambique implemented a Strategic Education Plan (PEE) from 1999 to 2005. In order to support implementation of the PEE,

the Mozambican government and certain cooperation partners signed a Memorandum of Understanding in 2002 which set out the rules and regulations by which support from cooperation partners was channelled via the FASE. When the FASE was set up, most cooperation partners were operating bilaterally in education, in areas which they regarded as a priority, but which did not always coincide with the Mozambican government's own priorities.

As the promotion of Portuguese is a central factor for consolidating Mozambique's education system, and given the increasing importance of sectoral support in Mozambique recently, there is a need to align projects with Mozambique's own priorities and with multilateral efforts. In order to increase aid efficiency via greater coordination and complementarity, Portuguese cooperation recognizes the advantages of the FASE, especially as the fund will gradually become the most important route for channelling foreign aid into Mozambique's education system. Thus, throughout the current PIC, Portugal will roll out the process of joining the FASE.

Specialist vocational training is a core item in the Mozambican education system, whose aim is to help create a qualified workforce. This is essential for improving economic growth and lifting citizens and communities out of poverty. Moreover, this kind of teaching can be an essential resource for developing the productive sector and creating jobs. In order to tailor this kind of teaching to current labour-market needs, the Mozambican government has adopted an Integrated Programme for the Reform of Vocational Education (PIREP) to be implemented over a 15-year period. The first phase, lasting five years (2006-2011) will be funded via a World Bank credit. Some cooperation partners have already agreed to provide additional specialist assistance and funding to implement PIREP, by aligning their bilateral aid programmes with a coherent and integrated specialist vocational training system.

The aim of PIREP is to transform specialist vocational teaching into a demand-led system. To that end, the current reform will be relying on

contributions from employers and organizations from civil society to develop standards and curricula according to their needs.

Portuguese cooperation will use and support PIREP as a specific instrument for its efforts in this educational sector in Mozambique, making its best efforts to integrate its vocational training and specialist teaching programmes. In this connection, Portugal has agreed to the Code of Conduct drawn up to regulate any action carried out by partners in this field.

In **higher education**, Portuguese cooperation aims to continue its support for Eduardo Mondlane University's Faculty of Law for the training of human resources via the Lisbon Faculty of Law. In assisting the training of human resources in law and economics, this project is helping to strengthen rule of law and democracy in Mozambique.

Portuguese cooperation also aims to support partnership projects and pedagogical and specialist vocational aid between Portuguese and Mozambican universities.

2.2. *Culture*

Culture, which is closely linked to education, aims to encourage a multicultural society able to promote and enhance Mozambique's unique qualities in a globalized world. This sector includes cooperation on cultural heritage. Recently Portugal joined the culture working group, one of the working groups created under the PEEC, together with UNESCO.

Through **Portuguese cultural centres** in Maputo and Beira, and Portuguese language centres in Nampula, Beira and Maputo, Portuguese cooperation aims to encourage the teaching and dissemination of the Portuguese language and culture through activities in the widest range of fields, some in partnership with Mozambican organizations, and to

help with cultural planning in Mozambique. This work is coordinated with teacher training, institutional support for universities and the provision of grants.

Another target will be to help restore **Mozambique's national archives**. Document management and special protection of documents and archives are a government responsibility, as a key to supporting administration, culture and scientific development, and as elements of evidence and information.

Now that the overall strategy to reform Mozambique's public sector has been approved, and in line with the need to reorganize and regulate state documentation, records and archives, and also given the existing needs of public administration in this field, the organization and operation of documentary and archival units of state institutions is vital.

Greater support for archival policies is aimed at safeguarding existing heritage and raising the capacity of Mozambique's Historical Archive as the coordinating body for state archives policy.

2.3. *Sustainable Management of Natural Resources*

Access to drinking water and the existence of basic sanitation are essential for increasing productivity and improving people's living conditions. Access to water is vital for achieving other MDGs such as poverty reduction, education, health and gender equality. A lack of access to drinking water and basic sanitation encourages water-borne illnesses such as cholera, malaria and forms of diarrhoea.

Diseases related to the use of non-drinking water for human consumption are one of the main causes of death, especially amongst under-fives in developing countries. This fact has mobilized the international community to develop several initiatives to bring the scourge to an end.

Because of its diverse geography and the fact that it is the downstream country for its main hydrographic basins, in particular the Zambezi, Mozambique is frequently subject to drought and floods. Thus, water resources and sanitation have been and will continue to be a priority for Portuguese cooperation.

The importance that Mozambique gives to this sector is clear in PARPA II. Most of the population depends on the exploitation of natural resources for subsistence and income generation. PARPA II recognizes that achieving the objectives is intimately linked to the way in which natural resources are managed and conserved, and to the relationship between their use and exploitation and the benefit derived by poor people.

