

SUMMARY

Annual Action Programme 2017 in favour of the Republic of Mozambique to be financed from the 11th European Development Fund

1. Identification

EDF allocation	EUR 39 500 000
Total cost	EUR 39 500 000
Basic act	Council Regulation (EU) 2015/322 of 2 March 2015 on the implementation of the 11 th European Development Fund

2. Country background

Mozambique is a country in transition, with an economy that could be transformed by the discovery of its natural resources (coal, minerals and gas), while political change towards a more inclusive political system lags behind.

Mozambique had achieved impressive economic growth over the past decade with annual growth rates averaging 7% (up to 2015). This trend was reversed drastically by end 2015, as the country suffered from external and internal shocks such as lower commodity prices, decreased inflows of Foreign direct investment (FDI), the internal political-military tension and the hidden State-guaranteed debts (amounting to over USD 2 billion). The Gross Domestic Product (GDP) forecast for 2017 has been revised downwards from 5.2% to 4.8% mainly due to fiscal tightening and slowdown in foreign direct investment. The previous growth has not yet translated into improved living conditions for the majority of the population. More than 46% of Mozambicans live in absolute poverty with less than USD 1/day. Most of Mozambique's labour force is trapped into subsistence farming with very low productivity (an estimated 75% of the active population).

The political scene, since the first multi-party 1994 elections, is dominated by the Frelimo (Frente de Libertação de Moçambique). In general, Mozambique follows a pattern of dominant party systems based on national liberation movements, with a growing opposition (Renamo – Resistência Nacional Moçambicana and the younger MDM – Movimento Democrático de Moçambique). On 04/05/2017, an indefinite truce between the Government and the main opposition party, RENAMO, was announced. Both sides have agreed to set up working groups on the key issues of decentralisation and military affairs. On 28 April 2017, the Economic Partnership Agreement (EPA) was ratified by the Mozambican Parliament.

Between 2009 and 2012, major reserves of coal and natural gas were discovered in the country, placing Mozambique in the spotlight of foreign investment and, at the same time, large extensive programmes of plantation and land concession were planned. Resettlement, access to land and water, illegal logging, and good governance of natural resources, all became important matters of discussion and lobbying for civil society. The majority of Mozambicans inhabit rural areas which are prone to weather and climate shocks; they have low adaptive capacities and are heavily reliant on climate-sensitive sectors such as agriculture and livestock. Mozambique is the only country in sub-Saharan Africa which is considered at high risk from all three climate hazards: drought, floods and coastal storms.

Mozambique has slowly progressed in the Human Development Index (from 185 to 180 out of 188 countries between 2012 and 2014) with better progress on school enrolment and health services coverage. However, extremely low learning outcomes, other quality challenges and significant regional disparities still persist: high rates of illiteracy are registered in northern and central Mozambique (64% in the provinces of Cabo Delgado, Nampula and Zambézia), the average life expectancy at birth is just 55.5 years high, HIV/AIDS prevalence of 11.5%, and one of the worst nutrition indicator in Africa, with child stunting rates of 43% (of which 24% severely) in 2013.

3. Summary of the Action Programme

The Annual Action Programme 2017 for the Republic of Mozambique will, in line with the National Indicative Programme (NIP), contribute to strengthen the Mozambican State in its core functions, which is to **i)** promote the deepening of the democratic system, transparency, accountability and the rule of law to strengthen the Mozambican State in its core functions, which is to ensure protection of human rights, guarantee peace and security, promote an inclusive political system and the provision of basic services to the population; **ii)** support a sustainable and inclusive economic development model based on policies fostering economic stability and job creation, focusing on food and nutrition security, rural competitiveness and access to sustainable energy with an increased involvement of the private sector; **iii)** encourage investment relations with Europe, identifying opportunities under the EPA, aiming at a level playing field for European businesses and engaging in economic diplomacy.

Priority Area I: Good Governance and Development

The action "Public Finance Management (PFM) Support Programme II", in line with priority area 1 of the NIP, that foresees an allocation for complementary support to the "Good Governance and Development Contract - GGDC" for PFM and Governance actions under the first focal sector of the NIP. Given the current fragile macro-economic situation and the 2016 GGDC disbursement on hold, it is relevant to ensure substantial EU support for improved PFM performance (to support fast-track progress towards conducive conditions for GGDC re-engagement). The action is in line with the set priorities of the Five-Year Government Plan (Plano Quinquenal do Governo, PQG), which guides the country's development priorities. This document is structured around 5 main objectives and 3 pillars. PFM issues are mainstreamed in two of the three supporting pillars, namely on "consolidating the democratic state, good governance and decentralisation" and "sound and sustainable macro-economic environment". The EU has already been supporting the PFM reform agenda under the 10th EDF and managed to reach some key results. A continuation and strengthening of the PFM accompanying measures will ensure that the EU remains a key partner for Mozambique, supporting the structural ongoing reforms. The support will also assist Government in progressing towards the PFM related indicators and policy actions included in the Performance Assessment Framework (PAF) of the GGDC.

The overall objective of the proposed intervention is to contribute to inclusive and sustainable economic growth by enhancing service delivery through strengthened Public Finance Management (PFM) systems and processes, focussing on improved transparency, effectiveness and efficiency of the public resources.

The expected results are as follows: improved strategic allocation and more effective spending of public funds by focussing on increasing the integrity and application of the Integrated Financial Management Information System (IFMIS) and supporting the development and implementation of the Planning and Budgeting System; and enhanced accountability by strengthening the capacity of the Supreme Audit Institution focussing on greater transparency.

The action will be implemented via project modality for a total amount of by EUR 7 million over a period of 60 months from the date of entry into force of the financing agreement. The support is structured around the 2 specific objectives (component 1 and 2) and a transversal capacity development facility (component 3). A part of this action with the objective of contributing to inclusive and sustainable economic growth by enhancing service delivery through strengthened Public Financial Management (PFM) systems and processes, focussing on improved transparency, effectiveness and efficiency of the public resources may be implemented in indirect management with the Republic of Mozambique. A grant will be directed award to the Tribunal Administrativo (direct management) with the objective to enhance accountability by strengthening the capacity of the Supreme Audit Institution (SAI) focussing on greater transparency.

From the PFM reform programme under the 10th EDF, the following lessons were learned:

- The impact of trainings for budget holders was hampered by a high staff turnover (mainly at provincial and district level). Consequently the professionalisation of the IFMIS users should be priority for the coming years (monitoring mission finding);
- Extensive diagnostics are not always cost efficient and risk deviating attention away from implementing solutions and causing delays in the implementation (ROM finding);
- Alignment of the EU actions to national systems and instruments was appreciated by the Government; however, it could be further encouraged in a next programme (Steering Committee feedback);
- Technical assistance can provide added value but is best formulated around specific deliverables instead of long term resident TA (Steering Committee);
- Close coordination with other partners active in PFM contributed to increased effectiveness of the policy dialogue (both under GBS structures and the PFM coordination group);
- There is scope to improve the National Authorising Officer's (NAO) involvement.

Priority Area I: Good Governance and Development

The action "Support Programme to Non State Actors in Mozambique: participation for inclusive growth" (PAANE II)", is identified according to the 11th EDF-NIP document, that foresees support to civil society as a complement to the NIP focal sectors of Good Governance and Rural Development, namely to enable citizens to be represented in formal spaces, play their role in the budget cycle, monitor the provision of quality service delivery by the State, including at sub-national level, implement actions on gender and environment protection and contribute to strengthen the checks and balances of representative democracy at all levels. The context assessment and priorities proposed are mainly based on the EU-Mozambique Mapping Study of Civil Society Organisations and the Roadmap of the European Union, Member States and other partners for engagement with civil society, both published in 2015. It further takes in consideration the democracy profile initiative taken by the EU and its member states. The formulated activities and methods of implementation have been decided together with beneficiaries, NAO and Ministries through several roundtables and proposals which ensure an adequate ownership by all stakeholders.

The action is in line with the priorities of the Five-Year Government Plan (Plano Quinquenal do Governo, PQG) as, according to this document, civil society is a key governance actor and new efforts must be made to make the established formal dialogue mechanisms more effective. The Action aims at improving CSOs' and public institutions' capacities and the impact of the former on policies at national and local level, by promoting dialogue between CSOs and public authorities, reinforcing civil society role in promoting systemic checks and balances, enhancing the related legal framework and its application, and promoting an

enabling environment for participation at local authorities' level. The programme will have the following three priorities:

1. Enabling a more conducive environment for a strong, diversified and sustainable civil society (DIALOGUE)
2. Civil society participation and policy monitoring becomes more effective (PARTICIPATION)
3. Building CSOs' capacity in political participation, policy monitoring and service delivery at local level (CAPACITY BUILDING)

The intervention logic is built on the "Mozambique EU & partners' country roadmap for engagement with civil society" and the Five-Year Government Plan 2015-2019. PAANE II is a scaling up of PAANE I according to the main suggestions drawn by the mid-term evaluation which judged very appropriate the thematic of dialogue and leadership but criticised the method of implementation as costly and poorly connected with local CSO structures.

The action will be implemented via project modality for a total amount of by EUR 22 million over a period of 72 months from the date of entry into force of the financing agreement. Different implementation modalities are foreseen in the context of this Action:

1. Grants (2): call for proposal - Civil society participates actively and effectively in policy making and monitoring in natural resources management and gender rights - (direct management)
2. Grants (4): direct award (direct management)
3. As part of this action, with the objective of creating a more conducive environment for a strong, diversified and sustainable civil society, may be implemented in indirect management with the Republic of Mozambique

According to PAANE mid-term review, the current EU initiative is *unique for what it tries to accomplish: an agreement between the Government and the EU to appreciate the role of civil society for good governance and poverty reduction*. This evaluation considers PAANE's Response Demand Mechanism, which is a window of simplified mechanism for small CSOs, as a success but the programme as a whole is considered not efficient in terms of value for money, despite the technical assistance's effectiveness in project administration. Suggestions for a phase II of PAANE include avoiding geographic dispersion and better focusing the calls for medium and small CSOs (sub-grants). Choosing to intervene at district level *is a positive decision but the quality of dialogue at that level depends on information and attitudes of the local government officers*. Thus, it is suggested to reinforce the relationships between local civil society and authorities. The context assessment relies also on the findings of various works done in 2015: the EU-Mozambique Mapping Study of Civil Society Organisations, the EU-Roadmap, the Study of CSOs' sustainability produced by a group of intermediate NGOs funded by Finland, Switzerland, the Netherlands and USAID, and the Enabling Environment National assessment executed by the National Federation of Civil Society-Joint and CIVICUS. All partners converged around the following set of conclusions: a) The legal framework, including the one on gender participation, should be supported in its application in practice; b) Youth and rural communities are only partially reached, it is important to decentralise and facilitate access to funds for the smallest and newest CSOs; c) When choosing to support CSOs as policy actors, core funding or similar mechanisms are preferable, and also there is a growing demand for tailor-made and locally-based capacity building.

Priority Area II: Rural Development

The action entitled "Energy Project Preparation Facility" is in line with priority area 2 of the NIP. The **overall objective** of the Action is to contribute to sustainable, inclusive and broad-based economic growth and reduce poverty in targeted rural areas in the context of national food and nutrition security (FNS) and climate change. The specific objective of this Action is to achieve and improve access to sustainable and affordable energy to population and private sector operators, particularly in rural areas, by an enabling environment towards leveraging investments. The Action will try to address major barriers identified in the energy sector to facilitate the development of vast untapped renewable energy resources, mainly: i) low institutional capacity to deal with this new source of energy; ii) lack of an appropriate regulatory framework limiting the participation of the private sector; and iii) absence of tools that could contribute to mature projects up to the level of active development and/or financial close.

To achieve this general objective, increased access to energy (quantitative and qualitatively) has been identified as one of its strategic objectives. Access to energy and general improvement of the energy sector is a key factor to contribute to the development of socio economic infrastructures pillars defined by the Government. The planned activities although are organised around two main programmes: (i) development and improvement of the energy infrastructures' backbone and (ii) socio-economic infrastructure provision, namely electrification of administration's posts, schools and health centres mainly by off-grid solutions. The action is in line with the set priorities of the Five-Year Government Plan (Plano Quinquenal do Governo, PQG) as access to energy and general improvement of the energy sector is a key factor to contribute to the development of socio economic infrastructures pillars defined by the Government.

The Action is expected to result into three groups of outputs:

- R1. The capacities of public institutions to exert their roles in the implementation of the Five-year Government Programme (PQG 2015-2019) and of the sectoral energy policies and programmes are improved.
- R2. The enabling environment to facilitate investments in renewable energy in Mozambique is improved through continuous policy advisory, legal support, technical assistance and knowledge transfer to Government sectors and public institutions.
- R3. A series of public and private investments in access to renewable energy related activities in line with the Five-year Government Programme (PQG 2015-2019) are supported to reach maturity level of financial close, namely: (a) on-grid generation (small and medium scale), transmission and distribution, and energy efficiency; (b) small scale renewables and off-grid electricity access projects.

Lessons learnt mainly from the Mozambique's energy related reports, ROM missions, final evaluation of the projects under the 9th EDF Energy Facility in Mozambique, the stocktaking mission by the TAF and the intense exchange carried out during the identification missions with stakeholders, public and private:

- Projects in the pipeline of the stakeholders are at a low maturity stage, thus there is a need to provide financial and technical support to bring these to higher maturity level leading eventually to financial close.
- Access to electricity is rarely a stand-alone action and takes long time for implementation.
- In order to optimise efforts and investments in the energy sector, there is a need for a framework for action with an overall perspective of the system -such as an energy

planning tool, complementing the national master plan. Capacity needs to be strengthened to ensure strategic planning and programme implementation is done efficiently, coherently and timely to achieve expected results.

The action will be implemented via project modality for a total amount of by EUR 10 million over a period of 48 months from the date of entry into force of the financing agreement. A part of this action may be implemented in indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) for the Africa EU Renewable Energy Cooperation Programme (RECP). This implementation entails policy advisory services, institutional capacity building and promotion of the renewable energy private sector. This implementation is justified because GIZ is currently implementing the Renewable Energy Cooperation Programme (RECP) aiming to support market development for renewable energy in sub-Saharan Africa under the umbrella of the Africa-EU-Energy Partnership. A part of this action with the objective of strengthening Institutional Stakeholders' capacity and uplifting projects to the stage of financial close may be implemented in indirect management with the Republic of Mozambique.

4. Communication and visibility

All communication and visibility activities will, in principle, be undertaken jointly by the Government of Mozambique and the EU. All activities carried out under this AAP will be compliant with and executed following the EU visibility guidelines for external actions and will be included in the information and communication annual report. Budgetary provisions, as appropriate, have been foreseen for strategic communication services to strengthen visibility and awareness of EU cooperation in Mozambique.

5. Cost and financing

PFM Support Programme II	EUR 7 000 000
Support Programme to Non State Actors in Mozambique: participation for inclusive growth" (PAANE II)	EUR 22 000 000
Energy Project Preparation Facility	EUR 10 500 000



ANNEX 1

of the Commission Decision on the “PFM Support Programme II - Mozambique”

Initial Action Document for PFM Support Programme II - Mozambique

1. Title/basic act/ CRIS number	PFM Support Programme II - Mozambique CRIS number: 2016/039-696 financed under European Development Fund			
2. Zone benefiting from the action/location	Republic of Mozambique			
3. Programming document	National Indicative Programme for Mozambique 2014 to 2020			
4. Sector of concentration/ thematic area	Sector 1: Good Governance and Development	DEV. Aid: YES		
5. Amounts concerned	Total estimated cost: EUR 7,000,000 Total amount of EDF contribution EUR 7,000,000.00			
6. Aid modality and implementation modalities	Project Modality Indirect management with the Republic of Mozambique Direct management – grant direct awarded to the Tribunal Administrativo			
7 a) DAC code(s)	15111 - Public finance management: 100%			
b) Main Delivery Channel	12000 - Recipient Government			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagship	Not relevant			
10. SDGs	SDG Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. SDG Goal 16: promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels. SDG 17: revitalize the global partnership for sustained development.			

SUMMARY

Public Finance Management (PFM) systems and practices in Mozambique are considered as relatively good by most independent diagnostics, but are marked limited effectiveness which impacts on the inclusive and sustainable nature of the economic growth. Hence, while important progress has been registered over the last decade, deficiencies and capacity constraints remain in core PFM processes (such as forecasting, procurement, PIM, control systems, external scrutiny and overall budget comprehensiveness).

Mozambique's budget credibility and macroeconomic stability have recently been adversely affected by different internal and external shocks (commodity prices, droughts, hidden public debt, military tension) leading to a projected budget deficit (after grants) of over 6.4% of GDP for 2016.

Transparency concerns and macro-economic slippages linked to the undisclosed debt issue triggered the suspension of the IMF's Policy Support Implementation (PSI) programme and the putting on hold of the General Budget Support disbursements.

The 11th EDF National Indicative Programme (NIP) foresees an allocation for complementary support to the "Good Governance and Development Contract - GGDC" for PFM and Governance actions under the first focal sector of the NIP. Given the current fragile macro-economic situation and the 2016 GGDC disbursement on hold, it is relevant to ensure substantial EU support for improved PFM performance (to support fast-track progress towards conducive conditions for GGDC re-engagement).

The proposed programme is a continuation of successful activities implemented under the 10th EDF (such as the support to the CEDSIF, the Tribunal Administrativo and ad-hoc capacity building efforts) with scaling up of the capacity building support based upon best practices. This capacity building aims at tackling specific bottlenecks towards more efficient forecasting and public spending in areas where the EU has an added value.

The overall objective of the proposed intervention is to contribute improved transparency, effectiveness and efficiency of the public resources by strengthened Public Financial Management (PFM) systems and processes.

The expected results are as follows: Improved strategic allocation and more effective spending of public funds by focussing on increasing the integrity and application of the Integrated Financial Management Information System (IFMIS) and supporting the development and implementation of the Planning and Budgeting System; and Enhanced accountability by strengthening the capacity of the Supreme Audit Institution focussing on greater transparency.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Mozambique, a **low-income country** with a Gross Domestic Product (GDP) per capita estimated at USD 525 for 2015, **achieved impressive economic growth over the past decade** with annual growth rates averaging 7% (up to 2015). This growth was initially driven by the post-conflict reconstructions, mainly with investments in economic and social infrastructure and in a second phase driven by large-scale foreign investments in mega-projects.

This **impressive economic growth trend was reverted by end 2015**, as the country suffered from external and internal shocks such as lower commodity prices, decreased inflows of Foreign Direct Investments (FDI), the internal political – military tension and the undisclosed debts. The real GDP growth decelerated to 3% in 2016 and is projected to remain low for 2017.

Analytical studies confirm that Mozambique's **high growth levels of the past decade tend to be less pro-poor than in other high-growth countries**. Whilst the country recorded an important drop in poverty (in terms of per capita consumption) from 69% (1997) to 54% (2003), poverty reduction slowed down with a decrease to 46% in 2014/15. The Gini coefficient, estimated at 0.40 in 2008, increased to 0.47 in 2014/15 demonstrating that inequality is growing as well as the divide between the poorer rural and urban areas. Human development indicators are progressing at a slow pace. Mozambique still ranks 181 out of 188 countries in the 2016 Human Development Index (HDI). The adult literacy rate remains low (58.8%), and the average life expectancy at birth is just 55.5 years. Mozambique is continuously facing multiple challenges such as increasing malnutrition and stunting; malaria as the most common cause of death and HIV prevalence rates at 10.5% (for adults). In summary, the high economic growth and public policies did not yet translate into improved living conditions and well-being of the population at large.

The **spending on social sectors such as education, health and infrastructure registered a continuous increase** as a proportion of GDP over the last decade¹ (2014 Public Expenditure Review-PER). However, the wealthier segments of the population have benefited most from spending in a number of areas (education, health, water). When comparing spending and development outcomes with peer countries, the PER assessment suggests considerable room to improve outcomes given the relatively high spending levels. The WB assessment recommends **to enhance the focus on access to public services by the poor, as well as to improve the efficiency of public spending**.

Over the past 5 years the Government of Mozambique (GoM)'s **fiscal policy was rather expansionary** (total spending reaching 35% of GDP in 2015) including high risk public investments and exercising limited control over contingent liabilities. Revenue collection performs rather well with revenue to GDP ratios increasing steadily (> 20%), though not sufficient to cover spending and to curb the rise in deficit ratios (projected at 6.4% of GDP for 2016 – after grants). As part of the expansionary fiscal stance, authorities' frontloaded questionable public investments to be paid off by future forecasted extractive industries revenue. A clear evidence is the undisclosed debts case (of about USD 1.4B) which surfaced in April 2016. The undisclosed debt saga resulted in the IMF declaring their Policy Support Instrument (PSI) off-track and cancelling the in December 2015 adopted Standby Credit

¹ WB PER 2014: Since 2009 consistently more than 24% of total spending was absorbed by the education and health sectors. Also recognising the fact that a considerable part of spending to the health sector remains off-budget as this is externally funded. Including these off budget financing, more than 30% have been consistently executed by both sectors since 2009.

