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Federal Department of Foreign Affairs FDFA
Swiss Agency for Development and Cooperation SDC
Staff of the Directorate

Country Strategy Evaluation
Mozambique 2012 – 2016

Evaluation and Corporate Controlling Division SDC



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Contents:

Bern, May 2016

Why conducting external evaluations?

External evaluations, commissioned by the Senior Management of the Swiss Agency for Development and Cooperation (SDC), were introduced in 2002 with the aim of providing a more critical and independent assessment of SDC's activities. These evaluations are conducted according to the OECD DAC Evaluation Standards and are part of SDC's concept for implementing Article 170 of the Swiss Constitution, which requires Swiss Federal Offices to analyse the effectiveness of their activities. In the event of joint SDC/SECO[1] programs, these programs are evaluated together.

The evaluation program is approved on an annual basis by SDC's Senior Management, which consists of the Director General and the heads of SDC's departments. SDC's Evaluation and Corporate Controlling Division (E+C) directly reports to the Director General, it commissions the evaluations and is responsible for the entire evaluation process. External evaluations are mandated to independent consultants who have a critical distance to SDC and provide an objective performance assessment. SDC's Senior Management responds to their recommendations with a written management response.

SDC mandates evaluations as instruments for organisational learning, strategic guidance and ensuring accountability. Each year, SDC commissions approximately two country/regional strategy evaluations, one to two thematic evaluations and one institutional evaluation. The final evaluation reports are available on SDC's website and the ARAMIS information system of the Swiss administration.

What are country and regional strategy evaluations?

Country and regional strategy evaluations constitute central instruments of SDC's new Evaluation Policy (2013).

In September 2010, the Board of Directors mandated E+C to introduce a new approach for Country Strategy (CS) evaluation: The focus is now placed on learning and the application of a relatively high degree of standardization. In fulfilling the strengthened learning objective, assessments of country/regional programs are realized by means of hybrid evaluations, which are conducted by a mixed team consisting of one external consultant and two peers from SDC (and one additional peer from SECO or the Human Security Division, if relevant).

The **goal** of country and regional strategy evaluations is to assess the relevance and coherence of the Swiss development cooperation in regard to national development priorities and the Parliamentary Message on Switzerland's International Cooperation. They assess the results achievement of the CS portfolio at the level of domains of intervention. In doing so, these evaluations help SDC's management in their strategic and operational steering and in improving aid effectiveness.

The **objectives** of country and regional strategy evaluations include the following:

- To assess – through a mutual learning process – whether SDC and its partners reach the strategic objectives in the country or region, as defined in the Cooperation Strategy, and to appraise the efficiency of the strategic and operational steering mechanisms of the Cooperation Office;
- To timely build the foundation for the definition of key elements for the new CS;

[1] State Secretariat for Economic Affairs SECO

- To assess the significance of the Swiss contribution regarding national (and regional) development results, and to identify key factors, which enhance or hinder aid performance and results achievements;
- To identify good practices and innovative approaches as well as share experiences in managing the country strategy.

Time table

Step	When
Desk study and inception report	May – October 2015
Peer review on-site and final report	November 2015
Final evaluation report	February 2016
Management Response SDC	April 2016

I Management Response

Management Response to the Evaluation Country Strategy Mozambique 2012 - 2016

The management response reflects the consolidated joint position of the evaluated units unless otherwise indicated by:

- OSA - East and Southern Africa Division
- SECO – Economic Cooperation and Development Division

General appreciation of the Evaluation report

We wish to thank warmly the peers and the consultant for the thorough analysis of the Cooperation Strategy Mozambique 2012-2016 and their very valuable inputs and recommendations for the forthcoming Strategy.

The milestones laid down during the Country Evaluation process coincide perfectly with the roadmap elaborated for the new Cooperation Strategy Mozambique 2017-2020. The findings and recommendations provided by the team as well as the exchanges during the evaluation process has been fruitful and has influenced to a large extent the elaboration phase of the new Country Strategy.

Within a relatively short period of time, the evaluator and peers were able to get quite a clear overview of the context, as well as of the Swiss portfolio with its strength, deficiencies, potential and risks. The fact of having an expert in extractive industries among the evaluation team was certainly an advantage to better understand the complexity and challenges in Mozambique. As most of the reference documents and other sources were only available in Portuguese, it would have been useful to include an expert speaking this language in the evaluation team.