Protection of the environment and natural resources is one of the priorities of *A Strategic Vision for Portuguese Development Cooperation*.

Owing to the increasing importance of water worldwide, and given Mozambique's characteristics, the planning and management of surface



water on the basis of hydrographic basins is of the greatest importance. This includes inland, transitional, coastal and underground waters, international rivers, quality aspects and the good state of water, quantity, monitoring, usage, water saving, environmental objectives, risk management, information and participation.

Portugal's involvement in the field of water resources in Mozambique has been regular and considerable in recent years. Current activities have arisen from the various undertakings made by the two countries in this field. The first such undertaking is the Technical Protocol for Water and Sanitation, signed in March 2004 by the Water Institute (INAG), IPAD and the Mozambican National Waters Directorate (DNA), which has the aim of implementing the general agreement on the Programme for the Post-Emergency Reconstruction of Mozambique resulting from the Conference of Cooperation Partners held in Rome on 3 and 4 May 2000. The second is the cooperation protocol between IPAD, the Portuguese Water Institute and the DNA, signed in July 2006, whose aim is to enable the Water Institute and IPAD to provide technical and financial support for water resources to the DNA, including all activities linked to the monitoring of water resources; the planning of hydrographic basins; water supply and sanitation; water infrastructure projects; checking dam safety; regional and international agreements; the drafting of regulations and laws; training, documentation and publishing; and a range of support actions.

2.4. *Socio-community Development*

Poverty is a multidimensional phenomenon, and its eradication is one of Portuguese cooperation's main priorities. The steps to be taken will mainly cover the least protected populations that are in need and / or suffer social exclusion, in order to create basic social services within the community, so helping to reduce unemployment and promote equal treatment and opportunities for men and women.

Given Mozambique's priorities for combating absolute poverty, and given that the phenomenon has many facets, Portuguese cooperation is focusing on integrated programmes and projects for socio-community development covering a range of areas in an articulated way.

Future integrated development projects will seek out community-based solutions for reducing the absolute poverty of the target population and promoting sustainable social and economic development. In addition to ministries, partnerships may involve other public and private secular or religious bodies from civil society. Emphasis will be on work with local civil-society bodies, as a rule giving them responsibility for implementing cooperation projects, bearing in mind that their proximity to people means that they better understand their needs.

Within the international cooperation framework, participative development requires the involvement of organizations from civil society, including DNGOs. The advantages of these organizations are their independence, autonomy, non-governmental nature and their specific philosophies. They play a crucial role in development cooperation, because their efforts are centred at community level. They are also an essential vector for encouraging participation and appropriation, the implementation of strategies for working with public players, and for innovative initiatives through public-private partnerships. In addition, they help to build up local capacities, with a view to strengthening representative democracy and quality of citizenship, which are all decisive for development.

Although governments play a crucial role, it is clear that the involvement of other players is extremely useful, thus giving rise to the need to decentralize the management and application of cooperation funds, and to ensure that programmes and projects are implemented to a greater degree.

Axis III: **Mozambique Island Cluster.**

Part of the new strategic vision for Portuguese cooperation is the idea of the cooperation cluster, which is now central to strategic intervention aimed at a target region's social and economic development, in line with the sectoral policies set forth by the beneficiary country. In this case, the Mozambique Island area, including Lumbo, the adjoining mainland zone, has been chosen as the cluster for Portuguese cooperation.

Cooperation clusters aim to concentrate actions and resources, with a view to improving the effectiveness of Portuguese cooperation. They are intended to target a joint issue with a series of instruments that are coordinated, and avoid directionless actions with no economies of scale, that do not enjoy the advantages of an integrated approach and have a low profile, impact and long-term sustainability.

In addition to satisfying the MDGs, specifically the eradication of extreme poverty, the choice of Mozambique Island as the Portuguese cooperation cluster will help to restore a considerable amount of heritage built from the 16th to 20th centuries. It should boost economic activity and tourism attractions on the island.

Moreover, economic development in the Mozambique Island district will bring advantages for the Nacala Corridor project, also in Nampula province, where plans are afoot to restore rail, river, tourism and trade infrastructure linked to Nacala, which has the largest deep-water port on the East African coast.

From 1975 until 1991, when it became a UNESCO World Heritage Site, Mozambique Island was left to its own devices for political and economic reasons, and suffered a decline in most of its housing and heritage. The island suffers all of the problems of over-population, people having

fled there from the mainland during the war. Meanwhile, the resident population has seen its standard of living decline, and there are few job opportunities enabling people to improve their socio-economic condition.

This is the background to Portugal and Mozambique's agreement to join forces in an integrated project for Mozambique Island, based on three main elements: improvements to infrastructure, heritage restoration and socio-economic development. The purpose is to encourage activities that generate an economic and social return.