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Facility (SCF). Consecutively, the EU and the other GBS donors, decided to put GBS disbursements on hold. Authorities recognised by end 2016 that *the debt indicators have been breached and that Mozambique is likely to remain in breach of most of the IMF thresholds in the medium term*. The IMF demanded an international independent audit to be carried out before resuming a new IMF programme. This audit was launched in November 2016 and an executive summary was published by the Attorney General on 24/06/2017. **Public Policy Assessment and EU Policy Framework**

Deleted: Negotiations on a new IMF programme have initiated. ¶

Mozambique's Government comprises three types of institutions (i) Central Government entities; (ii) geographically deconcentrated central Government entities (provinces and districts); and (iii) autonomous municipalities which are administratively, financially and patrimonial independent. The **Administrative Court** ("Tribunal Administrativo – TA") is the Supreme Audit Institution (SAI), an autonomous body responsible for the audit of the accounts of all government and public entities, as well as for issuing a formal opinion on the State Account (CGE). The TA has jurisdiction to audit all public expenditures, either by ex-post controls, or by prior approval (ex-ante). In addition, the TA also has judicial responsibility to decide on the legal implications, to impose fines and/or initiate the relevant investigations. The TA conducts compliance and performance audits and emits an "Opinion" on the yearly State Accounts. Transparency remains a major issue as only the only document which is submitted to the Parliament and made publicly available is the "Opinion". Since 2014 a Law was adopted requiring publication of the judgements of all audits, which is gradually being implemented.

The **PFM system is governed by the SISTAFE law and the regulations** (State Financial Management System), approved in 2002 and 2004 respectively. The legal framework has been rated by international assessments as adequate (PER, PEFA, IMF diagnostics, etc.). The latest PER (WB) concluded that overall the design of tax legislation is adequate and consistent with international norms. Furthermore, a new procurement decree was adopted in 2016, simplifying some procedures and limiting the scope for direct awards. Despite these improvements, the main weaknesses of the overall PFM legal framework relate to the States' entrepreneurial sector as the current legislation only ensures oversight of the 13 State Owned Enterprises – (SOEs). Approximately 130 participated enterprises remain without clear regulation (on reporting, procurement, etc.) and oversight.

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The **Government** is implementing its "**Five-Year Plan 2015–2019 (PQG)**" which guides the country's development priorities. This document is structured around 5 main objectives² and 3 pillars. PFM issues are mainstreamed in two of the three supporting pillars, namely on "*consolidating the democratic state, good governance and decentralisation*" and "*sound and sustainable macro-economic environment*".

Government adopted in 2012 a **Public Finance Vision (PFV) 2025** setting the long term targets but lacking a clear prioritization and sequencing of reforms. This planning gap, together with the rapidly changing public finance context (high debt and fiscal deficit ratios, stagnating tax ratios and rather limited effectiveness of spending), led the Ministry of Economy and Finance (MEF) to elaborate its first **Public Finance Strategic Plan (PFSP) 2016-2019**. The

² The 5 objectives are (i) consolidation of the national unity, peace and sovereignty; development of human and social capital; employment and productivity promotion; development of social and economic infrastructure and sustainable and transparent management of the natural resources.

results of several recent PFM diagnostics, mainly the PEFA³ alimented the identification of priorities and development partners provided important inputs through the PFM Coordination Group. The **PFSP was adopted in August 2016 responding broadly to the need of widening the scope of reforms** whilst prioritising some reforms (towards fiscal risks, PIM, SOE's, etc). The document presents 7 objectives; (A) to stimulate savings and private investment, (B) to increase state revenue collection, (C) to enhance cautious public resources allocation, (D) to ensure greater rigor in public spending, (E) to improve public assets management, (F) to guarantee sustainability of public debt and (G) to ensure the correct use of the public *domain*. The monitoring and evaluation of the PFSP is aligned to the national budgetary cycle with yearly implementation reports to be submitted to MEF's Permanent Secretary. This presents progress as currently no clear focal point exists for PFM reforms. Furthermore, a Public Finance Committee (PFC) is to be constituted to coordinate financing of the strategy to which the Development Partners participate. The strategy also refers to two consultation fora (recently created with support of the EU) namely the e-SISTAFE User Forum (FUE) covering all state organs operating in e-SISTAFE and the National SISTAFE Meeting⁴.

EU Policy Framework

The **EU Agenda for Change** promotes public-sector management for better service delivery, fair and transparent domestic tax systems and governance programmes that support advocacy, awareness-raising and reporting and increase the capacity of control and oversight bodies.

The proposed programme aims at contributing to the SDG Goals 8, 16 and 17 and is in line with the **Addis Ababa Action Agenda – Financing for Development commitments** (to strengthening financial systems and economic institutions) and the **Paris and Busan declarations** (to stress reliance on country systems and on governance). The programme also responds directly to chapter 4.1 of the **New European Consensus on Development**: "*Mobilising and making effective use of all means of implementation*" where the EU and its Member States commit to "*step up support to developing countries in their efforts to strengthen revenue mobilisation, debt and public expenditure management, develop tax systems, increase the efficiency and effectiveness of public expenditure and to phase out environmentally harmful fossil fuel subsidies.*" The proposed action is also consistent with the **2013 Good Practice Note on Sequencing Public Finance Management (PFM) Reforms** and with the EU Staff working document "**Collect More/Spend better (CMSP)**" as two out of the four critical areas identified in the staff working document on spending have been mainstreamed.

The **11th EDF National Indicative Programme (NIP)** foresees an allocation for complementary support to the GGDC in the areas of PFM and Governance under the first focal sector "*Good Governance and Development*". The GGDC is steered by a Performance Assessment Framework (PAF) structured around 4 areas out of which the first area relates to the "*strengthening of the national systems*". The EU was supporting the PFM reform agenda under the 10th EDF and contributed to some key results. A continuation and strengthening of the PFM accompanying measures will contribute to the GGDC policy dialogue and assist GoM in progressing on the PFM indicators and policy actions included in the PAF.

³ namely the IMF FTA, IMF PIMA, IMF PFM diagnostics, TADAT, SAI PMF and a repeat PEFA assessment using both the previous (2011) and the new (2016) methodology

⁴ SISTAFE meeting conveys all state organs and institutions, the TA, civil society and partners to discuss issues related to the IMFIs

1.1.1 Stakeholder analysis

The **direct beneficiaries are the MEF and the Tribunal Administrativo**. In the current development context, both **central and deconcentrated levels of government** will benefit from the capacity development efforts. The line ministries and provincial departments (such as education and health) will participate in capacity building actions and gain from improved “core” PFM systems. Secondary beneficiaries are the “**demand-side**” actors such as Parliament and civil society organisations (CSO’s).

The **MEF has the leading role for coordinating the implementation of the PFM reforms** and will be the main implementing partner of this programme. The MEF was constituted in 2015 as result of the merger of 2 ministries (the Ministry of Planning and Development and the Ministry of Finance).

In addition, the proposed action will have a specific focus on strengthening **the Centre for the Development of the Financial Information System (CEDSIF)**. CEDSIF is a beneficiary of the 10th EDF PFM programme and is an autonomous institution subordinated to the MEF mandated to orient and coordinate the State’s Financial Administration IT reform (designated as “*e-SISTAFE – Sistema de Administracao financeira e economica*”) and is responsible for the implementation and maintenance of the IFMIS, to promote change management required for the SISTAFE reform; support other state organs and institutions in elaborating complementary IT-solutions; training and certification for the IFMIS users.

The Tribunal Administrativo (TA) is a key stakeholder related to accountability and is also beneficiary of the 10th EDF PFM programme. The TA recently adopted a new strategic plan (PLACOR 2017-2019) and underwent a quality review system recommended by INTOSAI (SAI-PMF), however the final document has not yet been published.

Other **key actors to PFM reforms**, in particular in strengthening accountability are the **CSOs**. In 2007, the Civil Society Index of Mozambique defined the general CSOs environment as neither openly hostile nor favourable and described organisations as structurally fragile and with a limited impact on public policies. The Gender Profile for Mozambique published in February 2016 concludes that there are sociocultural factors that discriminate and exclude women from social, political and economic opportunities, particularly aggravated by living in rural areas and illiteracy. CSOs will not directly be involved in the implementation of this action, as their support will be covered under a specific programme (see chapter 3.2).

1.1.2 Priority areas for support/problem analysis

In 2016, Mozambique finalised its 4th national PEFA assessment providing an objective and credible basis for problem analysis and priority areas for support. The assessment concluded that **Mozambique has succeeded in consolidating the major improvements in the PFM system, mainly in the areas of budget execution, accounting, reporting and internal audit**. The report highlights as a **strength** (not directly covered by PEFA) the expansion of the coverage of the e-SISTAFE system and the increase in domestic revenue collection (% GDP).

The assessment points at a **performance deterioration** in 2 areas; the **comprehensiveness of budget documentation** and the effectiveness of tax arrears collection. Core PFM areas where **performance remains below standards** are **procurement, the quality of medium term planning and budgeting, and external scrutiny & audit**.

The latest PEFA assessment also established a baseline for the new 2016 PEFA framework including an analysis on 3 new relevant areas: Public Asset Management (PAM), **Public Investment Management (PIM)** and a **credible fiscal strategy**. Mozambique scores rather

low on the last 2 areas. The PIM reforms initiated in 2013 and, despite of having adopted crucial tools⁵, limited institutional and human capacities continue to hamper effective implementation. Secondly, a limited oversight, reporting and monitoring of **fiscal risks** affects the credibility of the fiscal strategy. The fiscal risks relate mainly to contingent liabilities of state-owned and/or participated enterprises of which some materialised recently (EMATUM, MAM, PRO-INDICUS) and affected immediately the fiscal position of the country.

In summary, the PEFA assessment formulated 5 key recommendations for future PFM priority actions:

1. To enhance the Medium Term Fiscal & Macroeconomic Policy; increased transparency and tighter **monitoring of the fiscal deficit objectives** with an improved **public investment policy**;
2. The need to reinforce **budget and planning process** to the strengthening of the link between the long, mid and short term budgets, which will directly increase the credibility of the budget ;
3. Continue efforts made on **reporting, monitoring and the oversight of fiscal risks**;
4. To improve the **procurement process** to enhance value for money of public spending;
5. To strengthen the **capacity of the "Budget Holders"** (on the use of the IFMIS).

The **2015 Open Budget Index** reveals that Mozambique's performance declined (with 9 points) to 38/100. Furthermore, the OBI points to the **limited oversight** of the legislature and **the TA** which is in line with the PEFA's assessment. The recently adopted PLACOR 2017-2019 prioritizes capacity strengthening (improved transparency on audits and independence of the SAI, improved follow-up of audit recommendations, improved internal management capacity).

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Political Risk: <ul style="list-style-type: none"> Political and military conflicts in certain areas in the country limits mobilisation and circulations of staff and equipment Limited political will for PFM reforms. 	H	<ul style="list-style-type: none"> Ensure sufficient time for project implementation so that eventual delays due to limited mobility can be mitigated. Continue advocacy for PFM reforms throughout policy dialogues (both through the PFM as through the GBS platforms).
Macro-Economic Risk: <ul style="list-style-type: none"> Volatility of the national currency (MZN) / difficulty budgeting and execution processes High inflation 	M	<ul style="list-style-type: none"> Procurement processes should provide for clauses to limit the impact of the volatility of the national currency and high inflation.
Developmental Risk: <ul style="list-style-type: none"> Lack of strategic leadership for the PFM reforms and fragmented coordination 	H	<ul style="list-style-type: none"> Increased involvement and coordination by the NAO for the FA implementation. Ensure linkage with the Public Finance Committee (PFC) and actively contribute to

⁵ Such as Public Investment evaluation and selection procedures; a selection committee, etc.

(among the different reformers);		the coordination with other development partners (see 3.2);
<ul style="list-style-type: none"> Human Resources capacity issues (high turn/over, lack of career management, etc.) 		<ul style="list-style-type: none"> Advocate for improved training strategies to reduce the impact of the high turn/over, Upscaling of the TA component (component 4 of the proposed programme) Support efforts to advance on career management.
Corruption Risk	M	<ul style="list-style-type: none"> To include requirement and financing for a yearly audit of EU funds on grants managed by public entities;
Assumptions		
<ul style="list-style-type: none"> Macro-Economic projections indicate that by mid-2017 the MZN will stabilize and in 2018 a one digit inflation number is considered. The political/military conflict does not further escalate. Political support from GoM to prioritise PFM reforms. The strategic plan for Public Finance 2016-2019 is yearly monitored. 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

From the PFM reform programme under the 10th EDF, following lessons were learned:

- The impact of trainings for budget holders was hampered by a high staff turnover (mainly at provincial and district level). Consequently the professionalization of the IFMIS users should be priority for the coming years (monitoring mission finding);
- Extensive diagnostics are not always cost efficient and risk to deviate the attention from implementing solutions and cause delays in the implementation (ROM finding);
- Alignment of the EU actions to national systems and instruments was appreciated by GoM, however, could be further encouraged in a next programme (Steering Committee feedback).
- Technical assistance can provide added value but is best formulated around specific deliverables instead of long term resident TA (Steering Committee);
- Close coordination with other partners active in PFM contributed to increased effectiveness of the policy dialogue (both under GBS structures and the PFM coordination group);
- There is scope to improve the NAO's involvement.

The independent BS evaluation carried out in 2015 recommends *consolidating and deepening the progress achieved in macroeconomic management, in PFM reform and in the improvement of transparency and accountability*. For macroeconomic management, the evaluators advise on greater attention to the framework **for investment selection and management**. In relation to governance, evaluators point to the need to convert gains in transparency into tangible gains in accountability. Finally on the PFM reform processes, the main challenge was to reinforce the institutional arrangements for the coordination of and support to reforms.

3.2 Complementarity, synergy and donor coordination

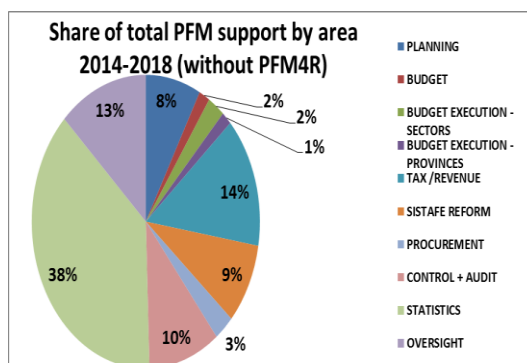
Complementarity is ensured with following programmes/initiatives:

- The GGDC signed in January 2016 addresses PFM issues through the PAF. The framework includes indicators and policy actions for the strengthening of core PFM functions such as PIM, Fiscal Risks, improved scrutiny of accounts, procurement, and improved presentation of the budget.
- EU implements a Rule of Law (RoL) programme under the 10th EDF supporting the General Attorney (incl. the Anti-Corruption Office), the Supreme Court and the Parliament.
- Similar programmes are supported at regional level, through the EU PALOP-TL⁶ which focuses on peer learning and exchange of best practices for the TA, Parliament and CSOs.

Additionally, around 3% of the NIP envelope is allocated to **Non-State Actors (NSAs)** (**addressing key stakeholder**), to be complemented by EU thematic budget lines (including EIDHR – European Instrument for Democracy and Human Rights). NSAs constructive engagement in the entire budget cycle is an important factor for obtaining sustainable results related to budget transparency. A handful of NSAs produce regular advocacy papers on Governance and PFM topics. Through the recently approved "*Support Programme to Non State Actors in Mozambique: participation for inclusive growth*" (PAANE II), the CSO Platform for Budget monitoring will receive a direct grant to enhance their capacity on budget dialogue and monitoring.

The EU also provides **funding to the IMF** to deliver technical assistance, trainings and conduct assessments on Mozambique through the AFRITAC South (Regional Technical Assistance Centre in Southern Africa) and the Trust Fund for Natural Resource Management. Coordination with the IMF's takes place through regular debriefs organised by the IMF.

The **2016 PFM donor mapping** revealed that about 15 agencies (including the IMF and the UN) provide support accounting for an estimated USD 270m during the period 2014-2018. The support is operationalized through a variety of modalities (basket funds, projects, TA, thematic funds, etc.) covering the entire budget cycle. The majority of the funds benefit the statistics area, next is tax and oversight area. Budget and planning has been rather marginal in receiving external funds. This overview does not take into account a major WB program - a semi Budget Support Operation designated as PFM for Results (PFM4R) as it targets mainly education and health sector PFM issues (see chart 1). Complementarity is ensured as following:



- The support for the **SISTAFE reform** is based on CEDSIF's strategic plan for which funds are channelled through a basket fund managed by CEDSIF and coordinated by Denmark (with Italy and Norway contributing).
- Specific support to **planning and budgeting** has been limited and is delivered in a scattered manner. The IMF and WB are stepping up their support in 2016/2017 by providing resident advisors on fiscal risks and PIM, however the multilaterals already voiced the need for a comprehensive package of support to which the EU can contribute.

⁶ PALOP is the group of Portuguese-speaking African countries, comprising Angola, Cape Verde, Guinea Bissau, Mozambique and São Tomé and Príncipe, and Timor Leste since 2005. PALOP integrated the ACP Group in 1985.

- Donor support to the external **audit area** is based on the strategic plans of the TA (PLACOR) and is mainly channelled through a basket fund implemented by the TA and coordinated by Sweden (with contributions from Ireland and Germany). The WB, France and GiZ support earmarked activities of the strategic plan.

Donor coordination is implemented through 2 different platforms: PFM Coordination Group, which includes all donors providing PFM support and the Area 1 Working Group under the GBS instrument, including only GBS providers. While all GBS Area I members participate to the PFM Coordination Group, it mainly focusses on the PAF indicators. The wider PFM coordination group tackles broader issues such as the PFSP, coordination of TA and topics specifically related to issues of the Basket Fund partners.

3.3 Cross-cutting issues

Mozambique adopted commitments to address **gender issues** and to promote gender equality. Mozambique witnessed over the past decades improvements in women's position, especially at central level (with 36% of female Parliament Members), however progress in the communities seems less prominent. The Report on "*Beijing+20*" highlights many remaining gender gaps such as female poverty, secondary education (early marriages), female health issues, etc...

Environment has been elevated to one of the five priorities identified in the new PQG (2015-2019), "*to ensure sustainable management of natural resources and the environment*". This environmental friendly boost in the main Government's plan is expected to ease the way for enhanced consideration of environmental aspects related to public investment management decisions (related to environmental sustainability) and the extractive industry (transparency).

Both gender and environment will benefit from **improved planning and budgeting systems** as well as improved credibility of the budget. By strengthening the programmatic budgeting process, initiated in 2012, more consistent and credible budget information will be publicly available. This contributes to improved tracking and potential analysis of cross/cutting issues which can feed back into improved policy definition in these areas (as well as others).

Gender and environmental sustainability are not the main targets of the intervention, though will be promoted, besides improving the budget and planning systems, by encouraging the participation of female staff to trainings and by increased use of information and communication technologies for the different budgetary processes. This process will be enhanced by ensuring a yearly dissemination/consultation session with the CSO Budget Monitoring Platform. A specific meeting will be organised with a representative of this CSO platform to present progress and consult CSOs on future priorities for PFM reforms (ideally through the PFSP monitoring process). Coordination will be ensured with the recently approved Support Programme to Non State Actors: PAANE II.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 16 target "*Develop effective, accountable and transparent institutions at all levels*", but also promotes progress towards Goal 8 "*Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all*" and SDG Goal 17: "*Revitalize the global partnership for sustainable development*". This does not imply a commitment by the country benefiting from this programme.

The **overall objective** is to contribute improved transparency, effectiveness and efficiency of the public resources by strengthened Public Financial Management (PFM) systems and processes.

Specific objective 1: to contribute to improved strategic allocation of public funds and a more effective spending. This objective addresses the PFSP objectives C: "*Assegurar a afectação criteriosa dos recursos*" and D: "*Garantir maior eficiência na execução da despesa pública*".

Specific objective 2: to contribute to enhanced capacity of the Supreme Audit Institution focussing on greater transparency. This objective addresses the PFSP objective G: "*Assegurar a correcta utilização da coisa pública*". This objective aims at improving the external audit function which is rated by both the OBI and the PEFA as in need of strengthening.

For the first specific objective the expected results are:

SO1.1 Increased coverage of direct execution through the IMFIS;

SO1.2 Enhanced capacity of the IFMIS users;

SO1.3 Enhanced transparency of budgetary documents (including dissemination and analysis on Public Finance aspects);

SO1.4 The IT System for Planning and Budgeting in the IFMIS in pilot phase;

SO1.5 Increased proportion of public investment projects included in the budget scrutinized

For the second objective the main expected results are:

SO 2.1 Improved transparency related to external audit (based on PEFA PI - 29 indicator);

SO 2.2 Improved quality of the audit report on the state accounts (as identified in the TA's Strategic Plan: public investment, extractive industry and PPPs);

SO 2.3 Improved internal management capacity of the TA;

4.2 Main activities

The support is structured around the 2 specific objectives (component 1 and 2) and a transversal capacity development facility (component 3).

4.2.1 Component 1: improved transparency, effectiveness and efficiency of the public resources

This component will tackle weaknesses related to the planning and budget processes (comprehensiveness, presentation of the budget and a credible fiscal strategy) as well as improving processes and capacity related to spending, particularly on public procurement and public investment approval processes. The implementing partner, CEDSIF has demonstrated good capacity and track record throughout the grant implementation of the 10th EDF (total value of € 3.9m). CEDSIF conducts yearly external audits which have in the previous 4 years presented unqualified opinions. As regards to the main donors to CEDSIF, Denmark is phasing out its support with 2017 being the last year of financial contribution and Norway is also refocusing its support on other priority areas. There is an eminent financing gap which allows for the EU to leverage its "added-value".