The Evaluation, as well as the Inception Report, is very reader-friendly and well-structured. After submitting our remarks on the first evaluation draft, we particularly appreciated the evaluator's efforts to add conclusions in the second version. These adaptations were helpful to better understand the causal links between findings and recommendations.
We thank the E+C Division and the whole team for the smooth process. The results and implications of the Evaluation have been integrated in the Early Note and Concept Note. We therefore consider that the efforts to elaborate the Management Response should be less considerable and this process shall be reviewed.

Specific recommendations

Please refer to the table below

Berne, April 2016

Thomas Greminger

Head of Regional Cooperation Department SDC

Ivo Germann

Head of Operations South East, Economic Cooperation and Development SECO

Specific Recommendations and Management Response (MR)

Evaluation Area 1: Context analysis

<table>
<tr><th>RECOMMENDATIONS</th><th colspan="3">MANAGEMENT RESPONSE</th></tr>
<tr><td rowspan="3">Recommendation 1
We recommend using scenario-planning to address the increasing complexity and uncertainty of the context evolution and to be prepared for different plausible futures regarding the political settlement, management and distribution of economic benefits from resource wealth, evolution of the donor landscape and natural risk scenarios, and to understand the potential strategic and operational implications.

At the program level, the drafting of the new country program should be taken as an opportunity for an in-depth Conflict Sensitive Development Programing (CSDP) analysis and screening of the strategy to avoid that Swiss cooperation supports exclusion and prevents power sharing.</td><td>Fully agree</td><td>Partially agree</td><td>Not agree</td></tr>
<tr><td colspan="3"><u>Response</u>
We support the recommendation to use context scenario-planning methodology to address the increasing complexity and uncertainty of the context evolution. Context scenario planning would allow thinking in broader terms, accounting for different point of views.
Extreme effects caused by climate changes, natural disasters but also environmental disasters as well as unintended adverse impact on dynamics of power and conflict have to be taken into consideration in a context scenario, beside political and economic development and effects of the resource boom.</td></tr>
<tr><td colspan="3"><u>Measures</u>
- We will base our country strategy on the most plausible context scenario and use the scenario planning methodology to address the increasing uncertainty of the context evolution and to be prepared for eventual necessary adaptations to programs/Strategy implementation. The scenario planning will be presented in the Concept Note of the new CS. It will be based on the conflict analysis with three scenarios, which was developed at the CSPM Workshop in Maputo in January 2016.
- The training and the instruments developed at CSPM (Conflict Sensitive Project Management) Workshop in Maputo will also be used to regularly screen our projects within planning and monitoring processes.</td></tr>
<tr><td rowspan="2">Recommendation 2
Conduct a more systematic monitoring of the effects of the resource boom, particularly on the geographic region where Switzerland operates in order to identify potential links to the Country Strategy (CS) and inform the development of adequate responses. This would include, for example, monitoring new exploration and production</td><td>Fully agree</td><td>Partially agree</td><td>Not agree</td></tr>
<tr><td colspan="3"><u>Response</u>
We agree that a more systematic monitoring of the effects of the resource boom- particularly in the geographic region where Switzerland is active - makes sense. However, this kind of specific monitoring is first of all the government's responsibility. The Government of Mozambique (GoM) has to</td></tr>
</table>

RECOMMENDATIONS	MANAGEMENT RESPONSE
licenses (also those that are smaller than the Rovuma basin projects) and monitoring the economic, social, environmental and institutional level effects and how these link to the CS.	communicate in a transparent way data that are relevant for inclusive growth. There are lots of specialized organizations (national, international, multilateral organizations) providing data. SDC has a particular interest to focus its context monitoring on aspects that directly relate to its mandate e.g. effects of the resource boom on situation of the poor, redistribution of the growing state revenues. Moreover, resource wealth will be and is already a massive game-changer regarding macroeconomic policy of the country (e.g. increased creditworthiness). Macro-economic effects of resource boom need to be monitored closely.
	<u>Measures</u> - Within SDC Governance portfolio we continue and strengthen our engagement activities for transparent publication of redistribution of growing revenues. - Within Economic Development domain we will continue and strengthen monitoring engagement on core issues of effects on macro-level from natural resource boom revenues, fiscal policies, economic analysis and strengthened Civil Society Organization (CSO) capacity for advocacy and economic policy debate. - Within Governance domain we will continue to strengthen monitoring engagement of the core issues of effects of the resource boom at the local level and how effectively resources are managed at the local level. All SDC interventions on resource management at the local level will apply a specific focus on a do-no harm approach and conflict sensitive project management. - We will adapt the MERV (Monitoring der entwicklungsrelevanten Veränderungen) i.e. stronger focus of our local analysis on effects of the resource boom. - A conflict analysis CSPM was carried out in January 2016. It includes effects of the resource boom.