Restoration of the island and reviving its economy will focus on the Mozambican government's priorities in pursuit of the main aims of PARPA II, more specifically the fight against poverty. This should be the main motivation for donors, the architectural heritage serving to help develop the region and quickly improve local people's earnings. However, in addition to higher earnings, the fight against poverty also requires educational projects, health efforts and vocational training opportunities.

Thus, the cluster requires full coordination of the various domestic and international initiatives in place for the island. The Mozambican government is responsible for such coordination, and in that capacity in June 2006 it approved the Specific Status of Mozambique Island.

Portuguese cooperation will support the Mozambican authorities, specifically the Mozambique Island Conservation Bureau (GACIM), in developing partnerships in order to carry out the work needed as part of the forthcoming strategic plan for the island.

The island's strategic development plan will include Lumbo, on the mainland. Harmonious development of Lumbo is essential for reducing population pressure on the island and enabling its economic and social fabric to be reorganized, by creating a pole of attraction on the mainland for people currently residing on the island.

Throughout 2007, Portuguese cooperation will fund the drafting of a Mozambique Island Strategic Intervention Plan, to be implemented by the ADB, as a starting point for structured intervention.

3.1. *Millennium Villages*

The main aim of Millennium Villages and Cities is to help people to overcome extreme poverty via a series of integrated efforts, enabling them to control the entire process by structuring, implementing, monitoring and assessing it.

A Millennium Village, as envisioned by the MDGs, is a low-income rural community or group of communities. The aim is to take an integrated multi-sectoral approach centred on practical efforts to encourage the community to appropriate and lead the project, in order to effect an economic rural transformation within five to ten years.

The Millennium Villages approach clearly falls into line with the Mozambican authorities' priorities, and consequently the latter responded positively. The Mozambican government made a clear commitment to creating Millennium Villages in all 11 Mozambican provinces. Despite the economic growth achieved in recent years, rural poverty in Mozambique continues to be a reality. Thus, rural development is essential for encouraging structural community-based development, with its foundations resting on agricultural development supported by access to new technologies and markets, and extending to improved health services, education and infrastructure.

Throughout this PIC, Portuguese cooperation will sponsor the Millennium Villages project. This work will be coordinated with development of the Mozambique Island cluster. To that end, a Millennium Village will be established in the mainland zone of the cluster, in the Lumbo region. This kind of action will enable close coordination between the island development project and an innovative approach, in which Mozambique will play a pioneering role.

The idea of a Millennium Village in Lumbo is aimed at supporting the island cluster project, by siphoning off Mozambique Island's surplus population. It aims to ensure that such people can find suitable social and working conditions if they move to the mainland. This integrated approach is intended to avoid the failure suffered by similar past initiatives, in which people who left the island ended up by returning.

Portugal hopes that the Millennium Towns which it supports will not only involve Mozambican counterparts but also other Portuguese players, such as DNGOs working in Mozambique, representatives of the scientific community and foundations.

IMPLEMENTING THE STRATEGY

1. Criteria for Selecting Projects and Programmes

The present PIC takes the form of programmes and projects, and there will be a continual list of projects being implemented. The list will be drawn up after each project is approved by bodies from both countries, which is to say IPAD, as the coordinator for Portuguese cooperation, and the Mozambican Ministry of Foreign Affairs and Cooperation.

The criteria for choosing projects and programmes will take account of the axes, areas and sub-areas, and geographical zones set forth in the preceding chapter.

2. Players

Because of the way in which Portuguese cooperation is modelled, there are numerous entities involved in implementing cooperation

programmes and actions. A great many of them are part of central government, and their action is encompassed by the general activities of their particular departments. In addition to these, there are many major players, autonomous or non-autonomous public department, sovereign bodies and some private entities, as well as DNGOs, which pursue development-aid objectives. Successful implementation of the PIC depends on a clear separation of roles and well-defined distribution of responsibilities between all those involved in cooperation.

IPAD is the central body for implementing Portuguese cooperation policy. It plans, funds, oversees and assesses the results of cooperation, and in that context it will:

- supervise, manage and coordinate implementation of the PIC, encompassing programmes funded and implemented by other state bodies and other public entities, so as to create a visible and coherent logic;
- seek out the resources needed to implement the PIC, fund cooperation actions in this sphere, and coordinate the financial planning of cooperation;
- coordinate implementation of the PIC with implementation of *A Strategic Vision for Portuguese Development Cooperation* and any sectoral strategies drawn up;
- ensure the quality of all efforts by means of clear criteria for selecting and approving projects;
- manage the PIC using a results-based approach, according to criteria of rationality, efficiency, effectiveness and sustainability;
- centralize information on all cooperation actions, using full and up-to-date project dossiers;
- oversee cooperation projects using appropriate mechanisms;
- identify and share successful examples and lessons learned;

- regularly assess implementation of the PIC and revise it on the basis of the observations made and lessons learned through such assessment.