The activities to be supported include:

- Support the development and implementation of the IFMIS module on Planning and Budgeting;
- Capacity building for Budget holders / IFMIS users;
- Capacity building for sectors or provinces on PIM in collaboration with the WB/DFID;
- Studies and Technical Assistance on issues related to the strategic areas.

These activities relate to the following strategic areas of the PFSP:

- C1: Guarantee timely and quality macro-economic projections and studies in the PFM area.
- C2: Improve the selection, execution and monitoring of Public Investment projects guaranteeing the link between different initiatives;
- D4: Improve the elaboration and execution of the plan and the budget;
- G2: Improved access to information on Public Finance

4.2.2. Component 2 (for specific objective 2): To enhance accountability

The component will support the operational structure and the core functions of the TA. First, strengthening the TA's support functions is a continuation of the 10th EDF support program, allowing for the consolidation of obtained results. Secondly, component 2 will strengthen the TA's audit capacity in areas of strategic interest to the PFM and the overall economic governance of the country, as identified in the PLACOR (areas such as public investment, extractive industries and PPPs). The activities include:

- Capacity building on internal control standards and procedures;
- Support the implementation of the TA's IT systems;
- Capacity building for auditors and judges to ensure quality audits relating to areas such as extractive industries, public investment processes and PPPs;
- Technical assistance supporting audits on extractive industry, public investment processes and PPPs and on IT systems;
- To improve internal manuals, procedures, etc regarding specialised audits.

These activities will contribute to the following objectives of the TA's Strategic plan "PLACOR 2016-2019":

1.2 - Initiative 1.2.A. Extend the scope of external control to the level of public works, extractive industries, PPP's and the state business sector.

1.3.- Initiative 1.3.A. Improve the report and "*Parecer*" of the General State Accounts focussing on the chapter of the extractive industries.

3.1- Initiative 3.1.A. Consolidate the internal control system

4.2 - Initiative 4.2.A. Evaluate and update the "Plano Director".

4.2.3. Component 3: Capacity Development Facility (CDF)

This CDF aims to provide added value to the PFM policy dialogue as part of the GGDC which includes PFM indicators related to budget allocation, domestic revenue mobilisation, fiscal risks, procurement, PIM and audit. Request for the capacity development facility related to these areas will be considered relevant and will be coordinated with the respective donor focal point of the indicator. It will also be important that identified activities contribute directly to the objectives of the PFSP or the PLACOR.

The beneficiaries, namely MEF (including subordinated institutions) and the TA can access this facility to mobilise in an efficient and effective manner high level technical expertise for specific deliverables. The request for support will be sent to the NAO who, together with the EU will ensure a screening of the Terms of References. The Technical Committee will establish the Modus Operandi of this fund during its first meeting.

This component is proposed to be implemented under Indirect Management with the Republic of Mozambique through service/FWC/supplies contracts and/or grants for requested ad hoc studies, technical expertise, capacity building/seminars, etc.

4.3 Intervention logic

The improvement of PFM facilitates effective management of the collection and expenditure of funds by governments. The hypothesis of the programme is that higher level of fiscal disciplines, increased revenues and decreased misuse of public resources will lead to more inclusive and sustainable economic growth. Budget transparency gives opportunity to the citizens to access information on government revenues, allocations and expenditures. The intervention logic is two-fold; on one hand the action will strengthen weaknesses in the strategic allocation, as well as tackling specific bottlenecks for a more efficient spending. On the other hand the scrutiny will be enhanced by a more focussed and transparent external control function.

Performance issues related to public investment and extractive industries will be tackled from different angles, first on the budgeting side by an improved screening and budgeting process of public investments and extractive industry revenue, secondly more effective spending (both improved IT systems and enhanced capacity) and finally the external control function support will focus on these high risk transactions (revenue and spending side).

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) No 322/2015.

5.3 Implementation of the budget support component

N/A

5.4 Implementation modalities for complementary support of budget support

5.4.1 Indirect management with the Republic of Mozambique

A part of this action with the objective of contributing to inclusive and sustainable economic growth by enhancing service delivery through strengthened Public Financial Management (PFM) systems and processes, focussing on improved transparency, effectiveness and efficiency of the public resources may be implemented in indirect management with the Republic of Mozambique in accordance with Article 58(1)(c) of the Regulation (EU, Euratom)

No 966/2012 applicable by virtue of Article 17 of the Regulation (EU) No 323/2015 according to the following modalities.

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement and grant procedures. Payments are executed by the Commission.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012 applicable by virtue of Article 36 of the Regulation (EU) 323/2015 and Article 19c(1) of Annex IV to the ACP-EU Partnership Agreement, the partner country shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of the Regulation (EU) No 323/2015, will be laid down in the financing agreement concluded with the partner country.

Overview of implementation:

Activity/objective/result, include location	Type of financing (works, supplies, or service contract, grant, programme estimate)
<u>Component 1:</u> To improve the strategic allocation and contribute to more effective spending of public funds	<u>Grant in direct award</u> to the Centre for the Development of the Financial Information System (CEDSIF)
<u>Component 3:</u> Capacity Development Facility	Services, supply and grant

5.4.2 Grant: direct award Tribunal Administrativo (direct management) – Component 2 (for specific objective)

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results: *The objective is to enhance accountability by strengthening the capacity of the Tribunal Administrativo (TA).* The fields of intervention, the expected results and related activities are listed in section 4.1 and 4.2. The priorities of the year will be to provide capacity building and technical assistance for the internal control and IT systems and to improve the audit capacity for extractive industries, PPPs and Public Investments and. Procurement of some minor IT elements (hardware and software) might be necessary.

(b) Justification of a direct grant: Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to Tribunal Administrativo. Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because the beneficiary is in a legal monopoly situation as the Tribunal Administrativo was created by the Constitution of Mozambique to act as the SAI. This role can therefore not be assumed by any other public or private entity. The Tribunal Administrativo is therefore the only potential candidate for the proposed action.

(c) Essential selection and award criteria: The essential selection criteria are the financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing: The maximum possible rate of co-financing for this grant is 100%. In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 37 of (EU) regulation n° 323/2015 if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to conclude the grant agreement: Second Trimester of 2018

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

Area	EU contribution (amount in EUR)
5.4.1 Indirect management with the Republic of Mozambique (direct management)	€ 4,900,000
<i>Direct grant-CEDSIF (indirect management)</i>	€ 3,700,000
<i>Procurement (indirect management)</i>	€ 1,200,000
5.4.2 Grant: direct award Tribunal Administrative (direct management)	€ 1,600,000
5.9 Evaluation and Audit 5.10	€ 80,000
5.11 Communication and visibility	€ 20,000
Contingencies	€ 400,000
Total	€ 7,000,000

5.7 Organisational set-up and responsibilities

A **Steering Committee** of the project shall meet once a year to decide the overall direction of the project, to monitoring the indicators *and to* supervise the overall implementation of the programme. Additional meetings can be arranged ad hoc at the request of the Delegation or any of the other members. The committee will be chaired by the NAO with the participation of all implementing partners (MEF, CEDSIF and TA). A separate meeting will be organised with a representative of a CSO platform on PFM issues to present progress and consult CSOs. Coordination will be ensured with the Support Programme to Non State Actors: PAANE II.

The Delegation and the Steering Committee will be supported in their work by technical committees for each of the three main components of the programme.

- Component 1: The Technical Committee for the support to Sistafe reform programme will be the Partnership Committee set up to provide oversight of the SISTAFE Reform joint financing mechanism. The functioning of this Partnership Committee (PC) is outlined in the Memorandum of Understanding between the supporting development partners and CEDSIF. The EU Delegation participates as observer to this PC and the IMF is an ex officio member. The PC meets at least twice a year and assesses the progress and financial reports, discuss the audit report, approve the annual plan and budget for the overall SISTAFE Reform Programme. To ensure coherence and consistency, the PC will be informed of the work plan and progress reports produced in relation to the grant for the benefit of the NAO and the Commission.
- Component 2: The Technical Committee for the support to the *Tribunal Administrativo* will be the PC set up to provide oversight of the TA's Joint financing mechanism. The functioning of this PC is outlined in the Memorandum of Understanding between the supporting development partners and the TA. The EU Delegation participates as observer to the PC. The PC meets at least twice a year and assesses the progress and financial reports, discuss the audit report, approve the annual plan and budget. To ensure coherence and consistency, the PC will be informed of the work plan and progress reports produced in relation to the grant for the benefit of the NAO and the Commission.
- Component 3: A Capacity Development Facility Technical Committee will be established to support the NAO in the planning and the supervision of its implementation. The Technical Committee will include a representative of the NAO, CEDSIF, TA, MEF and the EUD. It will meet on a semestral basis and will approve its Terms of Reference, including the contract selection criteria, during its first meeting.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation. The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission. The evaluations will be aligned as much as possible with the evaluations done under the provisions of the Memorandum of Understanding between the beneficiaries and the different development partners supporting the reforms. The EU will initiate a specific midterm and final evaluations, but will endeavour to harmonise and coordinate these as much as possible in the framework of the existing Memorandums between the beneficiaries and the other Development Partners.

A mid-term evaluation could be carried out for problem solving, learning purposes, in particular with respect to the Capacity Development Facility. A final evaluation is foreseen and will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the results of the Capacity Development Facility. The Commission shall inform the implementing partner at least 3 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities. The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract, one in 2020 and another in 2022. A PEFA assessment should be conducted in 2020 and will inform on progress against 2016 PEFA scores mentioned in the logframe.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements. Indicatively, two contracts for audit services shall be concluded under a framework contract indicatively in the second half of the implementation period.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations

APPENDIX - INDICATIVE LOGFRAME MATRIX

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. The indicators and targets will be determinate during the formulation stage when the Public Finance Strategy is expected to be adopted. Intermediary outcomes and the outputs will be defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Improved transparency, effectiveness and efficiency of the public resources by strengthened Public Financial Management (PFM) systems and processes	<ul style="list-style-type: none"> Revenue/PIB; Aggregate expenditure Out-turn compared to original approved budget (PEFA PI-1)* / ** Composition of expenditure Out-turn compared to original approved budget (PEFA PI-2)* / ** Open Budget Index * 	<ul style="list-style-type: none"> Revenue /PIB 2016: 24,1% 2015 PI-1: B (2015) 2015 PI-2: D+ (2015) OBI: 38/100 (2015) 	<ul style="list-style-type: none"> Revenue /PIB 2019: 24,7% PEFA PI-1: at least a B (2019/20); PEFA PI-2: at least a D+(2019/20); OBI: >38/100 (2019) 	<ul style="list-style-type: none"> BdPES, Progress Reports of the PF strategy PEFA report 2015; PEFA 2019 OBI 	
Specific objective I: Outcome(s)	SO 1.The strategic allocation of public funds is improved and their spending is more effective	<ul style="list-style-type: none"> A. PEFA: PI-4: classification of the Budget;* B. PEFA: PI-14: Credible Fiscal Strategy* C. PEFA: PI-9: Public access to key Fiscal information* D. % coverage of direct execution through the IMFIS;(PFSP –D4) E. Level of alignment between State Budget and MTEF limits ;(PFSP –C1) F. PEFA PI-23 Transparency, competition and complaint mechanisms in procurement;* G. PEFA PI-11 – Public Investment management;* H. % or nr. of the largest investment projects approved and selected based upon the criteria of the manual on selection of projects (PFSP –C2) 	<ul style="list-style-type: none"> A. PEFA: PI-4: classification of the Budget: C (2015) B. PEFA: PI-14: Credible Fiscal Strategy: D (2015) C. PEFA: PI-9: Public access to key Fiscal information: D (2015) D. % coverage VD: 72% (2015) E. Discrepancy between State Budget and MTEF limits: >20% (2015) F. PEFA PI-23 procurement; D+ (2015) G. PEFA PI-11 – Public Investment management: D+ (2015) H. 0% (2015) 	<ul style="list-style-type: none"> A. PEFA PI-4: at least a C (2019/20); ; B. PEFA-PI-14: at least a D (2019/20); C. PEFA: PI-9: at least a D (2019/20); D. % coverage VD: 82% (2019) E. Discrepancy between State Budget and MTEF limits: < 10% F. PEFA PI-23: at least a D (2019/20); G. PEFA PI-11: at least a D+ (2019/20); H. 90% of new projects ≥ USD 50m or the 15 largest projects below this limit (2019) 	<ul style="list-style-type: none"> PFSP implementation reports; BdPES/State Accounts/Budget Execution Reports; PEFA 2019 MEF's various implementation reports 	Governments respects the PFSP implementation and monitoring processes; Government remains committed to PFM reforms; Government carries out prudent macroeconomic and monetary policies

Specific objective II: Outcome(s)	SO II: Enhanced capacity of the Supreme Audit Institution focussing on greater transparency	A. PEFA: PI-29;* B. % recommendations of audits emitted by the External Control that are implemented; (PLACOR - 1.1.A.)* C. Nr. and % of the audit judgements that are published on-line (as required by law) (PLACOR 1.1.B – this indicator is in process of reformulation by the TA) * D. % of Public spending covered by external audit (PLACOR 1.1.A)*	A. PEFA: PI-29: D+ (2015); B. % recommendations of audits emitted by the External Control implemented: 38% (2015); C. Nr. and % (as of total judgements done) of the audit judgements that are published on-line (as required by law): number: 251 - X% (2016); D. 42% (2015)	A. PI-29: at least a D+ (2019/20) B. % recommendations of audits emitted by the External Control implemented: > 60%; C. % of the audit judgements that are published on-line (as required by law): number: 333 – X% (2019) - ; D. 50 % (2019)	<ul style="list-style-type: none"> BdPES/State Accounts/Budget Execution Reports; PEFA PLACOR Implementation reports PARECER of State Accounts TA's Website 	TA respects the PLACOR Monitoring processes; Government carries out prudent macroeconomic and monetary policies
Specific objective I Outputs: Specific objective I	1.1 Increased coverage of direct execution through the IMFIS; 1.2 Enhanced capacity of the IFMIS users; 1.3 Enhanced transparency of budgetary documents (improved formats) and access to information on Public Finance 1.4 The IT System for Planning and Budgeting in the IFMIS in pilot phase; 1.5 Enhanced capacity to prepare, scrutinize and manage public investment projects included in the budget scrutinized by the CCSPP (based on PEFA PI -11).	1.1.1 % of salaries paid "via directa" (through the Central Bank accounts) (PFSP-D4) 1.1.2 % of public servants and agents (FAE) with salaries processed by e-Folha (PFSP-D4) 1.2. number and % of e-SISTAFE users that are certified (PFSP-D4) 1.3.1 aligned and improved format of the state budget and plan (PFSP - D4) 1.3.2. Status of the Public Finance portal (PFSP-G2) – including procurement related information 1.4. Progress in Planning and budgeting system (SPO) elaboration and implementation (PFSP -C1) 1.5.1. Number of people and number of institutions trained on PIM (C2) who can demonstrate improved knowledge in the relevant areas – in collaboration with WB/DFID – linked to IFMIS users training; (data disaggregated by sex)	1.1.1: 75% (2016) 1.1.2: 90% (2016) 1.2: 0 (2015) 1.3.1 Budget and plan are 2 separate documents (not fully compliant with international standards) 1.3.2. information scattered on different sites 1.4: Progress in Planning and budgeting system (SPO) : model elaborated (2015); 1.5.1 0;	1.1.1 : 97% (2019) 1.1.2: 95% (2019) 1.2: 70% (1.100/37.000) (2020) 1.3.1 Budget and plan are presented jointly with at least 3 improvements towards international standards (presentation of deficit, PIM information, functional classifier and/or historical data) (2020) 1.3.2 Portal functioning – including procurement related information (2019) 1.4: SPO implemented in experimental phase (2020); 1.5.1 tbd (during first Steering committee); 40% female participation (2020)	<ul style="list-style-type: none"> PFSP implementation reports; BdPES; MEF and CEDSIFs implementation reports; GoM websites; WB documents 	

Comment [DEVCO 061]: number of people train is more at activity level. A test/evaluation survey maybe needed before and after the training to ascertain knowledge level.

Outputs: Specific objective II	2.1 Improved transparency related to external audit	2.1 Timely publication of the simplified version of the Report and "Parecer" of the State Account realised until March n+2 (PLACOR 1.3.A)	2.1. May (n+2) (simplified version of the Report and "Parecer" of the State Account 2015 published in May 2017)	2.1. December (n+1) (simplified version of the Report and "Parecer" of the State Account 2017 Published in December 2018)	<ul style="list-style-type: none"> BdPES/State Accounts/Budget Execution Reports; PLACOR Implementation reports; PARECER of the State Accounts TA's Website
	2.2 Improved quality of specific chapter of the audit report on the state accounts (extractive industry and public investments); 2.3 Improved internal management capacity of the TA;	2.2.1 . % (or number) of audits realised – compared to those planned related to extractive industries (PLACOR 1.2.A) 2.2.2. % (or number) of audits realised – compared to those planned related to PPPs (PLACOR 1.2.A) 2.2.3 Chapter on extractive Industries included in the report and PARECER of the State Accounts (PLACOR 1.2.A) 2.3.1 Level of implementation of the "Plano Director de Sistemas de Informação" (PLACOR 4.2.A) 2.3.2 % of the external audit recommendations accepted implemented maximum after 2 years (PLACOR 3.1.A) 2.3.3 Status of the different procedure manuals (PLACOR 3.1.A) 2.3.4 % of recommendations of the External evaluation on the effectiveness of the internal control (COSO methodology) implemented	2.2.1. no information on % - 2 realized (2016) 2.2.2. 0 realized (2016) 2.2.3. extractive Industries analysis is included as a subchapter in published PARECER 2.3.1. "Plano Director de Sistemas de Informação" adopted beginning 2017 2.3.2 No information – <i>ibid during first steering committee</i> 2.3.3 Proposal of 4 different manuals elaborated. 2.3.4. External evaluation conducted in 2015 on the effectiveness of the internal control for 6 areas realised according to the COSO methodology (DF, DA UGEA, DRH, Visto, CCA and DSIC), 0% of recommendations implemented	2.2.1. 100% (6 audits during 2018-2020, i.e. 2 yearly) 2.2.2. 100% (6 audits during 2018-2020) 2.2.3. extractive Industries analysis is addressed in a substantial chapter in published PARECER 2.3.1. 85% of activities implemented by 2020 2.3.2. 100% 2.3.3. Manuals updated yearly and in full use 2.3.4. 50% of recommendations of the previous evaluations (conducted in 2015) implemented.	

Indicators aligned with the relevant programming document are marked with '*', followed by the respective acronym NIP – National Indicative Program). Indicators aligned with the EU Results Framework are marked with '**'. Indicators aligned with the SDG targets are marked with SDG.

EU Results Framework Indicator: Number of countries where overall public financial management has improved



EN

This action is funded by the European Union

ANNEX 2

of the Commission Decision on the Annual Action Programme 2017 in favour of the Republic of Mozambique to be financed from the 11th European Development Fund

Action Document for Support Programme to Non State Actors in Mozambique: participation for inclusive growth (PAANE II)

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012), applicable to the EDF in accordance with Article 37 of Regulation (EU) 2015/323, in the following section concerning call for proposals: 5.4.1 and in the following section concerning grants awarded directly without a call for proposals: 5.4.2, 5.4.3, 5.4.4 and 5.4.5.

1. Title/basic act/ CRIS number	Support Programme to Non State Actors in Mozambique: participation for inclusive growth (PAANE II) CRIS No: MZ/FED/039-385 financed under the 11th European Development Fund	
2. Zone benefiting from the action/location	Republic of Mozambique	
3. Programming document	National Indicative Programme (NIP ¹) for Mozambique 2014 to 2020	
4. Sector of concentration/ thematic area	Support to Civil Society Organisation (CSOs)	DEV. Aid: YES
5. Amounts concerned	Total estimated cost: EUR 22 000 000 Total amount of EDF contribution: EUR 22 000 000	
6. Aid modality and implementation modalities	Project Modality: Indirect management with the Republic of Mozambique Direct Management: direct award to consortium of CESC and NWETI, to FMO, to PSCM-PS, and to MASC ¹	
7 a) DAC code(s)	Main DAC code: 151 Sub-code 1: 15150 Democratic participation and civil society – 60% Sub-code 2: 15170 Women's equality organisations and institutions – 20% Sub-code 3: 41010 Environmental policy and administrative management – 20%	
b) Main Delivery Channel	Channel 1: 23000 <i>Developing country-based NGO</i>	

¹ CESC - Centro de Aprendizagem e Capacitação da Sociedade (Civil Centre for Learning and Capacity Building for Civil Society); Nweti is the name of an organisation working on gender-based and domestic violence and Sexual Rights and Reproductive Health; FMO – Budget Monitoring Forum; PSCM-PS – Plataforma da Sociedade Civil Moçambicana Para Proteção Social (Mozambique Platform for Social Protection); MASC - Mecanismo de apoio a Sociedade (Civil Society Support Mechanism).

8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	X	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagship	N/A			
10. Sustainable Development Goals (SDGs)	<p>Main SDG: 16:Peace, Justice and Strong Institutions</p> <p>Secondary SDG: 1(End poverty in all its forms everywhere.)-3(Ensure healthy lives and promote well-being for all at all ages)-4(Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all)-5 (Achieve gender equality and empower all women and girls)-15(Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss)</p>			

SUMMARY

This programme, identified according to the 11th EDF-NIP document, foresees support to civil society as a complement to the NIP focal sectors of Good Governance and Rural Development, namely to enable citizens to be represented in formal spaces, play their role in the budget cycle, monitor the provision of quality service delivery by the State, including at sub-national level, implement actions on gender and environment protection and contribute to strengthen the checks and balances of representative democracy at all levels. The context assessment and priorities proposed are mainly based on the EU-Mozambique Mapping Study of Civil Society Organisations and the Roadmap of the European Union, Member States and other partners for engagement with civil society, both published in 2015. It further takes into consideration the democracy profile initiative taken by the EU and its Member States. The formulated activities and methods of implementation have been decided together with beneficiaries, the National Authorising Officer (NAO) and Ministries through several roundtables and proposals which ensure an adequate ownership by all stakeholders.