<table>
<tr><th>RECOMMENDATIONS</th><th colspan="3">MANAGEMENT RESPONSE</th></tr>
<tr><td rowspan="3">Recommendation 3
Focus the context analysis and the discussion of findings more on topics that are relevant to the cooperation strategy regarding the different domains and goals of the CS. Continue and expand in-depth analysis of domain context and pertinent issues (e.g. political economy analysis (PEA) or quantitative public expenditure tracking surveys (PETS) for service provisions such as health services).
Use the effort of investing in context analysis to create a regular and shared understanding of the context at the national, sub-national and domain level and to discuss, evaluate and communicate its steering implications.</td><td>Fully agree</td><td>Partially agree</td><td>Not agree</td></tr>
<tr><td colspan="3"><u>Response</u>
It is already mentioned in the Management Response (AR) of the Annual Reports (AR) e.g. 2015 that certain relevant context reporting analysis has not been taken enough into consideration: i.e. the changing donor landscape and how international, national and subnational dynamics influence each other, public expenditure and effects on redistribution on public revenues etc.
A particular eye will be put on closing the gap between context analyses and steering implications e.g. in the next AR and mid-year review.</td></tr>
<tr><td colspan="3"><u>Measures</u>
- Two PEA studies were commissioned recently, one for the decentralization (by SDC), the other in the health sector (by MASC (Foundation to support and strengthen civil society in Mozambique)).
- A stronger emphasis will be put on links between context analysis and steering implications in the next AR. (see also remarks in the Management Report of AR 2015)
- A comprehensive Monitoring will be part of the new CS from the onset. Particular focus will be given to the context. MERV (which has so far a good quality) will be part of the CS monitoring.
- See also measures regarding recommendation 1 and 2.</td></tr>
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Evaluation Area 2: Relevance and appropriateness of the project / programme portfolio -

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<tr><th>RECOMMENDATIONS</th><th colspan="3">MANAGEMENT RESPONSE</th></tr>
<tr><td rowspan="3">Recommendation 4
Decentralization and local governance initiatives require a long-term horizon; they should be continued and expanded to the extent possible. We recommend reviewing the allocation of support between the different administrative levels (national versus sub-national but also between sub-national levels) to ensure optimal support for sub-national entities.