The following players are liable to be involved in implementing this PIC, in Portugal and Mozambique:

- **Sectoral Ministries and Provincial Governments**, especially through bodies with specialist skills which place them at an advantage in implementing specialized actions;
- **Municipal Councils and Associations of Municipal Councils**, either via inter-municipal cooperation (protocols, twinning and networks), or via their involvement in the implementation of projects;
- **Universities** and other higher education institutions, in several ways: as providers of higher education (degrees, master's degrees and PhDs), through inter-university cooperation (arising from the institutional relationship governed by agreements between Portuguese and Mozambican universities), or as managers and implementers of specialist cooperation projects involving on-the-job training and institutional capacity building;
- **Research Institutes**, in actions requiring a high degree of specialized know-how;
- **Professional Associations**, especially in implementing training activities, such as the law society, medical association, national association of public works contractors, and others;
- **Foundations**, whenever they offer advantages for implementing specific actions;
- **Portuguese and Mozambican NGOs**, not only as the recipients of specific co-financing, but also as specialized implementers of actions at micro and local level;
- **Private-Sector Institutions**, involving Portuguese and Mozambican companies via public-private partnerships in order

to make the most of limited financial and human resources. The most feasible participation involves companies that have already carried out social-responsibility and cooperation-project funding activities.

The Mozambican body involved in planning and implementing the PIC is the Ministry of Foreign Affairs and Cooperation (MINEC). This ministry coordinates cooperation with Portugal, but other sectoral ministries may be involved in implementing cooperation actions.

4. **Monitoring**

For Portugal, the Ministry of Foreign Affairs will coordinate and monitor implementation of the project, through the Portuguese embassy in Maputo and IPAD. For Mozambique it will be the Ministry of Foreign Affairs and Cooperation. These bodies will provide constant monitoring, in order to assess progress towards the general and specific objects of the programme. This will not only increase transparency and accountability between parties, but also create a learning process for identifying good practice, incorporating lessons learned and increasing the effectiveness of aid.

Monitoring and assessment of the PIC will include the following:

- continual monitoring both via Portuguese cooperation bodies in Mozambique and the Mozambican authorities. The Portuguese cooperation structure at the Portuguese embassy will monitor discussion within the donor community and participate in existing coordination mechanisms (EC, UN and probably sectoral forums); regularly monitor cooperation projects; constantly analyse the Mozambican development situation; and identify potential synergy between players active in Mozambique (between Portuguese players and between them and other donors);

- six-monthly joint reviews in June and November, where the implementation and progress of each project will be ascertained and it will be decided whether to accept and/or exclude projects. These reviews will enable information to be gathered on the resources used and results achieved to date by each programme, project and sector, and enable (if necessary) a redefinition and / or reorientation of activities and allocation of resources;
- as part of the six-monthly joint reviews, visits will be made to projects, which may include representatives of Mozambican sectoral ministries and the authorities of the provinces in which projects are running, plus other relevant local players. For Portugal's part, as well as the Portuguese embassy and IPAD the visits could include representatives of Portuguese sectoral ministries and other players involved in the projects being visited;
- the reviews will include approval of the admission and exclusion of projects. Projects and programmes will be excluded where not implemented within the planned deadline or where significant unjustified delays occur;
- Portuguese cooperation will provide all necessary information on the progress of projects as requested by the Mozambican authorities;
- in the final year of the PIC, IPAD will arrange a final external evaluation of the results and effects of cooperation, in order to draw lessons and make recommendations for the subsequent planning cycle.

To make evaluation as systematic and objective as possible, results – and impact – based performance indicators have been created. Indicators for the Intervention Framework are of two types: overall indicators for evaluating the PIC, which are also valid and applicable to the priority axes set forth; and specific indicators for intervention areas. Given that they

are of a general nature, there may be projects and activities for which they are not particularly suitable. Therefore, they may be supplemented by others to be established for individual projects (in accordance with the project dossier).

Evaluation must be a participatory process involving both implementers and beneficiaries. IPAD undertakes fully to disseminate its results and ensure that they are incorporated into the actions which it is developing.