Civil society, in its wider sense², represents and fosters pluralism and can contribute to strengthen the democratic rule, more effective policies, equitable and sustainable development and inclusive growth. In Mozambique this is hindered by a gap between a permissive legal framework and some differing practices, which threat CSOs' activities mainly at local level; the existence of only a reduced number of well-structured advocacy organisations (Thematic and Advocacy based Organisations (TAOs)), based in Maputo, with limited impact at provincial and district level; a generalised lack of capacity for community based

² See 2012 EU definition: "The EU considers CSOs to include all non-State, not-for-profit structures, non-partisan and non-violent, through which people organise to pursue shared objectives and ideals, whether political, cultural, social or economic. Operating from the local to the national, regional and international levels, they comprise urban and rural, formal and informal organisations. [...] They include membership-based, cause-based and service-oriented CSOs. Among them, community-based organisations, non-governmental organisations, faith-based organisations, foundations, research institutions, Gender and LGBT organisations, cooperatives, professional and business associations, and the not-for-profit media ..."

organisations (CBOs) and provincial associations. In short, PAANE II aims at improving CSOs' and public institutions' capacities, and the impact of the former on policies at national and local level, by promoting dialogue between CSOs and public authorities, reinforcing civil society's role in promoting systemic checks and balances, enhancing the related legal framework and its application, and promoting an enabling environment for participation at local authorities' level. The programme will have the following three priorities:

1. Enabling a more conducive environment for a strong, diversified and sustainable civil society (DIALOGUE)
2. Civil society participation and policy monitoring becomes more effective (PARTICIPATION)
3. Building CSOs' capacity in political participation, policy monitoring and service delivery at local level (CAPACITY BUILDING)

Activities will focus on funding TAOs' action plans, mentoring and others forms of capacity building, support to formal spaces of dialogue (Consultative Councils - CCs and Development Observatories – DOs), reinforcement of geographic platforms, legal framework application, and management of small grants mechanisms.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Mozambique has a population of approximately 25 million³, very young (median age of 17 years old⁴ in 2015, over 4.8 million of the total population within the 15 to 24 age range), rural based (69% live in rural areas⁵) and dispersed all over the country (low density of 33 people per sq. km.⁶).

After a period of growth thanks to political stability and the emerging extractive industry, the country is now confronted with a decreased Gross Domestic Product (GDP) per capita (from USD 605.2 to USD 585.6⁷ between 2013 and 2014), and growing disparities. Living standards remain extremely low in rural areas among small-scale farmers⁸ with 57% of the rural population under the national poverty line⁹ in 2009.

Mozambique has slowly progressed in the Human Development Index (from 185 to 180 out of 188 countries between 2012 and 2014) with better progress on school enrolment and health services coverage. However, extremely low learning outcomes, other quality challenges and significant regional disparities still persist: high rates of illiteracy are registered in northern and central Mozambique (64% in the provinces of Cabo Delgado, Nampula and Zambézia), high HIV/AIDS prevalence of 11.5%, and one of the worst nutrition indicator in Africa, with child stunting rates of 43% (of which 24% severely) in 2013. Internet penetration is increasing but remains still very low with just 5.9% of the population connected and 5% with a Facebook profile. Mobile phone penetration is closer to 35% (8% more than 2010) and radio is the dominant medium with over 70 operating community radio stations in 2010¹⁰. Youth and women, especially those in rural areas, generally experience lower social and economic status. 60% of youth in Mozambique are unemployed or inactive and youth joblessness affects a greater proportion of young women compared with young men (73% of women and 45% of men)¹¹.

Although Mozambique has an advanced policy framework and has ratified several international conventions relating to human rights and gender equality, gender inequalities persist in the country as clearly stated in the Human Development Index – 0.39 for women compared to 0.44 for men. Indeed, the UNDP gender inequality index report 2015 ranked the country on the 135th position in a group of 155 countries. On the contrary, the 2015 Gender Gap Report, which gives greater weight to "rights and norms" and "political empowerment", places Mozambique 27th out of 145. In the same line, the Gender Profile for Mozambique

³ Instituto Nacional de Estatística - Moçambique em Números – 2013.

⁴ United Nations Department of Economic and Social Affairs, Population Division, *Profiles of ageing*, 2015.

⁵ EU Identification of the 11th EDF, geographical focus and rural development interventions, EuropeAid/132633/C/SER/Multi, February 2015.

⁶ <http://data.un.org/CountryProfile.aspx?crName=mozambique>.

⁷ <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>.

⁸ Median monthly expense per family in Maputo is around EUR 110 against EUR 30 in rural areas. *Relatório final do instituto nacional de estatística, orçamento familiar*, December 2015.

⁹ *Rural poverty portal*, IFAD, 2009.

¹⁰ *Financially Viable Media in Emerging and Developing Markets*, SIDA, 2010.

¹¹ *YouthMap Mozambique*, USAID and International Youth Foundation, 2015.

published in February 2016 concludes that there are sociocultural factors that discriminate and exclude women from social, political and economic opportunities, particularly aggravated by living in rural areas and illiteracy and that the country's largest challenge is the implementation of the progressive laws that protect the rights of women and girls.

Between 2009 and 2012, major reserves of coal and natural gas were discovered in the country, placing Mozambique in the spotlight of foreign investment, and at the same time large extensive programmes of plantation and land concession were planned. Resettlement, access to land and water, illegal logging, good governance of natural resources, became all important matters of discussion and lobbying for civil society. The majority of Mozambicans inhabit rural areas which are prone to weather and climate shocks, they have low adaptive capacities, and they are heavily reliant on climate-sensitive sectors such as agriculture and livestock. Mozambique is the only country in sub-Saharan Africa which is considered at high risk from all three climate hazards: drought, floods and coastal storms.

In 2004, the National Statistics Institute indicated around 5,000 formally recognised associations among local and international NGOs, community and faith based organisations, private sector organisations and trade unions, thematic and geographic platforms, foundations and movements. In 2007, the Civil Society Index¹² of Mozambique defined the general CSOs environment as neither openly hostile nor favourable and described organisations as structurally fragile and with a limited impact on public policies. Women represented only the 25% of CSO workers. In 2015, the EU-Mapping Study of Civil Society Organisations (CSOs) in Mozambique described an evolving situation where CSOs' contribution to governance and accountability has been increasing but remains limited to the action of few Maputo-based organisations. Local CSOs remain weak and exposed to the political context characterised by challenges in terms of checks and balances and political tolerance¹³. In 2016, increasing hostilities between government and the major opposition party and the disclosed debt crisis boosted inflation and worsened living conditions and became the major concern for the sustainability of development policies. Peace and fight against corruption are back again on the civil society agenda as Mozambique is entering a new important electoral cycle (2018-19) where civil society is expected to play a proactive and constructive role.

1.1.1 Public Policy Assessment and EU Policy Framework

According to the Five-Year Government Plan 2015-2019 (FYGP), civil society is a key governance actor and new efforts must be made to turn the established formal dialogue mechanisms more effective. CSOs' right to monitor social services provision, as well as the benefit of a larger CSOs participation to natural resources management, are recognised and pursued by the government. Nevertheless, the 1991 Law of Association¹⁴ still considers that CSOs should serve the public administration's interests and provides no clear coverage for governance, advocacy or lobby activities. Registration of local associations must be authorised by the Ministry of Justice, no tax exemption is applied to their activities and CSOs hardly obtain State funds. Freedom of expression and right to participation and information are granted by law and the Constitution, however, intimidation of opinion leaders has occurred and demonstrations sometimes are "de-authorised". At the same time, increasing CSOs' influence on governance issues is proved by those recent legal acts that have been approved after intensive CSOs campaigning, such as the child protection act (2003), the domestic violence bill (2009), the Cooperative Law (2009), the Law on Volunteering (2010), the Mines and Petroleum law and the Right to Information law (2014)¹⁵. The Constitution of 2004 explicitly recognises the principle of equality before the law for men and women. The 2005 Family law removed formal discriminatory regulations and the 2009 Domestic violence law made violence against women a public and not a private offence. The Five Year Government Plan (2015-19) promotes gender equality in all development, economic, social, and cultural areas and the Ministry of Gender, Children and Social Welfare has the mission to coordinate and promote actions towards gender equity. The country has a national gender strategy and a 2016 gender country profile which suggests priorities, coordination and monitoring

¹² *Índice da Sociedade Civil em Moçambique*, Civicus, EU, Aga Khan Foundation, UNDP, 2007.

¹³ *Mapping Study of Civil Society Organisations in Mozambique*, EU, July 2015 (hereafter "*EU Mapping*"). According to the *Avaliação Nacional sobre o Ambiente Propício para Actuação das OSC* (May 2015: http://joint.org.mz/wp-content/uploads/2015/10/EENA_Relat%C3%B3rio-do-Pa%C3%ADs-Mo%C3%A7ambique_Final_Maio2015_PORT.pdf), sometimes the government sees CSOs as potential threats to the established governance mechanism.

¹⁴ *I Serie, Número 29, Boletim da Republica*, 18 July 1991.

¹⁵ For more details and other examples, see the *EU Mapping*, Annex G (p.222) "*Recent cases in which the action of civil society resulted in legislative changes*": http://eeas.europa.eu/delegations/mozambique/documents/news/mappingsco/20151020_mappingstudy_onlineversion.pdf.

mechanisms. There are also sectoral gender policies aligned to line ministries such as gender policy for agriculture, for energy and others.

In 2005, the Law of Local Bodies of the State (LLB (LOLE in Portuguese)) created the main formal spaces for dialogue between citizens and government, the Community Participation and Consultation Institutions (IPPCs), which includes the Development Observatories (DO) at provincial and national level and the Consultative Councils (CCs) at district-level. CCs are considered partially inefficient, by both State and CSOs, the latter referring barriers to access to information, politicisation of dialogue and a weak representation of community interests. Nevertheless, all stakeholders consider DOs and CCs a positive achievement which has to become more effective.

According to the 2012 EU Communication "The Roots of Democracy and Sustainable Development: Europe's engagement with Civil Society in external relations", an empowered civil society is a crucial component of any democratic system and CSOs' participation in policy processes is key to ensuring inclusive and effective policies. Following the indications of this Communication, in 2015 a Mapping Study of Civil Society Organisations (CSOs) and a Joint Roadmap of the European Union, Member States and other partners for engagement with civil society¹⁶ were carried out in Mozambique with the overall objective of providing all interested parties with a comprehensive overview of CSOs' enabling environment in the country and possible options to maximise CSOs' support as actors of governance at national and local level.

1.1.2 Stakeholder analysis

Final beneficiaries: By promoting larger citizen participation and a gender sensitive approach to public life, resources allocation and management, the final beneficiary of the action will be the overall population, especially the poorest and most vulnerable.

Direct beneficiaries

a) Geographic Platforms (GPs): Communities are organised at the local level - water and health committees, local Consultative Councils (CCs) - up to district and provincial CSO platforms. These platforms are responsible for coordination, monitoring and evaluation of the government's plans; they include and should represent all the main CBOs within the area. Yet, with few notable exceptions¹⁷, these platforms are nowadays losing dynamism, with poor management and coordination capacity, and are often considered in competition with their own members. By law, 30% of CCs are women but the local plans adopted by these councils do not take particularly in consideration women issues.

b) Thematic platforms and Advocacy Organisations (TAOs): Over the past ten years, a group of knowledge based organisations¹⁸ gained space for dialogue combining evidence-based studies with professional capacities on the topics. Their work has often been focussed on gender, extractive and land projects, public expenditure tracking, social service delivery (education, health and social protection). These Mozambican Non-Government Organisations (NGOs) eventually converged in thematic platforms (social protection platforms, budget monitoring forums, natural resources platforms, etc)¹⁹ able to coordinate actions, share experiences and lobby with authorities, while others are regularly set up in order to play a more proactive role in key political developments including elections. These TAOs are based in Maputo and dispose of good financial and administrative capacities, yet they still have a reduced impact at provincial level, mainly due to a more challenging political environment, reduced human and financial resources of their members in the districts, and local public counterparts less accustomed to open participation.

c) Community Based Organisations (CBOs): CBOs represent the majority of civil society organisations in the country, counting the innumerable peasants' associations, water committees, natural resource management committees, health committees and women's groups. CBOs demonstrate engagement and have a good knowledge of communities' and citizens' rights needs and concerns but have very few resources, experience difficulties in accessing information and lack educated staff.

¹⁶ 21 partners: Austria, Belgium, Denmark, European Union, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, Norway, Portugal, Spain, Sweden, United Kingdom, UNICEF, United Nations, Canada, Switzerland, USAID.

¹⁷ Ex. Nampula, Manica. See Annex H of the *EU Mapping* for a provincial analysis.

¹⁸ The following stand out among others for their greater weight: the Centre for Public Integrity (CIP), the Institute of Social and Economic Studies (IESE) and, Centre for Learning and Skills Training of Organisations of Civil Society (CESC), the Living Land Centre (CTV), Environmental Justice (JÁ!), Human Rights League (LDH), LIVANINGO and Women and Law in Southern Africa (WLSA), National Union of Peasants (UNAC) Rural Mutual Aid Organisation (ORAM).

¹⁹ The most prominent are: Civil Society Forum for the Defence of Children's Rights (ROSC), Civil Society Platform on Natural Resources and Extractive Industry (PSCM), Civil Society Platform for Social Protection (PSC-PS), Mozambique Human Rights Network, Network of Organisations for Food Sovereignty (ROSA), Fórum Mulher, Mozambican Debt Group (GMD), Budget Monitoring Forum (FMO), the Rural Observatory (OMR).

Governmental Stakeholders: Government appears to be interested in reinforcing formal spaces for governance, regardless of the discrepancy between laws and practices. In this sense, the Ministry of State Administration (MSA) has recently signed a memorandum of Understanding with Action Aid Mozambique for increasing the technical and institutional capacities of the Consultative Councils and the Ministry of Justice is engaged in the revision of the Association Law. The only explicit State grant mechanism for CSOs is the EU funded Non-State Actors Support Programme (PAANE), managed by the Ministry of Foreign Affairs and Cooperation but implemented by an external technical assistance unit. Three others sector funds are open to local associations: the Funds for District Development (FDD linked to activities of the Consultative Councils)²⁰, the Funds for artistic and cultural development (FUNDAC – Ministry of Culture and Tourism) and the Funds for Youth initiatives (FAIJ – Ministry of Youth and Sport). With the exception of PAANE, the mechanisms of these funds are generally little known to citizens, considered not transparent and the quality of implementation is low because no accompanying measures are granted.

Development Actors and non-governmental stakeholders: Civil society in Mozambique has always relied on the international community and its grant mechanisms that have been opening since the end of the civil war for service delivery activities. Over the last decade, a number of international actors supported citizen participation by giving birth to some national-driven mechanisms and advocacy organisations (the above mentioned TAOs) that have today a relatively large experience with multi-donor procedures and core funding, they are independently audited and evaluated on annual basis and dispose of advanced public action plans. In September 2015, 21 international development actors joined efforts under the EU-led Roadmap initiative to place individual interventions to support CSOs in a broader collective framework made of three priorities: (a) enable a more conducive environment to the development of a strong, diversified and sustainable civil society, (b) support more effective civil society participation in dialogue on governance systems and development policies and (c) support civil society in policy monitoring and service delivery at local level.

The EU Delegation, together with the staff working on the Mapping Study, has met several times with relevant advocacy organisations, geographic platforms, CBOs and women's organisations (particularly during the elaboration of the Gender Action Plan 2016). Every step of this process has been discussed with the NAO and local authorities and presented to the international partners group preparing the Roadmap. The identified priorities have been approved by all stakeholders and openly discussed at the Mondlane University during the Mapping launching and became the core of the PAANE II initial Action Document. During the formulation phase, the EU Delegation with the NAO analysed the financial and operational capacity of possible beneficiaries together with the relevant national platforms and TAOs which participated actively in this process. For every priority, civil society platforms have been asked to meet internally and propose a coordinating actor, the main activities to be implemented, a provisional budget, and the overall expected results. PAANE II analysis and activities have been fully endorsed by all main stakeholders, including women's associations, so as to ensure adequate demand and ownership by both, CSOs and government.

1.1.3 Priority areas for support/problem analysis

PRIORITY 1: Enabling a more conducive environment for a strong, diversified and sustainable civil society (DIALOGUE)

Major obstacles: In Mozambique, four main challenges affect CSOs in their role of collective voices: (i) obsolete legislation on associations and practical limitations in terms of access to information, (ii) fears of reprisals and co-optation mainly at provincial level, (iii) ineffective formal dialogue mechanism and lack of efficiency by provincial CSO platforms and (iv) CSOs' internal governance and coordination (to be also treated under component 3). There is a perceived gap between practice and the legal framework, which is not well known, especially at local level; the lack of clear recognition of the varied roles of civil society is an obstacle, registration procedures are considered complex and expensive. CSOs that work on policy monitoring may experience unwarranted interference and opinion leaders can be physically threatened or coopted, especially at local level.²¹ Formal mechanisms to dialogue with civil society have not yet produced their desired impact. The gap between legal environment and practice is also the main factor limiting women

²⁰ Commonly referred as "7 million Funds".

²¹ In the *EU Mapping*, examples of cooptation and/or interference were reported several times during the provincial meetings with CSOs. Others studies explicitly refer to limitations and threats hampering freedom of expression and participation (ex. "Avaliação Nacional sobre o Ambiente Propício para Actuação das OSC" published by Joint, CIVICUS, International Center for Not-for-Profit Law (ICNL), ARTICLE 19 e World Movement for Democracy (WMD)).

participation together with socio-cultural aspects. Opportunities: The legislation in force and the Five Years Plan (FYGP) show the willingness of Government to engage with CSOs. There is an ongoing debate for amending the Association law and the promotion of the Consultative Councils (CCs) is underlined in the FYGP. Issues addressed: Dialogue is essential, and the CCs are the main formal existing spaces for this. PAANE II supports CSOs and institutions to enhance CCs' action through a more structured participation in such bodies and an effective application on the ground of the legal provisions.

PRIORITY 2: Civil society participation and policies monitoring becomes more effective (PARTICIPATION)

Major obstacles: The high level of technical competencies required to monitor and influence the decision making process reduces the number of actors able to participate effectively, in particular at local level, where human and financial resources are reduced and the perception persists that the farthest from the capital, the more repressive the environment is. Opportunities: TAOs act precisely on NIP focal sectors like budget monitoring, community based mechanisms for monitoring social services delivery, and rural development issues including use of land and women and men's different roles, responsibilities and capacities. TAOs have experienced donors' procedures and play an important role with regards to peace promotion through the organisation of peace rallies, round tables and media debates. Issues addressed: Continued investment in strengthening civil society's analytical work and using that evidence in professionally organised advocacy campaigns is key to increasing civil society's contribution. PAANE II contributes to TAOs' ongoing activities, reinforcing their expertise and makes it effective at community/local level.

PRIORITY 3: Building civil society capacity in political participation policy monitoring and service delivery at local level (CAPACITY BUILDING)

Major obstacles: Three main aspects put an organisation's credibility into question: (i) the extent to which the CSO is, or is perceived to be, independent, (ii) the degree of its internal governance and management capacity (fundraising, formulation, financial management, monitoring and evaluation) and (iii) its technical capacity/knowledge and ability to act. Only few organisations achieved full legitimacy in Mozambique: 1% of the registered CSOs employs one third of the human resources and obtains 40% of the funding²², while women were only 30% of NGOs' workers. Provincially based organisations in particular suffer from weaknesses in capacity and from the challenge of keeping highly educated staff working in rural areas. Opportunities: Recently, civil society has adopted a code of conduct²³ as well as a guide for monitoring its compliance, an important tool for capacity building and increasing credibility. There is the possibility of integrating EU support with the existing national programme of MASC Foundation based on renewed forms of capacity building. Issues addressed: Legitimate CSOs need to increase in number and in its geographical coverage. Promote effective participation and follow-up of the political processes at adequate levels including as regards electoral consultations. PAANE II supports a well-rounded and gender sensitive capacity building plan, which foresees the use of technologies, proximity mentoring and sub-grants for learning by doing.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
(Political climate) Current intermittent armed clashes between government forces and opponents armed groups spread out. Various districts become inaccessible.	Medium	<ul style="list-style-type: none"> Political dialogue under Article 8 of Cotonou Agreement Priorities and small grant mechanisms will be refocused on peace promotion Contribute to recognised electoral processes/results
(Human rights) Uncontrolled harassment against opinion leaders and associations.	Medium	<ul style="list-style-type: none"> Political dialogue under Article 8 of Cotonou Agreement CSO and EIDHR²⁴ call for proposals readapted in favour of HR defenders

²² *Sociedade Civil em Moçambique, Expectativas e Desafios*, IESE, 2010.

²³ *Acordo de princípios de conduta e ética das OSC em Moçambique*, Maputo 2014.

²⁴ European Instrument for Democracy and Human Rights.

		<ul style="list-style-type: none"> • Protection of HR defenders included and ad hoc individual cases discussion under priority 1
(Environment) Floods and drought alternatively hit districts hard.	Medium	<ul style="list-style-type: none"> • Emergency action with the Commission's Directorate General for Humanitarian Aid & Civil Protection (ECHO) or specific Linking Relief, Rehabilitation and Development (LRRD) actions (B envelope) • Small grant mechanisms under priority 3 will be refocused on humanitarian/resilience needs • Participatory planning at local level should enable more preventive actions
(Governance) Lack of political and civil society commitment, dialogue biased by political parties influence and civil society private interests.	Low	<ul style="list-style-type: none"> • Reinforced links with Good Governance and Development Contract (GGDC) • Resources readdressed to civil society's code of conduct compliance • Priority 1 refocused on commitment • One component of the programme aims at strengthening CSOs' internal governance and transparency
(Development) Decreasing funds for social sectors, increasing stakeholders' fragmentation, weak management by implementers.	Medium	<ul style="list-style-type: none"> • Reinforced links with GGDC • EU Roadmap partners group enhancing donor coordination • Contracting specific Technical Assistance
(Gender) Lack of gender sensitive approach maintains the status quo or increases the gender inequality.	Medium	<ul style="list-style-type: none"> • Include gender sensitive approach and gender desegregated data • Conduct a gender analysis and include gender sensitive language
Assumptions		
<ul style="list-style-type: none"> • Courts increase their independence. • Government remains open to CSOs' effective participation and consistent with DO and CC objectives. Civil society persists in seeking dialogue with institutions. • EU Roadmap partners group grants a common analysis framework and a plurality of funding. 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

According to PAANE mid-term review, the current EU initiative is *unique for what it tries to accomplish: an agreement between the government and the EU to appreciate the role of civil society for good governance and poverty reduction*. This evaluation considers PAANE's Response Demand Mechanism, which is a window of simplified mechanism for small CSOs, as a success but the programme as a whole is considered not very efficient in terms of value for money, despite the technical assistance's effectiveness in project administration. Suggestions for a phase II of PAANE include avoiding geographic dispersion and better focusing the calls for medium and small CSOs (sub-grants). Choosing to intervene at district level *is a positive decision but the quality of dialogue at that level depends on information and attitudes of the local government officers*. Thus, it is suggested to reinforce the relationships between local civil society and authorities.

The context assessment relies also on the findings of various works done in 2015: the EU-Mozambique Mapping Study of Civil Society Organisations, the EU-Roadmap, the Study of CSOs' sustainability produced by a group of intermediate NGOs funded by Finland, Switzerland, the Netherlands and USAID, and the Enabling Environment National assessment executed by the National Federation of Civil Society-Joint and CIVICUS. All partners converged around the following set of conclusions: a) The legal framework, including the one on gender participation, should be supported in its application in practice; b) Youth and rural communities are only partially reached so it is important to decentralise and facilitate access to funds

for the smallest and newest CSOs²⁵; c) When choosing to support CSOs as policy actors, core funding or similar mechanisms are preferable, as there is also a growing demand for tailor-made and locally-based capacity building.

3.2 Complementarity, synergy and donor coordination

EU programmes planned complementarity: An amount of 22 000 000 EUR of the 11th EDF NIP is set aside for supporting CSOs as a natural complement to the focal sectors of *Good Governance* and *Rural Development*, namely to enable citizens to play their role in the budget cycle, engage in dialogue with public institutions, monitor the quality of services delivered by the State. The Good Governance and Development Contract (GGDC)²⁶ for the Republic of Mozambique is based on budget support to be disbursed according to the general conditions²⁷ and specific conditions for eight indicators, three of which are directly linked to effective and quality delivery of health, education and social protection services. In addition, EIDHR and CSO-LA ongoing and future call for proposals are and will be conceived to complement the programme, being focused on access to information, participated natural resources management and promoting cultural and creative industries as alternative models for rural development.

Donor coordination: In 2015, the EU CSO mapping and roadmap processes led to the establishment of a Roadmap partners group (RMP) which meets three times a year with the objective of following up roadmap priorities and indicators, basically sharing "best and worst practices", discussing current CSOs "burning issues", and dialoguing with CSO national platforms. This group is directly linked to a second informal group recently established and managed by local CSOs, the *Roundtable CSOs/international partners*, which put together local CSOs, intermediate iNGOs and members of the RMP to dialogue on the basis of the four studies mentioned in 3.1. Similarly, a donor gender group is active whose main result has been recently the adoption, together with the government, of a gender action plan. Given this network, the EU Delegation strives to continuously update this intervention to ensure interactions, so that **PAANE II contributes to the overall CSO strategy already established and partially funded, instead of creating a new stand-alone programme.**

DIALOGUE priority is about legal environment and dialogue between institutions and NSAs at local level. UNDP implements the Strengthening Civil Society Participation in Policy Dialogue programme in collaboration with the Ministry of State Administration (MAE) to improve the quality of participation of civil society representatives in the Consultative Councils of Gaza, Nampula and Cabo Delgado provinces. In agreement with the same institutional partner, MAE, PAANE II will extend similar actions in other provinces, namely Tete, Niassa, Inhambane, Sofala and Cabo Delgado. Two other agencies, DFID (Democratic Governance Support Programme - DIALOGO) and the German Cooperation (Good Financial Governance Programme and Integrated Development Programme for Autarchies and Surrounding Rural Zones), are supporting the municipalities of Maputo, Beira (Sofala), Quelimane (Zambezia), Tete, Nampula, and some districts in the Manica, Sofala and Inhambane Provinces with the same objectives.

PARTICIPATION priority is about CSO engagement. Two national NGOs, CESC and NWETI, are supported by Irish Aid, DFID (Citizen Engagement Programme - CEP), the Swiss and Sweden cooperation (Citizens Demand for a Better Public Health Service Delivery Programme and Actions for Inclusive and Responsible Governance (AGIR)) in promoting a system of citizen monitoring for improving education and health services in some districts of Nampula, Cabo Delgado, Niassa, Gaza (co-funded by EU), Zambezia and Maputo. The Civil Society Platform for Social Protection and the national Budget Monitoring Forum (FMO) are also supported by various international partners all over the country. Similarly, many other large and medium NGOs are receiving institutional support from the AGIR programme (supported by Sweden, Denmark and the Netherlands and managed by four preselected Swedish NGOs). USAID is also formulating an intervention (Parceria Cívica para Boa Governação) starting in late 2017 which focuses on improving activism and organisational capacity of up to 12 Mozambican NGOs, mainly in Nampula and Zambezia

²⁵ "As Preocupações e Expectativas dos Jovens sobre o Desenvolvimento Sócio-Económico em Moçambique Evidências de Discussões de Grupos Focais", National Democratic Institute, Center for research on governance and development, Dec 2015 (released in March 2016).

²⁶ As agreed on 18/10/16, GGDC disbursement foreseen for 2016 is on hold. Some actions are being prepared under the Good Governance sector.

²⁷ 4 general conditions: 1) Satisfactory progress in the implementation of the PQG and continued credibility and relevance thereof; 2) implementation of a credible stability-oriented macroeconomic policy; 3) Satisfactory progress in the implementation of the Government's programme to improve and reform public finance management; 4) Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

provinces (where USAID intervention is also concentrated in HIV and communitarian approach). PAANE II will complete the scheme of intervention in Tete, Niassa, Inhambane, Sofala and Cabo Delgado provinces.

CAPACITY BUILDING priority is a cross cutting issue for many ongoing initiatives in favour of CSOs, principally delivered through the action of international NGOs or international technical assistance. The Civil Society Support Mechanism (MASC Foundation), partially funded by DFID, SDC, DANIDA, Irish Aid, is the only national well-established non-state actor which promotes a sustainable development of civil society in Mozambique through CSOs/CBOs' technical support, grants, social investment, resource mobilisation, horizontal studies. MASC has a five-year action plan 2015-2020 of USD 24 000 000, currently covered at 50%. PAANE II will contribute to this plan all over the country and will promote initiatives if deemed necessary in areas related to electoral participation and monitoring.

3.3 Cross-cutting issues

Good governance is the main objective of the programme, with two significant cross-cutting issues: gender and environment.

According to the Gender Country Profile 2016 (GCP)²⁸ in Mozambique there are sociocultural factors that continue to discriminate and exclude women from the social, political and economic life. Despite relatively large women's political participation at national level and a positive legal framework, at local level women are unaware of their rights and gender inequality remains a real obstacle in rural areas where over 90% of economically active women work. Men continue to be the principal owners of land, 67% of men are literate against only 36% of women and access to higher education is limited by the prevalence of gender based violence and forced child marriage (approximately half of all Mozambican girls still marry before the age of 18, the percentages being even higher in the rural areas). Nevertheless, the area of women rights stands out as a focus of vocal activism, with a strong representation of CSOs²⁹ and most of the recent cases in which the action of civil society resulted in legislative changes concern women's rights. The EU Gender Action Plan focuses on ensuring girls' and women's physical and psychological integrity, promoting the economic and social rights / empowerment of girls and women, strengthening girls' and women's voice and participation.

Considering that the livelihood of the vast majority of Mozambicans is based around the *machamba* (small family farm plot), issues linked to land tenure, biodiversity degradation and use of natural resources have a direct impact on the immediate subsistence of the most vulnerable rural population. Food security of most families depends on small-scale agriculture and economic benefits provided by biological diversity: approximately 80% of the population uses wood and charcoal for cooking purposes, many rural communities need bush meat for protein, local honey production is an important activity in central Mozambique as well as nature-based tourism initiatives along the coast. Loss or degradation of natural ecosystems (rate of deforestation calculated by the 2007 National Forest Inventory is 0.58% per year) will reduce food security, increase CO2-induced global climate change (more than 50% of cultivated areas are already at risk for drought and floods) and decrease revenues for local communities. The use of unsustainable agricultural practices, inadequate land planning and control (illegal logging, poaching, waste dumping, etc) and lack of communities' capacity to engage in an informed environmental decision making process are the main threats to Mozambique environment. At the same time, coal and hydrocarbon deposits and large plantation concessions have been involving resettlement of poor, rural communities, very often unsuited to benefit from employment opportunities generated by these international investors. Droughts, floods, and tropical cyclones pose a particular threat to coastal communities, transport infrastructure, and livelihoods that are dependent upon rain-fed agriculture, and floods in particular have been prevalent over the past few years. Similarly to the promotion of civil society and gender, all this occurs in an otherwise favourable legal and policy framework. Conservation Areas (23% of the country's land surface) are established also to assure *the social-economic well-being of poor communities that live nearby* and the National Policy and Strategy for Forest and Wildlife introduces the concept of Community-Based Natural Resources Management which encourages local community participation in the management and sustainable use of both forest and wildlife resources. In today's Mozambique context, improving CSOs participation has principally to do with environmental and gender rights. PAANE II will support CSOs' platforms working in these two sectors through dedicated grants.

²⁸ Financed by the EU, the study is currently under publication by the Ministry of Childhood, Gender and Social Affairs.

²⁹ For example Women and Law in Southern Africa (WLSA), Association for Women, Law and Development (MULEIDE), Women Forum (FORUM MULHER) and the Mozambican Association of Women Legal Professionals (AMMCJ), and almost all GPs have a women's rights group.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

Overall Objective (impact): Enhance participative, representative and gender sensitive democracy in Mozambique. Worldwide Governance Indicators (WGI), voice and accountability improves from 38/100 in 2015 to 45 in 2022. This objective contributes mainly to the Sustainable Development Goal n°16: *Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels*

Specific Objective: Public authorities and civil society are engaged in a constructive dialogue to build a stronger gender sensitive accountability system, an equal and tolerant society and reduce inequalities in a context of democracy and political participation.

These objectives have also been established according to the 2012 EU Communication "The Roots of Democracy and Sustainable Development: Europe's engagement with Civil Society in external relations"³⁰ and priority 1, point 24, of the Five-Year Government Plan 2015-2019 (FYGP)³¹.

The action has a national coverage for priority 3 and a geographic concentration in the provinces of Tete, Niassa, Sofala, Inhambane and Cabo Delgado for DIALOGUE and PARTICIPATION priorities. Geographic concentration is due to the complexity of working with consultative councils (more than 130 in all country) and the necessity to create synergies and complementarities with other non-EU interventions. Civil society presence and strength, as well as coherence with the current EDF and budget lines and CSOs EU support distribution per province, are the other important factors taken into consideration.

Outputs are structured around the following three priorities: dialogue, participation and capacity building. By the end of programme, it is expected that:

1. The environment for a strong, diversified and sustainable civil society is more conducive (DIALOGUE). This output contributes to SDG 16.10 *Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements*
 - O1.1 Consultative Councils are effective and participative;
 - O1.2 Public access to information is improved and a more comprehensive Association law is implemented.
2. Civil society participates actively and effectively in policy making and monitoring (PARTICIPATION). This output contributes to SDGs 1.3, *Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable*; 3.8, *Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all*; 4.6, *By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy*; 5.2, *Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation*; 15.9, *By 2020, integrate ecosystem and biodiversity values into national and local planning, development processes, poverty reduction strategies and accounts*;
 - O2.1 Citizens and CBOs are better informed and capable of claiming their rights, the fulfilment of quality standards in public service delivery, and the use of participatory mechanisms in national and local policy making;
 - O2.2 Increased evidence-based influence of provincial and national CSOs' networks on the formulation of sectorial policies.
3. CSOs capacity at local level is improved (CAPACITY BUILDING) as well as their ability to play a role in contributing to democratic life at national level. This output contributes to SDG 16.6, *Develop effective, accountable and transparent institutions at all levels*;
 - O3.1 Increased number and geographic coverage of credible and transparent CSOs;

³⁰ Page 1: "An empowered civil society is a crucial component of any democratic system and is an asset in itself".

³¹ Consolidate democracy through a permanent dialogue between State and CSOs for a more tolerant society.

- O3.2 Empowered CSOs contribute effectively to democracy, elections and social justice.

These three priorities correspond to the ones identified through the Roadmap and the priorities set by civil society. However, a few elements have been re-arranged from one priority to another³², mainly for operational purposes i.e. to ease correspondence of each envisaged activity of the future programme (and its implementation modality) to each one of the three priorities.

Indicators (see appendix) have been chosen to try to harmonise the expected outputs, the EU result framework - EURF³³ - and the national Performance Assessment Framework (PAF).

Objective indicators measure development progress in Mozambique which should result from the collective action of the partner country, donors and other development actors (level 1 according the EURF); they all correspond to the roadmap indicators. *Result indicators* are focused on direct outcomes more closely linked to the PAANE II programme (level 2, according the EURF) but also on aggregate information (coming from roadmap indicators) which will demonstrate how the programme contributes to overall development progress (level 1).

4.2 Main activities

1. **DIALOGUE.** This component has to be implemented in close collaboration with authorities and will focus on two aspects: (a-O1.1) formal dialogue mechanisms (Consultative Councils (CC) and Development Observatories (DO)), (b-O1.2) legal framework. Key activities are: (O1.1) support CSO advocacy for organising CC/DO on time and legal assistance for CSO members; support local authorities to organise and manage CC/DO; sub-grants and mentoring to NGOs, CBOs, provincial and district platforms for effective participation in CC/DO; continuative training and capacity building for local authorities and CBOs on dialogue, networking, advocacy, decentralisation, good governance; seminars on good practices; studies on formal spaces and according to CBOs' needs; support interaction between CSOs and provincial assemblies. (O1.2) Key activities are: seminars, trainings, events and meetings to make the information law, the Law of Local Bodies of the State and the association law known by officials (lawyers, private sector, local authorities, civil servants), citizens and CBO; support to local administration to comply with the laws (incl. registration and database); production of material (video, leaflet, resumed and simplified version of the law) in Portuguese and local languages; expanding the *Kuvonelela* on line platform (www.kuvonelela.org.mz) on law implementation monitoring; sub-grants to NGOs and CBO for independent community-based monitoring system.

2. **PARTICIPATION.** This component considers TAOs as direct beneficiaries and should include mechanisms similar to core funding for TAOs to develop further their evidence-based strategies. Social services (education, health and social protection), budget monitoring, environment and gender rights will be the subsector concerned. Two main axes are envisaged: (RO.1) progress in citizens' information and effective democratic monitoring, incl. at local level and (O2.2) increased CSOs' influence on the formulation of sector policies; publication of provincial and district budget; budget tracking and analysis. Key activities are: (O2.1) Community monitoring through Community Score Cards (CSC) and social audit; raise citizens' and public authorities awareness on their rights, duties, participatory spaces, quality standards, community dialogues, through information campaigns, interpersonal communication, community radios and theatre groups; capacity building to co-management committees (health centres, school councils, social protection permanents, community-based natural resources committees; gender committees and citizens budget); support to district platforms on monitoring and engagement with service providers and authorities; expansion of *Olavula* (www.olavula.samaadhaan.org) and other online monitoring platforms. (O2.2) Support for the utilisation of community collected evidences to influence provincial policies and plans (Namely: DSP - District Economic and Social Plan and Budget, PSP - Provincial Economic and Social Plan and Budget); producing position papers; perform studies and advocacy campaigns; write State of the Sector Reports.

With references to cross cutting issues, gender rights and environment will be the object of two specific grants (see section 5). The objectives of the actions are tuned under the *participation* priority, with two specific sub-priorities.

³² Dialogue mentioned in Priority 1 instead of 2; issues relating to internal governance have been coupled with capacity building in priority 3 – as very likely the two issues will involve common activities/same implementer in practice.

³³ Commission staff working document, *Launching the EU International Cooperation and Development Results Framework*, SWD(2015) 80 final

According to CSO analysis, the most important environmental concern is related to the democratic management of natural resources. The legal framework (Land Law, Resettlement regulation, Mines Law, Petroleum Law, Forest and wildlife Act) ensures community participation and shares but its application in practice is challenging. PAANE II intends to support community-based natural resources committees and CSOs for accompanying measures (i.e. helping communities on land negotiation, land property certification, community pilot projects on forest management...).

The first EU-Gender Action Plan priority is preventing and combating violence against women and girls with a specific focus on sexual and reproductive decisions. Women's marginalisation intersects with other inequalities, such as ethnicity, age, ability, language, gender identity, sexual orientation, and creates multiple layers of discrimination in particular in rural areas where women rights' unawareness, low level of education, gender based violence and forced child marriage frustrate women ambitions. The legal framework (Domestic Violence bill, Mozambique's national strategy on child marriage, abort depenalisation) should ensure women's integrity but its application is hampered by persisting negative practices. Through a dedicated grant supporting a gender-active platform (and its CSO members), PAANE II would contribute to the dissemination and application of the legal framework for preventing and combating violence against women (i.e. legal assistance, access to social and psychological services to survivors, men's engagement in prevention, family planning, advocacy against gender stereotypes).

3. CAPACITY BUILDING: This component will support the existing national mechanism (MASC Foundation) for building capacities and reinforcing sustainability of decentralised CSOs. According to the MASC action plan, two main objectives are indicated: (O3.1) to increase the number and geographic coverage of credible and transparent CSOs and (O3.2) to improve CSOs' contribution to effective democracy and social justice at local level, including actions related to the electoral cycle (participation, monitoring) and/or peace and reconciliation. Key activities are: (O3.1) diligence test for assessing each potential beneficiary organisation (including gender balance amongst its staff) and identifying internal needs; direct support during a so-called incubation period (before the organisation receives grants: on financial management, operationalisation of governing bodies, establishment of basic organisational policies, support to publishing reports and accounts); granting longer term capacity development through a system of mentoring, interns and volunteers; establishment of a certification system based on the Ethic Conduct code for CSOs. (O3.2) managing a system of sub-grants (see under "intervention logic"); providing skills development in negotiation, lobbying, mitigation of risk, community mobilisation, setting up advocacy campaigns, and/or lobbying; improving links between CSOs and media in formulating, implementing, and monitoring of government policies; use of research and information produced by CSOs in government policies by grants to targeted research, independent reporting and involvement of trained youth citizens and other citizens' engagement activities in the electoral process.

4.3 Intervention logic

The intervention logic is built on the "Mozambique EU & partners' country roadmap for engagement with civil society" and the Five-Year Government Plan 2015-2019.

PAANE II is a scaling up of PAANE I in accordance with the main conclusions drawn by the mid-term evaluation which judged very appropriate (*The relevance of PAANE could not be stronger...see chapter 2.1*) the thematic of dialogue and leadership and criticised the method of implementation, costly and poorly connected with local CSO structures (see main weakness, under section 3).

A gender sensitive environment more conducive to a strong civil society engagement in dialogue (priority 1) with public authorities, at local and national level, is considered crucial to make Mozambique's development more inclusive. If CSOs acted in a more open space, their formal participation would be more effective and the relevance of the Consultative Councils would improve. Similarly, a better access to information through the application of the relevant legislation is key to increase civil society's influence on decision-making.

Civil society efforts on policy monitoring are only rarely taken at heart by local authorities, while these independent assessments are crucial to understand how investments affect the lives of ordinary citizens, and in particular women. On the other hand, civil society needs to guarantee sufficient technical capacity to produce quality contributions and to work in line with local development plans. Supporting the existing independent policy monitoring models in the key sectors of education and health, social protection, management of public budget and natural resources, gender rights will make civil society participation

(priority 2) evidence-based and thus more influential. These models are based on the effective functioning of local thematic committees which would be capacitated to claim their rights and collect evidence to inform provincial and national CSOs' networks and sector policies.