INDICATIVE COOPERATION PROGRAMME PORTUGAL-MOZAMBIQUE 2007-2009

INTERVENTION FRAMEWORK

Objectives of the PIC	Focus of Cooperation	General Indicators (Overall and Sectoral)
<p>Overall Objective:</p> <p>To help reduce poverty via a medium-term approach leading to sustainable economic and human development.</p> <p>Specific Objectives:</p> <ul style="list-style-type: none"> • To help improve Mozambique's education system, using education and training as development catalysts; • To support good governance and strengthen Mozambique's institutional capacities over the medium and long term, so as to improve the ability to provide public services, transparency, a democratic culture and human rights; • To encourage decentralization, via socio-community development actions and the establishment of a cooperation cluster, so as to contribute more directly to helping to improve people's living conditions. 	<ul style="list-style-type: none"> • Concentration on priority areas; • Incorporation of across-the-board issues (gender equality, good governance and environmental sustainability); • Coordination and complementarity with other donors; • Greater integration of actions into multilateral projects; • Greater involvement of civil society and the private sector; • Geographical concentration 	<ul style="list-style-type: none"> • Implementation rates (calculated on the basis of the difference between the amount budgeted and the amount actually disbursed); • Number of projects (difference between the number planned and number implemented); • Degree to which projects match the axes and priority intervention areas set forth in this cooperation programme; • Degree of progress towards achieving the MDGs; • Degree of progress towards achieving the PARPA II objectives; • Satisfaction of the general and specific aims of the intervention axes; • Number of institutional partnerships established during the PIC; • Degree of incorporation of across-the-board issues into projects; • Number of geographically decentralized projects; • Degree of complementarity with projects by other bilateral donors; • Number of projects included in multilateral programmes during the PIC; • Number of organizations from Portuguese and Mozambican civil society involved as project implementers; • Number of private-sector institutions and their degree of involvement or interaction with cooperation projects; • Project dossiers correctly filled in and updated.

Priority Strategic Axes	Areas of Intervention Objectives	Results Indicators
<p>PRIORITY AXIS I INSTITUTIONAL CAPACITY BUILDING</p> <p>General objective:</p> <p>To support good governance and strengthen Mozambican institutional capacities over the long term, so as to enhance transparency, democratic culture, human rights and the capacity to provide services to people.</p> <p>Specific objectives:</p> <p>To support process for reforming public administration and building up the capacity of public bodies;</p> <p>To support the development of legal systems and strengthen the primacy of law and the administration of justice;</p> <p>To help to strengthen democratic institutions;</p> <p>To assist the training of personnel specializing in various areas that are key to good governance (including the armed forces and police).</p>	<p>Intervention Area 1.1. SUPPORT FOR STATE ADMINISTRATION</p> <p>Objectives:</p> <ul style="list-style-type: none"> • To promote administrative competence and capacity, centred on improving the quality of services provided and strengthening the implementing institutions; • To support capacity building in planning, in providing legal frameworks and in formulating policies; • To strengthen the capacities of state bodies with specific specialist skills, especially those linked to statistics and public finances. 	<p>N^o of specialist support actions carried out, including advice.</p> <p>N^o of specialist support actions lasting more than three months.</p> <p>N^o of specialist support actions involving training.</p> <p>N^o of public Mozambican bodies and institutions encompassed.</p> <p>N^o of specialist personnel who receive training.</p> <p>N^o of documents (laws, regulations and sectoral plans) supported.</p>
	<p>Intervention Area 1.2. JUSTICE</p> <p>Objectives:</p> <ul style="list-style-type: none"> • To step up institutional capacity building and the training of legal and judicial operatives; • To aid reform of the legal system and the production of laws; • To make the legal system fairer, and more equitable and accessible to the Mozambican population, and to contribute to a permanent structural change in the legal sector and society in general, supporting and strengthening Mozambique's social and economic development. 	<p>N^o of specialist support actions carried out, including advice.</p> <p>N^o of specialist support actions lasting more than three months.</p> <p>N^o of training actions conducted.</p> <p>N^o of trainees.</p> <p>N^o of students trained as % of all participants.</p> <p>N^o of women trainees as % of total.</p> <p>N^o of training placements conducted in Portugal for Mozambican trainees.</p> <p>N^o of laws and regulations amended and promulgated with the support of Portuguese cooperation.</p> <p>N^o of Mozambican legal works published with the support of Portuguese cooperation.</p> <p>Amount of legal reference works placed at the disposal of legal operatives.</p>

MDGs ¹²	Intervention Zones	Partners in Portugal ¹³	Partners in Mozambique	Synergy to be sought with other donors	<p>¹² Millennium Development Goals: 1. Eradicate extreme poverty and hunger; 2. Achieve universal primary education; 3. Promote gender equality and empower women; 4. Reduce child mortality; 5. Improve maternal health; 6. Combat HIV/AIDS, malaria and other diseases; 7. Ensure environmental sustainability; 8. Develop a global partnership for development. Those mentioned in the framework are the ones that are directly pursued by the intervention areas, although others may have an indirect link to cooperation actions.</p> <p>¹³ IPAD is not numbered amongst the Portuguese partners because it is present in all priority axes and the related intervention areas. The partners referred to are indicative, and others may be included during the course of the PIC, in particular organizations from civil society.</p> <p>¹⁴ Any actions to build up the capacity of the Ministries of Justice, Defence, Internal Administration, Health and Agriculture are covered by the following intervention areas.</p>
All, indirectly.	Maputo	Relevant sectoral ministries.	Relevant sectoral ministries.	EC WB ADB	
All, indirectly.	Maputo	Ministry of Justice. Centre of Legal Studies. Centre for Penitentiary Training			