CSO dialogue and participation are biased if organisations are not legitimated to represent citizens. Legitimacy depends on accountability, transparency and capacity but CSOs are often too fragile at provincial level, with no workable internal governance, lack of expertise and unclear strategies. A tailored and sustainable **capacity building** (priority 3) strategy is needed. By supporting the MASC foundation, PAANE II will offer a package of learning by doing throughout various steps: identification of key priority areas and issues to be addressed through political economic analysis (PEA) at sub-national level; identification of key actors through an open bidding process; assessment of proposals in terms of eligibility of the applicant and its potential to impact on the issues identified in the PEA; organisational capacity and risk assessment through a detailed on site organisational assessment and self-assessment; drafting of a detailed Organisational Capacity Development Plan; drafting and submission of a complete project document; Monitoring and Evaluation during the implementation phase; dissemination of results, information, knowledge and lesson learning; financial management and compliance of a grant; risk management.

A local legitimate civil society, able to monitor public policies and be involved in the election process, will engage in a constructive and peaceful dialogue with public authorities to build a more tolerant and equal society. Participatory democracy will be enhanced.

This project is based on three fundamental assumptions: (a) PAANE II is inscribed on the roadmap priorities which allow situating partner interventions in a collective framework and, as such, adds a strategic dimension to programming: positive results can only be obtained if this collective framework is kept working; (b) Given that one of the main issues is the gap between a permissive legal framework and differing practices, it is fundamental that government remains committed to the application of its legislation; (c) PAANE II will finally scale up the existing CSOs' mechanisms and advocacy organisations (TAOs), following the evidence based assumption that these mechanisms are working and that civil society will persist in seeking dialogue with institutions. For the three priorities, sub granting to small and medium CSOs in order to help achieving the objectives of the action is the main purpose of the action.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to Article 17 of Annex IV to the ACP-EU Partnership Agreement.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is **72 months** from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

5.3 Implementation of the budget support component

N/A

5.4 Implementation modalities

5.4.1 Grants: call for proposals - Civil society participates actively and effectively in policy making and monitoring in natural resources management and gender rights (direct management) (PARTICIPATION priority 2)

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The call will have two lots, for gender equality and natural resources management. Only one grant per lot will be attributed.

General objective: Enhance participative democracy

Specific objective: Civil society participates actively and effectively in policy making and monitoring on gender and natural resources issues.

Outputs:

- Citizens and CBOs are better informed and capable of claiming their rights and use participatory mechanisms in national and local policy making.
- Increased evidence-based influence of provincial and national CSOs' networks on the formulation of sector policies.

Priorities and activities:

- Lot 1 – natural resources. The selected priority aims to increase the impact of community-based natural resources committees, to widen public knowledge and claims on natural resource management and protection and climate change adaptation issues. Eligible activities must be related to ensuring independent monitoring and advocacy for the enforcement of the legal framework on natural resources (Land Law - *Leis de Terra* 19/97 and the Resettlement regulation - *Regulamento do Reassentamento* 31/2012, Mines Law - *Lei das Minas* 20/2014, Petroleum Law - *Lei do Petróleo* 21/2014, Forest and wildlife Act – *Lei das Florestas e da fauna*, Mozambique's National Climate Change Adaptation and Mitigation Strategy 2015-2025) and to support CSOs accompanying measures for its implementation (i.e. helping communities on land negotiation, land property certification, community pilot project of forest management, independent investigation and researches, climate change adaptation and mitigation measures).
- Lot 2 – gender equality and women's empowerment. The selected priority aims to ensure women's activism in the decision making process, by first protecting the physical and psychological integrity of girls and women. Women led platforms, CSOs and CBOs will be supported for an effective and coordinated response and support to survivors and to improve women participation in formal and informal spaces. Eligible activities must be related to ensure women participation in Local Councils sessions and adopted documents, independent monitoring for the enforcement of the legal framework preventing and combating violence against women and girls (Domestic Violence bill - *Lei Contra Violência Doméstica* 29-2009, Mozambique's national strategy on child marriage - *Estratégia Nacional de Prevenção e Combate aos Casamentos Prematuros em Moçambique* 2016-2019 - proposed abortion Law - *proposta Lei da Interrupção Voluntária da Gravidez*) and to support CSOs accompanying measures for its implementation (i.e. legal assistance, access to social and psychological services to survivors, men engagement on prevention, family planning, advocacy against gender stereotypes, community awareness activities to challenge cultural and harmful practices for women and girls).

(b) Eligibility conditions

In order to be eligible for a grant, the lead applicant must be non-profit-making and a non-governmental organisation in its capacity of representing a sector platform or network established in Mozambique. Guidelines will be drafted in such a way as to encourage wide partnerships/consortia among local actors and to allow funding for the platform's strategic action plan. International or Mozambican co-applicants may be foreseen. Partnerships and/or activities with media and/or university/research institutions will be encouraged. At the moment of submitting the proposal, the consortium of lead applicant and co-applicant should preferably have offices, equipment and staff in the majority of provinces where the activities are implemented: Tete, Niassa, Sofala, Inhambane and Cabo Delgado.

Subject to the information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 2 500 000 and the grant may be awarded to one consortium of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant (its implementation period) is **70 months**.

(c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 100%.

In accordance with Article 192 of Regulation (EU, Euratom) No 966/2012, applicable in accordance with Article 37 of (EU) Regulation 2015/323, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative timing to launch the call

December 2017.

5.4.2 Grant: direct award: Civil society participates actively and effectively in policy making and monitoring in education and health, social protection, management of public budget (direct management) (PARTICIPATION)

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

In order to enhance participative democracy, this grant has the objective to make civil society policy monitoring more effective and gender sensitive on education and health sectors. Through a geographic and qualitative extension of the existing informal participatory mechanisms, CSOs are expected to have more influence on policies formulation and citizens to better claim for their rights.

(b) Justification of a direct grant

Under the responsibility of the responsible Commission's authorising officer, the grants may be awarded without a call for proposals based on Article 190(1)(c), RAP, to CESC (Centre for Learning and Skills Training of Organisations of Civil Society) and N'WETI (Communication for Health, moon in local language).. Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because this consortium has a de facto monopoly, as it has an exclusive and generally recognised competence in the field of Community Score cards and the two organisations are the only ones capable of operating in this field at national level. They are currently implementing a national system of citizen monitoring for health and education services under the CEP (the Citizenship and Participation Programme will end in 2018).

(c) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 100%.

In accordance with Article 192 of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 37 of (EU) Regulation 2015/323, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to conclude the grant agreement

First trimester 2018.

5.4.3 Grant: direct award: Civil society participates actively and effectively in policy making and monitoring in education and health, social protection, management of public budget (direct management) (PARTICIPATION)

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

In order to enhance participative democracy, this grant has the objective to make civil society policy monitoring more effective and gender sensitive on budget tracking. Through a geographic and qualitative

extension of the existing informal mechanisms, CSOs are expected to have more influence on public budget elaboration and accountability.

(b) Justification of a direct grant

Under the responsibility of the responsible Commission's authorising officer, the grants may be awarded without a call for proposals based on Article 190(1)(c), RAP, to FMO (Budget Monitoring Forum). Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because of de facto monopoly: FMO is the only CSO platform on participatory budget existing in the country, working with a system of sub-granting to its members in various provinces. FMO has already established numerous linkages with the National and Municipals Assemblies.

(c) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 100%.

In accordance with Article 192 of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 37 of (EU) Regulation 2015/323, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to conclude the grant agreement

First trimester 2018.

5.4.4 Grant: direct award: Civil society participates actively and effectively in policy making and monitoring in education and health, social protection, management of public budget (direct management) (PARTICIPATION)

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

In order to enhance participative democracy, this grant has the objective to make civil society policy monitoring more effective and gender sensitive on the national strategy for social protection. Through a geographic and qualitative extension of the existing informal mechanisms, CSOs are expected to have more influence on policies formulation and citizens to better claim for their rights.

(b) Justification of a direct grant

Under the responsibility of the responsible Commission's authorising officer, the grants may be awarded without a call for proposals based on Article 190(1)(c), RAP, to PSCM-PS (Civil Society Platform for Social Protection). Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because of de facto monopoly, as PSCM-PS is the only CSO platform monitoring the national strategy for social protection through an already existing system of community monitoring mechanism. It has already executed numerous national campaigns against inequalities and supporting budget increasing for the strategy.

(c) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 100%.

In accordance with Article 192 of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 37 of (EU) Regulation 2015/323, if full funding is essential for the action to be carried out, the

maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to conclude the grant agreement

First trimester 2018.

5.4.5 Grant: direct award: CSOs capacity at local level is improved- (direct management) (CAPACITY BUILDING)

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

In order to enhance participative democracy, this grant has the objective to improve advocacy oriented CSOs capacity. Supporting the national MASC (Civil Society Support Mechanism) granting and mentoring system, the number of credible and transparent provincial CSOs provincial is expected to increase as well as their capacity to contribute effectively to democracy and social justice.

(b) Justification of a direct grant

Under the responsibility of the responsible Commission's authorising officer, the grants may be awarded without a call for proposals based on Article 190(1)(c), RAP, to MASC. Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because MASC is the only national foundation offering nation-wide capacity building services to CSOs and managing a system of call for proposals for grants to CSOs. It has already granted more than 50 NGOs and its performance is annually independently evaluated and audited.

(c) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 100%.

In accordance with Article 192 of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 37 of (EU) Regulation 2015/323 if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to conclude the grant agreement

First trimester 2018.

5.4.6 Indirect management with the partner country (DIALOGUE, priority 1)

A part of this action with the objective of creating a more conducive environment for a strong, diversified and sustainable civil society may be implemented in indirect management with the Republic of Mozambique in accordance with Article 58(1)(c) of the Regulation (EU, Euratom) No 966/2012, applicable in accordance with Article 17 of Regulation (EU) 2015/323 according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement and grant procedures

Payments are executed by the Commission.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012 EDF applicable in accordance with Article 36 of Regulation (EU) 2015/323 and Article 19c(1) of Annex IV to the ACP-EU Partnership Agreement, the partner country shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU,

Euratom) No 966/2012, applicable in accordance with Article 17 of Regulation (EU) 2015/323, will be laid down in the financing agreement concluded with the partner country.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

	EU contribution (in EUR)
Priority 1 DIALOGUE	3 000 000
5.4.6 Indirect Management with partner country, grant	3 000 000
Priority 2 PARTICIPATION	12 500 000
5.4.1 Call for proposals (2 lots, 2 grants) - <i>Civil society participates actively and effectively in policy making and monitoring in natural resources management and gender rights</i> - subsectors gender and environment (direct management)	5 000 000
5.4.2 Direct grant to consortium CESC/NWETI, subsector education/health (direct management)	2 500 000
5.4.3 Direct grant to FMO, subsector budget monitoring (direct management)	2 500 000
5.4.4 Direct grant to PSCM-PS, subsector social protection	2 500 000
Priority 3 CAPACITY BUILDING	5 000 000
5.4.5 Direct grant to MASC (direct management)	5 000 000
5.9 Evaluation, 5.10 Audit	600 000
5.11 Communication and visibility	300 000
Contingencies	600 000
Total	22 000 000

5.7 Organisational set-up and responsibilities

A Steering Committee of the project shall meet once a year to decide the overall direction of the project and following the indicators. The committee will be chaired by the NAO and set up by Action Aid Mozambique (AAMoz) with the participation of all implementing partners and line ministries. For the follow-up of the Financing Agreement, a technical committee will be managed by EU and secretariat assured by AAMoz tentatively every three months (at least for the first year) in Maputo between NAO, implementing parties and EU. AAMoz will simply put at the NAO/EU's disposal the means to hold these committees on the overall programme, providing secretarial services only.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of

achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Most of the sources of evaluation are international reports: Worldwide Governance Indicator on voice and accountability and participation & human rights, Civicus Enabling Environment Index measuring the political and policy context within which CSOs operate, Open Budget Index, the National Human Development Index. Others are already linked to the national Performance Assessment Framework which is monitored by the statistic offices of all government sectors and validated by a biannual verification mission made by World Bank experts. For both those kind of indicators, PAANE II will have just to collect the reports once published. Only 5 indicators will have to be measured through sources of verification under the responsibility of the programme: number of Development Observatories / Consultative Councils held per year nationwide, proportion of the population satisfied with their last experience of public services, number of women and men who have secure tenure of land, number of CSOs which sign a code of conduct and have a positive score for monitoring compliance, number of CSOs funded through the small grant mechanisms. Nevertheless, the sources of verification for these indicators are already established and followed by the implementer because part of the action they are developing, partners will have just to fix the baseline.

5.9 Evaluation

Having regard to the importance of the action, a mid-term and final evaluation(s) will be carried out for this action via independent consultants contracted by the Commission. The mid-term evaluation will be carried out for learning purposes, in particular with respect to the absorption capacity of the CSOs, accountability and assessment of the initial priorities. The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the outcomes results.

Commission shall inform the implementing partner at least 15 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities. The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract in 2020 and 2022.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements. Indicatively, one contract for audit services shall be concluded under a framework contract in 2024.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above. In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements. The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Most of the visibility and communication initiatives will be implemented by the implementing actors through the budget available in their respective contracts. Some others communication activities, in particular events organisations and management of social media, could be directly contracted by EU through a procurement or grant (line 5.10).

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ³⁴

	Results chain	Indicators ³⁵	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Enhance participative, representative and gender sensitive democracy in Mozambique	1- Worldwide Governance Indicators (WGI), voice and accountability (percentage)** (EURF, indicator 6, level 1) (roadmap indicator)	1.-38/100 (2015)	1.-45 (2022)	1-WGI report	
Specific objective(s): Outcome(s)	SO1 Public authorities and civil society are engaged in a constructive dialogue to build a stronger gender sensitive accountability system, a tolerant and equal society and reduce inequalities in a context of democracy and political participation.	1.1-Civicus Enabling Environment Index, (the political and policy context within which CSOs operate)* (roadmap indicator) 1.2-Open Budget Index* (roadmap indicator)* 1.3-Ibrahim Index of African Participation & Human Rights (roadmap indicator)*	1.1-0.43/1 (2013) 1.2-38/100 “minimal” (2015) 58.3/100 (2015)	1.1-0.51 (2022) 1.2-40 to 60, “limited” (2022) 1.3-64/100 (2022)	1.1-CEEI report 1.2-OPI report 1.3-Ibrahim Index of African report	Peace Agreement is enforced (internal conflict doesn't make unreachable a larger part of the country)
Outputs	O1 The environment for a strong, diversified and sustainable civil society is more conducive	1.1-% of requests for information by citizens which are satisfied on time.* (National Performance Assessment Framework PAF 13) 1.2-Number of Development Observatories / Consultative Councils held per year nationwide (participants disaggregated by sex, baseline of 28% women)	1.1-N/A (<30%) 2014 1.2-0 / to be established for year 2016 by Action Aid Mozambique in collaboration with State Administration Ministry	1.1-60% (2022) 1.2-4 DO 5 per year / 58 CC per year	1.1-PAF (according to article 4 of the Information law) 1.2-Action Aid reporting	Government remains consistent with Development Observatories and Consultative Councils objectives.
Outputs	O2 Civil society participates actively and effectively in policy making and monitoring	2.1-Proportion of the population satisfied with their last experience of public services, disaggregated by sex 2.2-Proportion of families	2.1-To be established by CESC through the Community monitoring system reports, for baseline in 2016 2.2-15,26% (2015)	2.1-+20% 2.2-20% (2020)	2.1-Community score cards system 2.2-PAF	Freedom of expression, association and press is respected by law and in practice

³⁴ Indicators aligned with the relevant programming document are marked with '*' and indicators aligned to the EU Results Framework with '**'.

³⁵ Most of the indicators (WGI, OBI, Ibrahim index) are already gender sensitive.

		<p>covered by social protection floors disaggregated by sex**, (PAF 10), (EUF 28)</p> <p>2.3-Percentage of women aged 20-24 years old who were married before their 15th/18th birthday** (EUF, indicator 32)</p> <p>2.4 Number of-DSP (District Economic and Social Plan and Budget) and PSP (Provincial Economic and Social Plan and Budget) published online * (PAF 14)</p> <p>2.5-Number of women and men who have secure tenure of land with EU support**, (EUF 8, level 2)</p>	<p>2.3-50% (2015)</p> <p>2.4-0</p> <p>2.5-To be established for baseline in 2016 by the implementing actor</p>	<p>2.3-40%</p> <p>2.4-3 DSP, 30 PSP</p> <p>2.5--+20%</p>	<p>2.3-Gender Action Plan Universal Periodic Review – Mozambique (OCHR)</p> <p>2.4-Websites</p> <p>2.5-To be established</p>	
	O3 CSOs capacity at local level is improved	<p>3.1-Number of CSOs which sign code of conduct and have a positive score for monitoring compliance</p> <p>3.2-Number of CSOs funded through the small grant mechanisms</p>	<p>3.1-To be established by MASC foundation, before the signature of the contract, for baseline in 2016</p> <p>3.2-29 (2013-2015) PAANE</p>	<p>3.1--+20%</p> <p>3.2-90 (70% on advocacy) (2020)</p>	<p>3.1-MASC reporting</p> <p>3.2-MASC reporting</p>	<p>EU Roadmap partners group grants a common analysis framework and a plurality of funding avoiding double funding</p>



EN

This action is funded by the European Union

ANNEX 3

of the Commission Decision on the Annual Action Programme 2017 in favour of the Republic of Mozambique to be financed from the 11th European Development Fund

Action Document for Mozambique Energy Project Preparation Facility

1. Title/basic act/ CRIS number	<u>Mozambique Energy Project Preparation Facility</u> CRIS number: MZ/FED/039-635 financed under the 11 th European Development Fund (EDF)			
2. Zone benefiting from the action/location	Republic of Mozambique The action shall be carried out at the following location: Republic of Mozambique whole country			
3. Programming document	National Indicative Programme (NIP) for Mozambique 2014-2020			
4. Sector of concentration/ thematic area	Rural Development	DEV. Aid: YES ¹		
5. Amounts concerned	Total estimated cost: EUR 11 000 000 Total amount of EDF contribution EUR 10 500 000 This action is co-financed in joint co-financing by: GIZ (EUR 500 000)			
6. Aid modality and implementation modalities	Project Modality Indirect management with Mozambique Indirect management with GIZ			
7 a) DAC code(s)	23000 – Energy generation and supply 23010 – Energy policy and administration management			
b) Main Delivery Channel	12000 – Recipient government			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	X	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	X
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>

¹ Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	X
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	Sustainable energy. Contribution to the SE4All objectives: (i) ensure universal access to modern energy services, (ii) double the rate of improvement in energy efficiency and (iii) double the share of renewable energy in the global energy mix. Investment support for improved access to sustainable energy services.			
10. Sustainable Development Goals (SDGs)	SDG-7 Universal access to affordable and clean energy SDG-13 Climate action to combat climate change and its impact			

Summary

Mozambique's Renewable Energy Atlas (2015) has proved that the country is endowed with an extraordinary mix of renewable energy sources. The least cost effective generation projects identified by the Atlas that could be developed in the short term add up to 7 GW. This potential could satisfy both Mozambique's internal electricity demand and the current deficit of the South African Power Pool (SAPP) making Mozambique one of the energy key players in the SADC (Southern African Development Community) region. Anyhow, current energy access rate in the country is amongst the lowest in the region, with 26% rate connection to the grid and less than 10% to the off-grid (unchecked).

The Government of Mozambique is showing a significant commitment to improve the current picture by developing available resources. Besides the implementation of the National Five Year Plan (Plano Quinquenal do Governo (PQG) 2015-2019), the Government is relying in the elaboration of a National Electrification Master Plan and a New National Energy Strategy, the restructuration of the Energy National Fund (Fundo de Energia (FUNAE)) and the creation of an Energy Regulatory Authority (ARENE) to tackle this challenge. In addition, Mozambique has subscribed both the SE4All objectives and the SDGs with the main objective of providing universal access to energy services by 2030. The Government's recent signature of the Joint Declaration on Renewable Energy with the EU and its member states present in Mozambique at the COP22 in Marrakesh is a proof of the country's commitment to the renewable energy sector development and the fight against climate change.

Universal access to modern, sustainable, affordable and clean energy services has been identified as a necessary condition to support the two-pronged approach agreed for rural development focal sector in the framework of 11th EDF NIP: (i) improving food access through production improvements and (ii) enhancement of rural competitiveness through improving living conditions in rural areas and development of private sector activities.

Therefore the Action's specific objective is to achieve and improve access to sustainable and affordable energy to population (gender equitable) and private sector operators, particularly in rural areas, by an enabling environment towards leveraging investments. The Action will try to address major barriers identified in the energy sector to facilitate the development of vast untapped renewable energy resources, mainly: i) low institutional capacity to deal with this new source of energy; ii) lack of an appropriate regulatory framework limiting the participation of the private sector; and iii) absence of tools that could contribute to mature projects up to the level of active development and/or financial close.

Major beneficiaries for this Action will be the Ministry of Mineral Resources and Energy (MIREME), the power state utility Electricidade de Mozambique (EDM), the National Energy Fund (FUNAE), the National Energy Council (CNELEC to be transformed into a Regulator) and the Private Sector. Training, policy and legal advisory services, project marketing, coordination activities reinforcement and technical assistance to conduct required studies to uplift projects to financial close are amongst the activities proposed to be implemented.