Priority Strategic Axes	Areas of Intervention Objectives	Results Indicators
	<p>Intervention Area 1.3. TECHNICAL-MILITARY COOPERATION</p> <p>Objectives:</p> <ul style="list-style-type: none"> • To encourage the idea that the military is a structural factor for states and nations, decisively contributing to the consolidation of national identity; • To aid the organization, training and operation of the Mozambican armed forces, always bearing in mind the country's socio-economic and political/ military background; • To give high priority to technical-military cooperation projects linked to the country's cultural and economic development, i.e. training in organization, logistics, administration and technical skills; • To consolidate the training of military units and support services developed under the aegis of technical-military cooperation, which can be used by Mozambique's sovereign bodies in peacekeeping and humanitarian operations under the auspices of the UN or duly mandated regional security and defence organizations. 	<p>Nº of specialist support actions carried out.</p> <p>Nº of courses and placements provided for Mozambican trainees.</p> <p>Nº of military personnel trained in Mozambique and Portugal.</p> <p>Nº of students trained as % of all participants.</p> <p>Nº of actions linked to support for peace-keeping missions in Africa.</p>
	<p>Intervention Area 1.4. POLICE AND SECURITY COOPERATION</p> <p>Objectives:</p> <p>To support Mozambique in ensuring public security for the whole of its national territory.</p>	<p>Nº of specialist-support and capacity building actions carried out.</p> <p>Nº of training actions run by the PSP for Mozambican trainees.</p> <p>Nº of training actions run by the GNR for Mozambican trainees.</p> <p>Nº of Mozambican trainees trained by the PSP.</p> <p>Nº of Mozambican trainees trained by the GNR.</p> <p>Nº of vacancies on courses in Portugal filled by Mozambican trainees.</p> <p>Nº of students trained as % of all participants.</p>

MDGs ¹²	Intervention Zones	Partners in Portugal ¹³	Partners in Mozambique	Synergy to be sought with other donors
MDG 3 MDG 6 MDG 7 MDG 8	Maputo Nampula	Ministry of Defence DGNP Navy Chiefs of Staff, Army Chiefs of Staff and Air Force Chiefs of Staff.	Ministry of Defence	
All, indirectly.	Maputo	MAI PSP GNR SEF	Ministry of the Interior. National Directorate for Migration.	UNDP EC USA

Priority Strategic Axes	Areas of Intervention Objectives	Results Indicators
	<p>Intervention Area 1.5. STATE BUDGET SUPPORT</p> <p>Objectives:</p> <p>To boost national development strategies of partner countries and the corresponding operational frameworks, particularly budgets.</p> <p>To improve the alignment of aid with partner countries' priorities, systems and procedures and help to strengthen their capacities.</p>	<ul style="list-style-type: none"> • Participation in meetings of the G-18 working groups. • Evaluate of how the management of public finances is developing. • Evaluate of the results of the financial audit. • Evaluate of the performance of PAPs in line with the memorandum of understanding. • Confirmed disbursements.
<p>PRIORITY AXIS II: SUSTAINABLE DEVELOPMENT AND COMBATING POVERTY</p>	<p>Intervention Area 2.1. EDUCATION</p> <p>Objectives:</p> <ul style="list-style-type: none"> • To improve teaching quality at all levels, via teacher training; • To contribute to the strengthening of institutions via support for school management and aid in reformulating curricula; • To aid the training of Mozambican students in a range of fields, by providing study and research grants; • To promote Portuguese as a central vehicle for education and training; • To enhance the role of specialized education levels – e.g. higher education and technical/vocational training – as a vehicle for sustained economic and social development. 	<p>N_a of Mozambican teachers trained;</p> <p>N_a of women trained as % of total;</p> <p>Trainee pass rate;</p> <p>Evaluate indicators for the performance of trainers and the quality of training (sheets filled in by trainees/pupils);</p> <p>Teaching materials supplied, compared to what was planned;</p> <p>N_a of support actions for school management pursued;</p> <p>N_a of support actions for school inspections pursued;</p> <p>N_a of inter-university partnerships created;</p> <p>N_a of courses supported;</p> <p>N_a of subject taught;</p> <p>N_a of internal grants awarded for degrees;</p> <p>N_a of grants awarded in Portugal per academic level;</p> <p>N_a of grants awarded to women.</p>
	<p>Intervention Area 2.2. CULTURE</p> <p>Objectives:</p> <p>To promote the teaching of Portuguese language and culture.</p>	<ul style="list-style-type: none"> • Support for the national archives; • Support for reorganizing and standardizing the Mozambican state's documentation, records and archiving.

MDGs¹²	Intervention Zones	Partners in Portugal¹³	Partners in Mozambique	Synergy to be sought with other donors
All, indirectly	Maputo	Ministry of Finance and Public Administration	Ministry of Finance	G-18
MDG 2 MDG 3 MDG 8	Maputo Sofala Tete	Ministry of Education Universities ICA	Ministry of Education and Culture	EC UNDP UNICEF
MDG 2 MDG 3	Maputo Sofala Nampula	Ministry of Education ICA IPLB	Ministry of Education and Culture	UNESCO

Priority Strategic Axes	Areas of Intervention Objectives	Results Indicators
	<p>Intervention Area 2.3. SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES</p> <p>Objectives:</p> <p>To support the appropriate management of water resources;</p> <p>To encourage environmentally sustainable actions!</p>	<ul style="list-style-type: none"> • Support for managing hydrographic basins; • Support for managing surface and underground waters; • Support for the demarcation of international rivers.
	<p>Intervention Area 2.4. SOCIO-COMMUNITY DEVELOPMENT To reduce poverty and extend social protection, so encouraging sustainable economic and social development.</p> <p>Specific objectives:</p> <ul style="list-style-type: none"> • To help establish a broadened social network of support for needy children and youths from the local communities of several municipalities. • To educate for work and monitor young people as they integrate into society, via support for private initiatives and the creation of micro-companies. • To encourage the integrated development of the target population via a range of components: introduction of a literacy system, creation of a micro-credit fund, support infrastructure. • To support vocational training for vulnerable groups, focusing on building up the capacity of women. 	<p>N_o of community child-care centres operating;</p> <p>N_o of boarding schools equipped and operating;</p> <p>N_o of meals provided;</p> <p>N_o of beneficiaries of primary health care under the projects;</p> <p>N_o of classrooms built and equipped;</p> <p>N_o of literacy actions developed;</p> <p>N_o of literacy teachers trained;</p> <p>% of girls and women covered by literacy actions;</p> <p>N_o of vocational training courses held;</p> <p>N_o of pupils on training courses;</p> <p>N_o of trainees as % of all participants;</p> <p>% of women covered by training actions;</p> <p>N_o of micro-loans granted;</p> <p>% of women covered by micro-loans;</p> <p>Rate of return of micro-loans.</p>
<p>Axis III COOPERATION CLUSTER – MOZAMBIQUE ISLAND</p> <p>General objective:</p> <p>To boost sustained development by means of integrated and decentralized intervention which creates synergy between the various players and intervention areas.</p>	<ul style="list-style-type: none"> • To develop a master plan for integrated intervention on Mozambique Island; • Establishment of a Millennium Town. 	<ul style="list-style-type: none"> • Fulfilment of the projects set forth in the master plan, together with other donors and the Mozambican authorities; • Fulfilment of the UNDP plan for the Millennium Town.

MDGs¹²	Intervention Zones	Partners in Portugal¹³	Partners in Mozambique	Synergy to be sought with other donors
MDG 7	Maputo Sofala	MAOPDR INAG IGAOT AdP	Ministry for Environmental Coordination DNA AdM	
MDG 1 MDG 2 MDG 3 MDG 4 MDG 5 MDG 6	Maputo Sofala Inhambane Zambézia	MTSS	Ministry of Employment and Social Action Ministry of Women and Social Action	EC Aga Khan Foundation
All, indirectly.	Nampula	Sectoral ministries. Local authorities. Private sector. Organizations from civil society.	Ministry of Education and Culture. Nampula District Government. Mozambique Island Municipal Council. GACIM	ADB UNESCO Bilateral Donors UNDP