The Action will address concerns from both the public and the private sector while paving the way for quick investment. In a second phase, projects supported by this Facility should feed financial instruments such as ElectriFI and AfIF (Africa Investment Facility) under a Mozambique specific window or a direct investment programme funded by the 11th EDF NIP.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Mozambique has a population of approximately 28 million (52% women)², growing at 2.8% per year³, highly dispersed all over the country (low density of 33 people per sq. km.⁴), of which 46% are under 15 years of age. The country is among the poorest in the world, ranking 181 out of 188 on the 2015 Human Development Index. As well it ranks 135 out of 155 in the UNDP gender inequality index report 2015 and 27 out of the 145 in 2015 Gender Gap Report. In recent years, economic growth, driven by the extractive sector, has been strong, exceeding 7%, and income per capita rose on average by 5% per year. In the same period, poverty rates did not decrease and the Gini-coefficient deteriorated from 0.445 (1998) to 0.470 (2014). While the agricultural sector still represents more than a quarter of the Gross Domestic Product (GDP), its growth has been slower, reaching an average 5%. In the absence of a vibrant manufacturing sector and given low contribution of mineral resources development to poverty reduction, agriculture will remain, for the foreseeable future, the biggest employer of the large majority of the population living in rural Mozambique (+/- 70%). Living standards remain extremely low in rural areas among small-scale farmers⁵ with 50.1% of the rural population under the national poverty line⁶ in 2014. High rates of illiteracy persist in northern and central Mozambique (64% in the provinces of Cabo Delgado, Nampula and Zambézia). At national level, there is a substantial disparity between illiteracy rates for men (30.1%) and women (57.8%). The country as also a high HIV/AIDS prevalence rate of 11.5% especially among girls aged 15 to 24 (estimated to be 11.1% and nearly three times higher than in boys of the same age), and one of the worst nutrition indicator in Africa, with child stunting rates of 43% (of which 24% severely) in 2013.

The macroeconomic situation in Mozambique has deteriorated since the second quarter 2015 due to external (commodity prices, droughts, etc.) and internal shocks (hidden public debt). The lack of trust in the national systems, the drop in the international commodities prices on which Mozambique is highly dependent, reduced foreign direct investment (FDI) inflows and the unrest and political tension in the country have caused a devaluation of the local currency, the metical, against the US Dollar above 100% (year to year) and hiking of the interest rate fixed by the Bank of Mozambique close to 30%. These events drove Mozambique into a spiral of high inflation. Therefore, Mozambique's credit rating has been subsequently downgraded by most rating agencies making access to credit very difficult for the country.

² INE, Moçambique Mulheres e Homens 2014.

³ WB (2014).

⁴ <http://data.un.org/CountryProfile.aspx?crName=mozambique>.

⁵ Median monthly expense per family in Maputo is around 110 EUR against 30 EUR in rural areas. Relatório final do instituto nacional de estatística, orçamento familiar, dezembro 2015.

⁶ Quarta Avaliação Nacional da Pobreza e Bem-Estar em Moçambique, 2014-15. Ministério da Economia e Finanças.

Energy sector and electricity sub-sector:

Access to electricity in Mozambique is approximately 39%⁷ although it varies depending on the source given the lack of uniform definition of the indicator. The gap between current situation and the ambitious target of both the Sustainable Development Goal number 7- Universal access to affordable and clean energy- and the UN-Sustainable Energy for All initiative (SE4All) by 2030 is huge and requires substantial investments providing an enormous opportunity for interventions by investors and donors in power generation, grid extensions and off-grid solutions. The power public utility Electricidade de Mozambique (EDM) has, in the last years, made great efforts to extend the national grid to all the District Centres. 4 out of 128 remained without access in 2015 whereas 77 did not have access in 2004. The National Energy Fund (FUNAE), with a focus on renewables, has been acting in complementarity of EDM and is already implementing solutions based mainly on solar off-grid systems and off-grid hydro power.

The total installed capacity in Mozambique is estimated at 2,533 MW, mostly due to the Hidroeléctrica de Cahora Bassa (HCB) 2,075 MW hydropower plant. The rest is composed of EDM and Independent Power Producers (IPP) hydro and thermal power plants, totalling 455 MW. While off-grid systems are numerous, they only add up approximately 3 MW installed capacity and the public nature of management / repair leaves them often in sub-optimal state of functionality. Despite the high installed capacity in the country, most of it is used for export into the South African Power Pool (SAPP). The maximum demand of electricity in EDM's system was 831 MW in 2014⁸, which is higher than the EDM installed capacity (251 MW). EDM therefore purchases its electricity requirements from HCB (87%), IPPs (2%) and imports (4%)⁹. The portion of IPP supply to EDM is bound to increase in order to displace the emergency imports which are very expensive. In fact, the purchase price of electricity is higher than the selling price and this is a cause for concern with respect to the financial viability of EDM and for the sustainable achievement of its electrification mandate. The electricity tariff review in October 2015 and 2016 – an average increase of 27% and 50% respectively – should theoretically allow EDM to gain financial sustainability and at least guarantee running costs for maintenance and operation. However, EDM will continue to rely on traditional development partners for investments.

EDM's technical and non-technical losses in 2014 were almost 26%¹⁰. Technical losses are mainly due to the very long transmission and distribution lines some of which may be heavily loaded. Industrial and commercial users operating at low Power Factor (PF) also cause high transmission and distribution line losses due to the heating effect on the electrical wires.

Rural Development Thematic Area:

The current estimated population in Mozambique, growing at an annual rate of 2.8%, is 28 million¹¹. Roughly 69% live in rural areas and depend mostly on agricultural activities for their livelihood¹². This rural population is extremely scattered making costly and difficult the provision of centralised energy solutions. Besides, 50.1% of the rural population lives under the national poverty line in 2014, leading to expected electricity use to less than 1 kWh per day per household. Specifically, the following observations of the rural sector can be made:

- Almost all District Centres are connected to the national grid but uptake of existing power supply is very low.

⁷ Access to the national grid is 25% as per EDM; FUNAE estimates access to electricity by mini-grids and PV stand-alone systems as 14%.

⁸ Excluding the demand from BHP Billiton's Mozal Aluminium smelter which is supplied by ESKOM.

⁹ EDM 2014 Statistical report.

¹⁰ EDM 2014 annual statistical account.

¹¹ UNFPA 2015 State of the world population.

¹² and ⁹ NIRAS Identification of the 11th EDF Geographical Focus and Rural Development Interventions –Mozambique Study.

- Overall, 95% of the total rural population rely on biomass¹³, mainly charcoal, for cooking (91% for urban population) which is leading to deforestation, loss of biodiversity and soils. Cooking with biomass is also behind high frequency of respiratory deficiencies and deaths, mainly affecting women and children.
- 95% of the rural population use fossil fuels and disposable batteries for lighting purposes.
- The level of fisheries and livestock development is low despite its income generation potential. Aquaculture, intensive poultry and dairy farming appear potentially profitable and demand-driven infrastructure is likely to be better managed and maintained ensuring sustainability of the services provided.
- Agriculture is characterised by its very poor productivity levels, difficult access to seeds, and a general lack of irrigation systems, large and small, and post-harvest systems (storage, processing and input supply constraints). In general, processing facilities for value addition at or close to source would allow for cost-effective installation of electricity supply systems.

1.1.1 Public Policy Assessment and EU Policy Framework

The new five years government plan (PQG) running from 2015 to 2019 has set as global objective: "To improve the living conditions of the Mozambican People, increasing employment, productivity, creating wealth and generating and equilibrated and inclusive development, in an environment of peace, security, harmony and cohesion amongst Mozambicans". To achieve this general objective, increased access to energy has been identified as one of its strategic objectives. The planned activities although are organised around two main programmes: (i) development and improvement of the energy infrastructures' backbone and (ii) socio-economic infrastructure provision, namely electrification of administration's posts, schools and health centres mainly by off-grid solutions. Strategically this is reflecting one of the problems that arose from the identification studies¹⁴ which is, indeed, a need for a more coherent planning between the national grid and the off-grid solutions.

A National Energy Sector Strategy was drafted in late 2015 but it is pending approval by the Ministry of Mineral Resources and Energy. The draft document proposes three axes: (i) expanding the energy access, (ii) increasing the availability of power for economic activities, and (iii) exporting to the regional market. The preparation of the strategy has involved most of the financial partners and it is confirmed to include rural electrification. It includes an ambitious target of 200 000 new connections/year, most of them in non-electrified areas and thus mostly in rural and peri-urban areas.

Concerning renewable energy, Mozambique, acknowledging its renewable resources potential and the necessity to rely on them to provide modern energy services, has already taken significant steps to promote the use of renewable energy systems. Mozambique was one of the first countries in Africa to conduct a rapid gap analysis in terms of renewable energy (2011) and also to fully endorse the UN-launched Sustainable Energy for All (SE4All) Initiative back in 2013. Also in 2011, the Government elaborated the 2011-2025 Strategy for New and Renewable Energy. As follow up of this strategy, in 2014, the Government launched a decree to establish a "feed-in tariff", thus setting a guaranteed price for small renewable energy producers injecting power into the national grid. A further and more recent step in Mozambique's policy towards renewable energy is the signature on November 2016 of the EU-Mozambique Energy Joint Declaration promoted by the EU and its Members States plus Norway to support renewable energy development. Mozambique has also shown interest in subscribing to the Energy Charter. Additional efforts have been put in place by the Ministry

¹³ REN21- SADC Renewable Energy Status report 2015.

¹⁴ WB – sector policy note (2015).

of Energy in order to elaborate a gender strategy for the sector which is currently being drafted.

Overall, Mozambique has well-developed constitutional and legal rights aimed at ensuring gender equality. The Constitution of 2004 explicitly recognises the principle of equality before the law for men and women. The Five Year Government Plan (2015-19) also promotes gender equality in all development, economic, social, and cultural areas and the Ministry of Gender, Children and Social Welfare has the mission to coordinate and promote actions towards gender equality. The country has a national gender strategy, a specific strategy for prevention of child marriage (2015) and also now a gender country profile which suggests priorities, coordination and monitoring mechanisms.

The National Indicative Programme (NIP) EU-Mozambique 2014-2020 to be implemented through the 11th European Development Fund (EDF) is focused on governance improvement and rural development fostering. Rural development will be implemented through a project approach. Rural development support aims to (i) improve food security and nutrition status through production improvements; and (ii) enhance rural competitiveness through improving living conditions in rural areas and development of private sector activities. Providing access to affordable, clean and sustainable energy services in the Mozambique context is a key indicator to measure improvement of public services and inclusive economic growth. In fact, the percentage of people with access to electricity in a geographically targeted area is part of the NIP framework indicators.

This action also needs to be understood within a global EU policy framework defined by:

- The Joint Communication from the European Commission and the EU High Representative on "A renewed partnership with the countries of ACP" and "Proposal for a new Consensus on Development".
- The EU Global Public Goods and Challenges adopted for the period 2014-2020 that considers provision of sustainable energy as one of its thematic flagships.
- The EU Communication on the Agenda for Change that praises for a more coherent, aligned, jointly and result oriented cooperation with beneficiaries countries and emphasises the necessity to promote the energy-water-food nexus.
- The former Commission President Barroso pledge to bring energy to half a billion persons by 2030 and the Commission commitment with the achievement of the SE4All global objectives.
- The European Commission communication on the new European External Investment Plan (EEIP) to encourage investment in Africa and the EU Neighbourhood to strengthen current partnerships and contribute to achieve the Sustainable Development Goals.
- The "Empowering Development" strategic approach confirmed by the Development and Cooperation Commissioner Mimica in the aftermath of the COP21 in Paris as a way to pursuit achievement of the Sustainable Development Goals 7 - Universal affordable and clean energy - and 13 - Fight against climate change; as well as the Council Conclusions on Energy and Development following the COP22 in Marrakesh.
- The Joint Staff Working Document on Gender Equality and Women's Empowerment: Transforming the Lives of Girls and Women through EU External Relations 2016-2020 (EU-GAP II) which emphasises that "lack of access to safe and reliable energy can result in girls' and women's premature deaths from cooking with unhealthy fuel sources".

1.1.2 Stakeholder analysis

Stakeholders of the sector, which are relevant for the Action, can be grouped as below:

A. Energy Policy formulation, approval and sector management:

- Ministry of Mineral Resources and Energy (MIREME) is responsible for both the national energy planning and policies plus overall overseeing and development of the energy sector in Mozambique.
- Energy and Electricity National Council (CNELEC), a body constituted in 1997 with financial and administrative autonomous capacity to enforce the energy law and the development and extension of energy services. Currently being converted into the Energy Regulator Authority (ARENE).

B. Services Providers supervised by the MIREME:

- Electricidade de Mozambique (EDM), the public utility responsible for the generation, transmission, distribution and retail supply of electricity to grid connected electricity users counting to more than 1.3 million throughout the country.
- National Energy Fund (Fundo de Energia, FUNAE) is a rural electrification fund responsible for promoting rural electrification and rural access to modern energy services in a sustainable manner.
- Hidroelectrica de Cahora Bassa (HCB) is the state-owned company which operates the 2075 MW hydro power plant in the Zambezi's river, the largest HPP in Sub-Saharan Africa. HCB provides almost 90% of the total electricity sold by EDM in Mozambique.
- Independent Power Producers (IPPs) are gaining importance in a slow but steady path in Mozambique. IPPs are mainly taking advantage of gas resources available in Southern Mozambique with 2 gas fired power plants commissioned in 2015 and up to 4 more gas power plants to come online by 2020.

C. Other stakeholders, Public and Private:

- Ministry of Agriculture and Food Security (MASA) and the Ministry of Seas, Internal waters and Fisheries (MMAIP), the Ministry of Industry and Trade (MIC), the Confederation of Businesses in Mozambique (CTA) are institutions called to play an important role in the coordination of activities aiming to increase access to energy. In particular, the recently created Ministry of Land, Environment and Rural Development (MITADER) emerges as a key player for land tenure rights (very important for concessions and PPPs), rural electrification policies and climate change mainstream. Ministry of Gender and Social Welfare, which is currently reviewing the National Gender Policy, has the mandate of ensuring the mainstreaming of gender in all public sectors including the Energy.

During project implementation specific target groups will be identified (women, children, minorities, discriminated groups, etc.). After appraisal of available data, a needs assessment/baseline will be carried out if relevant to ensure a good mapping of specific strategic needs for women's and other relevant groups.

1.1.3 Priority areas for support/problem analysis

- The increasing electricity demand in the system (average peak load growth has been 14% per year in the last 7 years) demands both huge investments in generation, which are difficult to meet, and an improvement in the efficiency of the system to alleviate transmission lines and make energy available.
- The bulk of the EDM future demand will come from the domestic sector in rural and peri-urban undeserved areas where the costs of connection are very high because of the sparsely populated areas.
- Lack of integrated planning for rural electrification: There is no integrated policy or strategy on rural electrification in the country, such as a Rural Electrification Masterplan to guide short-term EDM and FUNAE projects.
- Cost-recovery of rural electrification: It has been observed that grid extension, while meeting the energy access objective, becomes a burden for the sustainability of EDM.

Besides, off-grid tariff models are not defined in order to provide certainty and ensure the sustainability of the provision of electricity.

- Maximising benefits of Rural Electrification: Other stakeholders, namely the ones who provide the link to productive uses of energy, need to be involved to maximise return from electrification programs.
- The level of project maturity is extremely low limiting funding opportunities and quick project implementation.
- At all geographical levels, limited institutional capacity not only for drafting policies and tools to boost the country electrification but also to implement and monitor the sector.
- Mozambique's 137 ranking position in the 2017 World Bank Doing Business list (down from the 134 in 2016) provides a good indicator of the difficulties to conduct or launch new businesses in the country. Access to credit and quality and reliability of energy are among the three worst rated indicators contributing to the overall ranking position.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Failure or lack of political will to implement required energy sector reforms that will ensure the efficient and effective management of the sector.	Medium	<ul style="list-style-type: none"> • Institutional support and capacity building to MIREME. • Development of the possibilities offered by the Energy Joint Declaration signed during the COP22. • Signature of the Energy Charter is foreseen.
Failure to clarify the roles of the various actors resulting in duplication of efforts and everyone wanting to be an implementer of infrastructure projects.	Low	<ul style="list-style-type: none"> • Validation of the National Energy Sector Strategy guiding the various actors by allocating accountabilities and responsibilities (ongoing-2017). • Validation of the National Electrification Strategy and Plan (ongoing-2017). • Reinforcement of the Coordination structures and mechanisms within the energy sector.
Lack of capacity to manage the various components of the action.	Medium	<ul style="list-style-type: none"> • Technical assistance and capacity building to direct beneficiaries (both public and private).
Insufficient incentives for the private sector to invest in the energy sector.	High	<ul style="list-style-type: none"> • Constitution of the Energy Regulator Authority (ARENE) by the Government. • Policy advisory services and training to public institutions. • Technical and Financial advisory services to private sector.
The multiplicity of donors in Mozambique could result in duplication of effort if not properly coordinated.	Medium	<ul style="list-style-type: none"> • The EU Delegation, through the projects identified in the energy sector, could play a meaningful and important coordination role. • EU actions aligned with on-going donors' assistance. • Energy sector working group secretariat to be supported by technical assistance.

Structural (social, cultural, economic) constraints affecting gender equitable access to energy services are a risk and may hinder outcomes and sustainability of the Action.	Medium	<ul style="list-style-type: none"> • Elaboration of a baseline for analysis and assessment of needs. • Inclusion of gender mainstreaming training for MIREME/EDM/FUNAE staff. • Inclusion of a gender focal point in the project steering committee. • Gender analysis to be elaborated by projects being supported.
Assumptions		
<ul style="list-style-type: none"> • All players are cognisant of the fact that without gender equitable access to energy there can be no sustainable economic development leading to rural development and poverty alleviation. • Political and security stability is granted. • Macro-economic situation is stabilised. 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

- Projects in the pipeline of the stakeholders are at a low maturity stage, thus there is a need to provide financial and technical support to bring these to higher maturity level leading eventually to financial close.
- Access to electricity is rarely a stand-alone action and takes a long time for implementation. Programme approaches are to be favoured so as to integrate in the action the stakeholders in charge of access, namely EDM, FUNAE and private sector.
- In order to optimise efforts and investments in the energy sector, there is a need for a framework for action with an overall perspective of the system. Thus, a national electrification plan should be adopted to guide both the Mozambican Government and the financiers.
- Institutional capacity needs to be strengthened to ensure strategic planning and programme implementation is done efficiently, coherently and timely to achieve expected results.
- The capacity reinforcement of the CNELEC/ARENE in order to become a real regulator in the energy market will be key to provide for more transparency in the energy sector.
- It is important to make as much use as possible of new policies that provide room for Private Sector participation, such as the recently approved renewable energy feed-in tariff (REFIT).
- EU funded interventions should be coordinated with other financial instruments aiming to boost private investment, such as blending through the AfIF or ElectriFI, in order to maximise impact.

3.2 Complementarity, synergy and donor coordination

Stakeholder coordination is set to become progressively more complex and will require improved tools and capacity for every actor in an environment where an increased participation of the private sector is expected. Donor coordination is ensured by an active Energy Sector Working Group (ESWG) that meets on a bi-monthly basis and ensures coordination and exchange of information and ideas about the whole non-extractive part of the energy sector. Sweden, Belgium, Germany, Norway, UK, Portugal, USAID, the KfW, AFD (Agence Française de Développement), AfDB (African Development Bank), JICA (Japan International Cooperation Agency) and the World Bank regularly attend the meeting. However, Mozambique's other important partners in the energy sector, such as China, India or the Islamic Development Bank, have shown no interest in participating. Government officials participate regularly in the group.

A donor matrix is updated regularly by the group and proves that there are rarely overlaps in investment projects although a stronger coordination effort is required for institutional support and capacity building activities. Eventually, provided the ESGW members agree, the group's secretariat could be supported by the technical assistance recruited under this project preparation facility to further reinforce coordination.

The following table summarises the different donors' focus in the energy sector in Mozambique, related to the specific objectives of the Action.

Donor/actor	Focus
AFD	EDM Hydropower/gas to power projects
AfDB	Capacity Building in EDM, MIREME Promotion of Renewable Energy (RE), EDM Hydropower project
Belgium Technical Assistance	MIREME/FUNAE Technical Assistance, FUNAE direct investment, CNELEC Technical Assistance
EIB	EDM transmission/distribution projects
GIZ	EDM Grid densification; pico solar and improved cook stoves; vocational training in solar energy
KfW	EDM Hydropower projects, EDM transmission/distribution; Feasibility study for GETFit
Norway/NORAD	MIREME Institutional Technical Assistance, EDM Technical Assistance Master Plan, FUNAE TA and investment
Sweden/SIDA	EDM expansion of grid, Technical Assistance for Hydropower projects
USAID	MIREME REFIT (feed-in tariff) regulation
JICA	EDM power transmission and gas generation project
World Bank	Energy development and access project EDAP, FUNAE, EDM grid extension, MIREME wind farm, solar thermal, National Electrification Plan

Most of the above activities have some component of being complementary to the Action. Activities will be closely coordinated bilaterally where necessary and in general through the Energy Donor Working Group.

3.3 Cross-cutting issues

Energy stakeholders have already management policies that oversee various cross-cutting issues. EDM has a safety and health policy, FUNAE is already ISO 3200 certified and Sweden is supporting activities to prepare a "gender policy" that can be applied to the energy sector. The energy tariff is already structured in different steps to make energy more affordable to include social vulnerable and low income groups.