List of Acronyms

ACP Countries – Africa, Caribbean and Pacific Countries

ADB – African Development Bank

AdP – Águas de Portugal

AdM – Águas de Moçambique

CCGG – Gaza Cattle-Breeding Cooperative

CCP – Portuguese Cultural Centre

CELP – Portuguese Language and Teaching Centre

CGD – Caixa Geral de Depósitos

CIC – Inter-ministerial Committee for Cooperation

CPLP – Commonwealth of Portuguese-Speaking Countries

CTM – Technical-Military Cooperation

DGPDN – Directorate-General of National Defence Policy

DGS – Directorate-General of Health

DNA – National Waters Directorate

DNGO – Development Non-Governmental Organization

EC – European Commission

EPM – Portuguese School of Mozambique

EU – European Union

FAO – UN Food and Agriculture Organization

FASE – Education Sector Support Fund

FBLP – Bibliographic Fund for the Portuguese Language in Mozambique

FDUL – Faculty of Law of Lisbon University

FPA – Portugal-Africa Foundation

FRELIMO – Mozambican Liberation Front

GACIM – Mozambique Island Conservation Bureau

GAPI – Company for the Promotion of Small Investments

GNI – Gross National Income

GNR – National Republican Guard

HCB – Hidroeléctrica de Cahora Bassa

IANTT – Institute of National Archives/Torre do Tombo

IFADAP – Instituto de Financiamento e Apoio ao Desenvolvimento da Agricultura e Pescas

ICA – Camões Institute

IEFP – Institute of Employment and Vocational Training

IFADAP – Institute for Financing and Supporting the Development of Farming and Fisheries

IGAOT – Inspectorate-General of the Environment and Land Planning

IH – Hydrographic Institute
INAG – Water Institute
INAHINA – National Institute of Hydrography and Navigation
INEFP – National Institute of Employment and Vocational Training
INETI – National Institute of Research, Technology and Innovation
IPAD – Portuguese Development Support Institute
IPLB – Portuguese Institute of Books and Libraries
LNEC – National Civil Engineering Laboratory
MADRP – Ministry of Agriculture, Rural Development and Fisheries (Por.)
MAI – Ministry of Internal Administration (Por.)
MAOPDR – Ministry of Public Works and Regional Development (Por.)
MD – Ministry of Defence (Por.)
MDG – Millennium Development Goal
MEC – Ministry of Education and Culture (Moz.)
MICOA – Ministry for the Coordination of Environmental Action (Moz.)
MINAG – Mozambican Ministry of Agriculture (Moz.)
MTSS – Ministry of Employment and Social Welfare (Por.)
NEPAD – New Partnership for Africa’s Development
ODA – Official Development Assistance
OECD – Organization for Economic Cooperation and Development
PAC – Annual Cooperation Plan
PIC – Indicative Cooperation Programme
PAP – Programme Support Partnership
PARPA – Plan of Action for Reducing Absolute Poverty
PEE – Strategic Education Plan
PEEC – Strategic Plan for Education and Culture
PIREP – Integrated Programme for the Reform of Vocational Education
PSP – Public Security Police
SADC – Southern Africa Development Community
SEF – Foreign Nationals and Borders Department
SOFID – Financial Development Company
UEM – Eduardo Mondlane University
UNDP – United Nations Development Programme
UNESCO – United Nations Education, Science and Culture Organization
UNICEF – United Nations Children’s Fund
USA – United States of America
WHO – World Health Organization

APPENDICE

Main Socio-Economic Indicators

1. DEMOGRAPHIC TRENDS

POPULATION (2006): 19.8 million inhabitants

ANNUAL POPULATION GROWTH RATE: 1.8 (PROJ. FOR 2003-2015)

URBAN POPULATION (% OF TOTAL POPULATION) (2005): 35.6 (PROJ.)

AGE STRUCTURE (2003): 44.1 % of population under 15 years old;

Population of 65 and over: 2.7 %.

CHILD MORTALITY RATE (2005): 94.8 per 1 000 live births

LIFE EXPECTANCY AT BIRTH (2005): 41.9 years

ILLITERACY RATE (2005): 49.6%

2. HUMAN DEVELOPMENT INDEX

(2005): 0.390 (168TH OF 177 COUNTRIES)

3. ECONOMIC DATA

MONETARY UNIT: Metical of the New Family

GDP PER CAPITA (USD): 250 USD (2006)

FOREIGN DEBT (%GDP): 41.3 (2006)

INFLATION RATE: 9.5 % (2006) EST.

GROWTH RATE: 7.9% (2006); 7.3% (2007) EST.

MAIN EXPORTS: aluminium, cashew, shrimp, cotton, exotic timbers, sugar, citrus fruits and electricity

Portuguese Exports to Mozambique: (2005): 64 000 000.

Portuguese Imports from Mozambique: (2005): 31 600 000.

Main suppliers (percentage of total – 2005): South Africa (42.9 %),

Portugal (3.6%)

Foreign investment (2005): South Africa (93.7 million USD);

United Kingdom (27.8 million USD)

Zimbabwe (9.1 million USD); Portugal (7.3 million USD)

SOURCE: BANK OF PORTUGAL; BANK OF MOZAMBIQUE; AFRICAN DEVELOPMENT BANK; UNITED NATIONS DEVELOPMENT PROGRAMME; UN; EUROPEAN UNION