Gender: Access to energy is recognised as a key factor to address gender issues. Particular attention will be given during the implementation phase to include in the log-frame gender sensitive indicators and to provide disaggregated data to monitor real impact on gender following the guidelines of the new EU gender action plan 2016-2020. Productive use of energy should consider women's empowerment while big energy projects requiring resettlement plans would put the accent on women's rights. In addition, women entrepreneurs will specifically be targeted in off-grid solar energy distribution networks. Gender will be a sensitive criterion when selecting projects to be supported by this facility. To this effect, the Steering Committee of the Action will include a gender focal point. As well, a gender analysis will have to be elaborated by projects being supported by this Action. Gender will also be mainstreamed during the elaboration of technical studies and capacity reinforcement activities and will get a particular attention during policy review activities.

Renewable Energy and Climate Change: Currently, Mozambique energy mix - relying highly on hydro power generation - is overall "clean" even if some coal generation is to be developed in a short to medium term horizon. This will remain marginal in the overall mix and is to be accepted in the light of diversification. Biomass use is widely extended and is the

object of a specific biomass strategy mostly axed on improved cook stoves actions as well as proposing alternatives sources of energy. Linkages between sustainable energy and climate change fight are straightforward. Improved access to affordable, clean, safe and sustainable energy will directly reduce the CO₂ footprint. Sustainable energy access will reduce consumption of fossil fuels and biomass and thus reduction of greenhouse gases emission and deforestation, the most common sources for lighting for final action's beneficiaries. Moreover, improved access to sustainable energy will help Mozambique to attain its Intended Nationally Determined Contribution (INDC) target following the signature of the Paris Agreement at the COP21.

Environment: New investments will follow existing environmental policy in terms of environmental impact assessments. During the implementation phase, it will be guaranteed that each activity obtains necessary approvals in due time. The project preparation facility will ensure that any project proposal brought to a financial close stage will abide with national and international legislation applicable. Furthermore, fighting and building resilience against climate change will be mainstreamed both during policy advisory activities and technical studies.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

This programme is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of SDG 7 target - universal access to affordable and clean energy - but also promotes progress towards SDG 13 - climate action to combat climate change and its impact.

The **overall objective** of the *Action* is to promote sustainable, inclusive and gender equitable economic growth and reduce poverty in the context of national food and nutrition security (FNS) and climate change. One **specific objective** is defined for the Action:

OS1. To increase gender equitable access to sustainable and affordable renewable energy in rural areas

The Action is expected to result in three groups of outputs:

- R1. The capacities of public institutions to exert their roles in the implementation of the Five-year Government Programme (PQG 2015-2019) and of the sectoral energy policies and programmes are improved.
- R2. The enabling environment to facilitate investments in renewable energy in Mozambique is improved.
- R3. A series of public and private investments in access to renewable energy related activities in line with the Five-year Government Programme (PQG 2015-2019) are supported to reach maturity level of financial close.

4.2 Main activities

R1.A1. To increase capacity of energy stakeholders in Mozambique (MIREME, EDM, FUNAE, CNELEC (ARENE) and MITADER), appropriate training activities will be carried out. The training will be oriented amongst other towards strategy and policy making, regulation, long-term planning, dispatch of many different generation sources, auctioning, financial modelling and impact of variable Renewable Energy on grid stability.

R1.A2. To reinforce reporting and coordination tasks at MIREME level.

R2.A1. To provide policy advisory assistance to MIREME, EDM, FUNAE, CNELEC (ARENE) and MITADER to empower them in creating a private sector friendly environment to enable increased investment in renewable energy. Legal and technical assistance will contribute amongst others to review renewable energy policies, regulation, support to the

establishment of regulation for IPPs, regulation on import of solar home systems, grid code for IPPs and captive power systems, streamline processes related to concessions and licenses for renewable energy investments.

R3.A1. To provide technical assistance necessary to conduct technical and/or financial studies on support of both public and private promoted projects to increase access to energy.

R3.A2. To enhance marketing of projects both through special events addressed to promoters, local partners and financiers and through adequate tools to facilitate access to relevant products, services and information for potential investors. This includes support to local agencies for the promotion of investments.

4.3 Intervention logic

Within the framework of the 11th EDF NIP for Mozambique, the SE4All initiative, the achievement of the SDG 7 and the objectives set by the Paris Agreement at the COP21 to fight climate change, this action should be understood as the first step in a short to medium-term EU comprehensive programme to address the energy access issue in Mozambique. Furthermore, this action should contribute and facilitate the EU policy dialogue with Mozambique in the energy sector in the context of the Renewable Energy Joint Declaration.

Only 39%¹⁵ of the population of Mozambique has access to electricity. The gap between the current situation and the ambitious target of both SDG 7 - Universal access to affordable and clean energy - and the UN-Sustainable Energy for All initiative (SE4All) by 2030 is huge. Substantial investments are required. This challenge provides investors and donors with an enormous opportunity for supporting interventions in power generation, grid extension and off-grid solutions. Mozambique is also endowed with an extraordinary potential of renewable energy mix sources. Mozambique's Renewable Energy Atlas estimated the country has a potential to develop in the short term about 7 GW of generation capacity out of a total 23 TW. To tap into these resources will help Mozambique not only to progress in the achievement of SDG 7 and make an important contribution to SDG 13 but, most importantly, will contribute to lift several millions of people out of poverty.

Barriers to develop these untapped resources are mainly the low institutional capacity to deal with this new source of energy, the lack of an appropriate regulatory framework that could boost participation of the private sector and the absence of tools that could contribute to mature projects up to the level of financial close. Also, the country's unexpected economic and financial crisis has brought additional difficulties for the flow of both private and public capital to the sector. In order to overcome these difficulties, the Action sets up a Project Preparation Facility to implement a comprehensive set of activities that should strengthen stakeholders' capacity, improve regulatory framework in cooperation with other existing programme and uplift both public and private promoted projects' maturity to reach financial close.

The activities will be executed by: 1) GIZ that implements the EU-Africa Renewable Energy Cooperation Programme under the umbrella of the Africa-EU Energy Partnership (AEEP) (hereinafter referred to as "GIZ-RECP") being one with a focus on private sector development; and 2) A commercial TA consultant (hereinafter referred to as "ComTA") with a focus on strengthening of public institutions, development of public promoted project and supports to the implementation of the second phase of the 11th EDF energy programme (consultant to be recruited through open tender). An EU Energy Steering Committee (ESC), composed of representatives of the stakeholders, will grant overall coordination between both consultants' teams and provide guidance.

¹⁵ Access to the national grid is 26% as per EDM; FUNAE estimates access to modern electricity services by mini-grids and PV stand-alone systems as 13%.

The Project Preparation Facility will address concerns from both the public and the private sector while paving the way for quick investment ahead of the country's expected return to economic and financial normality. In a second phase, projects supported by this Facility should feed financial instruments such as ElectriFI and AfIF under a Mozambique specific window or a direct investment programme funded by the 11th EDF NIP. Support to public promoted projects should be understood in the optic of dire difficulties to access credit and high perceived risk for investment as well as in the monopoly situation in the provision of electricity specially by the state utility EDM. Notwithstanding, public projects to be supported under this facility will be carefully scrutinised, favouring mainly those oriented to the involvement of the private sector, such as PPP generation projects, technical studies to prepare and launch renewable energy auctioning or projects aimed to be concessions among others. These activities are deemed to set Mozambique in a better position to deliver and secure access to modern, reliable, clean, affordable and sustainable energy services by the end of the implementation period. By then, Mozambique's energy regulatory framework should be improved to attract a number of projects aiming to achieve the overall objective of this action. While activities of training, project marketing and project technical studies should contribute to materialise investments around EUR 200 million and 100 MW of new installed capacity and the provision of up to 1.5 million people with access to energy services.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

5.3 Implementation of the budget support component

N/A

5.4 Implementation modalities

5.4.1 Indirect management with a Member State agency

A part of this action may be implemented in indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012, applicable in accordance with Article 17 of Regulation (EU) 2015/323. This implementation entails policy advisory services, institutional capacity building and promotion of the renewable energy private sector. This implementation is justified because GIZ is currently implementing the Renewable Energy Cooperation Programme (RECP) aiming to support market development for renewable energy in sub-Saharan Africa under the umbrella of the Africa-EU-Energy Partnership. The RECP was launched by African and European ministers in 2010, with a core objective of developing viable and sustainable renewable energy markets and thereby increasing energy access in Africa. In line with African priorities and EU development policy, the RECP Strategy 2020 outlines a comprehensive and integrated framework towards renewable energy market development in Africa. It directly contributes to two of the targets of the SE4All initiative (i.e.

energy access and renewable energy). The RECP promotes, inter-alia, improved policy and regulatory frameworks, private sector cooperation, technology cooperation and innovation and capacity development. Contributing to increased energy access, the RECP responds to needs in relatively young markets for renewable energy in Africa by setting up new interventions as required or complementing existing programmes and instruments. It is specifically aimed at improving the traction of existing instruments, in particular TA-support and financing facilities, by complementing their interventions, and providing focused services aimed at building up and enhancing the quality of the project pipeline. This will ultimately lead to a greater absorptive capacity, increased allocation of funding, accelerated investment into renewable energy projects, and thereby contribute towards reaching the targets of the SE4All.

GIZ-RECP has since gained thorough knowledge and experience in areas such as regulatory policy, promotion of private investment, training and capacity reinforcement and access to finance in which Mozambique requires strong support. GIZ-RECP also has the required in-house skill capacity and access to a network of expert consultants to grant success to the implementation of the Mozambique Action. Furthermore, GIZ has undergone the six-pillar assessment successfully. Besides, strong presence in Mozambique in other areas of cooperation, good knowledge of the energy sector in Mozambique through the implementation of the ENDEV programme aimed at increased access to energy in rural areas, relatively low transaction costs and capacity to be mobilised and kick-start quickly. Based on these observations, GIZ-RECP is an adequate choice to implement the private sector oriented part of this Action.

The entrusted entity would carry out the following budget-implementation tasks:

- Provide policy advisory services to Mozambique public actors.
- Provide training and skills development to Mozambique public actors.
- Conduct market studies and support B2B matchmaking alongside existing conferences.
- Provide technical and financial advisory services to private project developers.

5.4.2 Indirect management with the partner country

A part of this action with the objective of strengthening Institutional Stakeholders' capacity and uplifting projects to the stage of financial close may be implemented in indirect management with the Republic of Mozambique in accordance with Article 58(1)(c) of the Regulation (EU, Euratom) No 966/2012, applicable in accordance with Article 17 of Regulation (EU) 2015/323 according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement and grant procedures.

Payments are executed by the Commission.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012, applicable in accordance with Article 36 of Regulation (EU) 2015/323 and Article 19c(1) of Annex IV to the ACP-EU Partnership Agreement, the partner country shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012, applicable in accordance with Article 17 of Regulation (EU) 2015/323, will be laid down in the financing agreement concluded with the partner country.

Tender for the Resources Centre TA will be launched under suspension clause to guarantee its activities begin along with the ones implemented by the GIZ-RECP team and overall Action coordination is strengthened.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

In accordance with Article 22(1)(a) of Annex IV to the ACP-EU Partnership Agreement, the Commission decides that natural and legal persons from the following countries having traditional economic, trade or geographical links with neighbouring partner countries shall be eligible for participating in procurement and grant award procedures: South Africa. The supplies originating there shall also be eligible.

In accordance with Article 20(6) of Annex IV to the ACP-EU Partnership Agreement and with regard to the regional nature of this action, the Commission decides that natural and legal persons from the following countries, territories or regions shall be eligible for participating in procurement and grant award procedures: South Africa. The supplies originating there shall also be eligible.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

Budget line	EU contribution (in EUR)	Indicative third party contribution (in EUR)
5.4.1 Indirect management with GIZ out of which	5 000 000	500 000
Capacity building and technical assistance (indicative amount)	2 000 000	200 000
Technical studies (indicative amount)	3 000 000	300 000
5.4.2 Indirect management with Mozambique out of which	4 400 000	
Capacity building and technical assistance (indicative amount)	1 500 000	
Technical studies (indicative amount)	2 900 000	
5.9 Evaluation and 5.10 Audit	300 000	
5.11 Communication and visibility	100 000	
Contingencies	700 000	
Total	10 500 000	500 000

5.7 Organisational set-up and responsibilities

To implement the action a two-fold approach has been chosen:

The Africa-EU Renewable Energy Cooperation Programme (RECP), implemented by the GIZ in the framework of the EU-Energy Africa Partnership, will be supported to facilitate investment in renewable energy projects in Mozambique by creating an enabling environment as well as through direct support to private companies and project developers.

A consultant recruited by tendering will set up a Resources Centre to deal mainly with institutional capacity building issues at EDM, FUNAE, MIREME and CENELEC/ARENE, and to support the preparation, tender and realisation of technical studies for projects to facilitate financial close, giving priority to PPPs, concessions or other private oriented.

To ensure proper coordination between the two teams, an EU Energy Steering Committee (ESG) will be established. The ESG will meet in a 6 monthly basis. The group will be composed of one representative from the National Authorising Officer (NAO), one from MIREME, one from EDM, one from FUNAE, one from CNELEC, one from MITADER, one from the GIZ-RECP, one from the Resource Centre consultant team, one from the Mozambique Renewable Energy Association plus one representative from the EU Delegation as an observer. Besides general coordination, overseeing and guidance, the ESG will be responsible for approval of requests to support project development through necessary technical studies. If required, the ESG could hold ad hoc meetings.

Furthermore, to ensure proper implementation and to reinforce activities coordination and contract management, an Energy Project Coordination Unit (EPCU) composed of one representative from the GON, one from the EU Delegation, one from the GIZ-RECP and one from the Resources Centre consultant team will meet on a monthly basis.

5.8 Performance monitoring and reporting

The need for additional studies (baseline/endline) to obtain monitoring data for specific indicators of the Action will be assessed before the start of the implementation.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the importance of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this action represents the first structured support to the energy sector in Mozambique by the Commission.

The Commission shall inform the implementing partner at least 1 month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner

country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded under a framework contract in the 4th quarter 2021.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, two contracts for audit services shall be concluded under a framework contract in the 4th quarter 2021.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ⁱ

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: <i>Impact</i>	To promote sustainable, inclusive and gender equitable economic growth and reduce poverty in the context of national food and nutrition security (FNS) ⁱⁱ and climate change.	<ul style="list-style-type: none"> Real GDP growth rate^{*(PQG; SDG), **EURF L1 I3} Proportion of population living below USD1.25 (PPP) per day^{*(SDG), **EURF L1 I1} Human Development Index 	<ul style="list-style-type: none"> 3.0% (2015, forecast) National: 46.1% (2015) 181 out of 188 (2015) 	<ul style="list-style-type: none"> At least 3.0% National: lower than 46.1% At least 181 	Sources: <ul style="list-style-type: none"> Country statistics (INE; IOF) UNDP Human Development Report 	
Specific objective(s): <i>Outcomes</i>	SO1. To increase gender equitable access to sustainable and affordable renewable energy in rural areas.	<ul style="list-style-type: none"> Percentage of the population with access to energy servicesⁱⁱⁱ ^{*(PQG; SDG, NIP, GAPID), ** EURF L1 I11} Upgrade of the country's institutional, regulatory and policy framework, measured by changes in the 7 criteria addressed in the TAF Energy Sector Country Fiche. Increase of public, private and donors investment in renewable energy projects Improvement on the Doing Business list of the World Bank concerning access to energy ^{*(NIP)} Total amount of investments (MW and EUR million) supported by the action 	<ul style="list-style-type: none"> 39% total / 26% grid access / 13% rural (2016) Current results for indicators as of last TAF energy Country Fiche available (2017) 0 168 out of 190 (2017) 0 	<ul style="list-style-type: none"> 55% (total) by 2019, as per the PQG Upgrade at least 40% of the total 63 aspects within the 7 criteria >10% At least 168 >EUR 200 million and > 100 MW reached by the end of the action 	Sources: EDM, FUNAE, MIREME, MITADER, PQG reports <ul style="list-style-type: none"> TAF Energy Sector Country Fiche Baseline / Endline, Ren21, IEA, ESMAP reports World Bank DB report Final Evaluation. 	<ul style="list-style-type: none"> Government remains committed to improve renewable energy business environment Existence of synergies and complementarities among different stakeholders (Government, development partners, private sector, civil society, donors) within the energy sector countrywide

Outputs	R.1 - The capacities of public institutions^{iv} to exert their roles in the implementation of the Five-year Government Programme (PQG 2015-2019) and of the sectoral energy policies and programmes^v are improved.^{vi}	Number of capacity building sessions / workshops organised and focusing on strategising, gender mainstreaming, policy making, regulation, auctioning, financial modelling and impact of renewable energy among others	• 0	• At least 10	Sources: <ul style="list-style-type: none"> • Final Evaluation • Project M&E data/reports • Project outputs (studies, assessments, reports, policy and regulatory reviews, presence lists) • Media clipping • Meeting minutes and reports Means: <ul style="list-style-type: none"> • Quantitative/qualitative data analysis; Quality assessments 	<ul style="list-style-type: none"> • Government partners and public institutions take active part and ownership of project's activities. • Public institutions and Government officials willing to participate in "on-the-job" trainings and to adopt improved knowledges, attitudes and practices. • Consistent and reliable partnerships with development partners and external technical assistance
		Number of Government officials benefiting from on-the-job training (e.g. planning, budgeting, monitoring, etc.) to enhance their skills and capabilities. ⁱⁱⁱ (disaggregated by sex)	• 0	• At least 100 (>30% women)		
		Quality and timeliness of monitoring and progress reporting by the public institutions (from the start of this action)	• 0	• >75% quality reports and timely released		
		Existence of updated information and providing data/trends on energy access, renewable energy and energy efficiency in compliance with the SDG 7 ^{vii} and Paris Agreement ^{viii} commitments and targets.	• Non existent	• Information available by the end of year 2 / Bi-annual updates		
	R.2 - The enabling environment to facilitate investments in renewable energy in Mozambique is improved	Number of sectoral policy instruments (e.g. policies, strategies, programmes) ^{ix} drafted/reviewed/adopted (as a result of EU support)	• 0	• At least 4 ^x		
		Number of legal and regulatory instruments ^{xi} (e.g. laws, decrees, resolutions, diplomas) drafted/reviewed/adopted (as a result of EU support)	• 0	• At least 5 ^x		
		Number of short-term missions undertaken providing on-request specific expertise to institutional stakeholders	• 0	• At least 10 short-missions		
	R.3 – A series of public and private investments in access to renewable energy related activities in line with the Five-year Government Programme (PQG 2015-2019) are supported to reach maturity level of financial close.^{vi}	Number of public and private investment projects put forward that reach maturity level of financial close	• 0	• At least 5 ^x		
		Number of projects developers supported with advisory, technical and financial services	• 0	• At least 7 ^x		
		Number of pre-feasibility/ feasibility/ technical/ financial studies conducted, focusing on both public and private investments in the energy sector.	• 0	• At least 7 ^x		
		Number of business events organised addressed to promoters, local partners, financiers and potential investors organised to attract investments	• 0	• At least 4		
		Status of the EU Energy Steering Committee (ESC).	• Non existent	• ESC established by the end of year 1; At least 2 meetings per year;		

NOTES:

ⁱ Indicators aligned with the relevant programming document are marked with '*', followed by the respective acronym (^{PQG} - Five-Year Government Programme; and ^{NIP} – National Indicative Programme). Indicators aligned with the EU Results Framework are marked with '**'. Indicators aligned with the SDG targets are marked with ^{SDG}. Indicators aligned with GAPII are marked with ^{GAPII}

ⁱⁱ All the actions under Rural Development Focal Sector of the 11th EDF in Mozambique adopt the term **Food and Nutrition Security (FNS)** as it is the approach that best reflects the conceptual and action linkages between "food security" and "nutrition security", while expressing a development objective to guide policy interventions. This formulation also intends to focus attention on the actions needed to mainstream the nutrition component in all aspects of the agri-food systems. For further information, please see <http://www.fao.org/docrep/meeting/026/MD776E.pdf>.

ⁱⁱⁱ Data disaggregated by gender.

^{iv} This action will particularly focus on the following **institutions**: Ministry of Natural Resources and Energy (MIREME), Ministry of Land and Rural Development (MITADER), National Energy Fund (FUNAE), Public Electricity Enterprise of Mozambique (EDM), National Electricity Council – National Regulation Agency (CNELEC/ARENE).

^v This action will particular focus on the following **policies, programmes, strategies**: Renewable Energy Development Policy (2009); National Energy Strategy (2009); Biofuels National Strategy Policy (2009); National Strategy for Development of Renewable Energies (2011-2025); National Energy Policy (2015-2015); National Strategy for fighting Climate Change (2013-2030). New policies, programmes, strategies will be integrated during programme implementation.

^{vi} Supported through the establishment of a Resources Centre and RECP Units.

^{vii} See SDG 7 targets at <https://sustainabledevelopment.un.org/sdg7>.

^{viii} Further information on the **Paris Agreement** at https://ec.europa.eu/clima/policies/international/negotiations/paris_en.

^{ix} See note (v) above.

^x To be confirmed during implementation.

^{xi} This action will particular focus on the following **regulation**: regulation for IPPs, Off-grid regulation, wood/solar/wing regulations, tariff and feed in tariff regulations, renewable energy auctioning, grid code for IPPs and captative power systems, regulation for concessions and licenses for renewable investments, etc.