In light of the risk of reinforcing existing power structures and access to resources at the sub-national level (see also EA1, F3 and EA4, F8), we recommend that the local governance program actively assesses and monitors the effect of its local governance efforts on existing (political) power structures (and vice versa) and takes measures to ensure the inclusion and representation of all segments of the communities.</td><td>Fully agree</td><td>Partially agree</td><td>Not agree</td></tr>
<tr><td colspan="3"><u>Response</u>
Support of decentralization and local governance initiatives will be strengthened and expended in the future with increased focus and impact at the local level in order to ensure optimal support for sub-national level stakeholders. A particular focus will be put on municipal development, public finance management and social accountability at provincial, district and municipal level. This engagement will help improve transparency, accountability and efficient public service delivery and foster constructive interactions between government authorities, citizens, CSOs and private investors.</td></tr>
<tr><td colspan="3"><u>Measures</u>
- Two PEA studies were commissioned recently, one for the decentralization (by SDC), the other in the health sector (by MASC).
- The PEA study on Decentralization specifically tackled the risk of reinforcing existing power structures and governance stand-alone interventions at the different sub-national have a strong emphasis on do-no harm and CSPM.
- A conflict analysis CSPM was carried out in January 2016, which included effects of its local governance efforts on existing (political) power structures (and vice versa).
- In the new country strategy the governance domain will put particular emphasis on conflict sensitive project management tackling in a do-no harm approach core issues of conflict at the Makro level (Decentralization – Power/Resource sharing).
Interventions on social accountability will continue to have a strong focus on do-no-harm putting emphasis on the constructive and peaceful interaction of all actors at the national and the sub-national level.</td></tr>
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<tr><th>RECOMMENDATIONS</th><th colspan="3">MANAGEMENT RESPONSE</th></tr>
<tr><td rowspan="3">Recommendation 5
We encourage the program to explore additional ways to safeguard and enlarge the space for public dialogue beyond support to civil society organizations in order to complement and reinforce support to civil society.</td><td>Fully agree</td><td>Partially agree</td><td>Not agree</td></tr>
<tr><td colspan="3"><u>Response</u>
In fact it is what the current program to a certain extent is already doing and what the evaluation also has detected for governance programming: Social accountability and the focus on working on the interface (between demand and supply side) supporting a constructive multi-stakeholder dialogue.</td></tr>
<tr><td colspan="3"><u>Measures</u>
The future Country Strategy will according to the recommendation and to lessons learned from Social accountability increase its efforts to safeguard and enlarge effective spaces for a constructive for multi-stakeholder dialogue. Taking into account the current country context Social accountability programming is also the most conflict sensitive approach to tackle persisting problems of corruption/mismanagement of resources at all levels. It will therefore not only be part of governance stand-alone programs but also be mainstreamed into other domains.</td></tr>
<tr><td rowspan="2">Recommendation 6
The effectiveness of the health operations could benefit from (i) replacing the PROSAUDE (Health Sector Common Fund) engagement by a targeted support facility to district health services; (ii) integration of health interventions into a ‘basic services’ line of intervention with WatSan (Water and Sanitation); (iii) improved coherence of bilateral projects.
(i) To reduce portfolio risk in the health domain we propose phasing out PROSAUDE and replace the PROSAUDE engagement with a smaller facility that directly supports district level health services and district level health outcomes (given the centralized organization of the sector, cooperation with the central and provincial level will still be required, but will not be the main focus). For such a facility, parts of the funds becoming available through PROSAUDE phasing out can be used; the amounts allocated and disbursed to districts have to reflect the limited absorption capacity of the district-level institutions. The facility should still use country systems. The funds should be</td><td>Fully agree</td><td>Partially agree</td><td>Not agree</td></tr>
<tr><td colspan="3"><u>Response</u>
We take note that the results in the different components of the health domain in the current CS remain below its strategic potential and that the different components of the health portfolio - particularly sector budget-support faces challenges demonstrating results. We take also note that the expected effects and synergies of the programs on the ground at subnational level are not yet visible and the Swiss contribution could be more perceptible.
Nevertheless, we would like to share some of our initial reaction to the recommendation contained, providing that the decision will be favourable for a continuation of health:
- (i) As there is no clear roadmap to decentralize in the health sector, donors should/could support GoM in this aspect. The final objective is to have access to health for the rural population. That’s why we do not intend to replace but to shift the PROSAUDE engagement towards a more targeted support to basic health services. In that sense, we believe that a redefinition of a new health intervention strategy should not neglect</td></tr>
</table>

RECOMMENDATIONS	MANAGEMENT RESPONSE
channeled through the Treasury and be identifiable in the budget and plans and their disbursement, accounting and reporting. As a principle, such funds should be additional and not substitute those of GoM. This is in line with the GoM policy of increasingly channeling funds directly to the provinces and districts through the Ministry of Finance (MoF), rather than through the line ministries. The technical possibility should be explored and the pros and cons of disbursement should be evaluated based on results and not inputs. If SDC should decide against phasing out support, we recommend to significantly reduce the PROSAUDE engagement and complement it with a facility to support districts along the lines described above. (ii) We propose to combine WatSan and health in one single 'basic services' line of intervention. This allows capitalizing on synergies that arise from the similarities of topics and approaches such as PFM, health and hygiene promotion, social accountability strategies. Also, the health interventions would benefit from the more advanced WatSan intervention methodologies. (iii) We recommend to design projects on the supply (service delivery, district TA related to district funding) and demand side (social accountability) that are complementary, directly linked to each other and focus on the interface of frontline service delivery, building on WatSan experience. To improve effectiveness it seems reasonable to replace the 'hands off' approach to implementation and monitoring by a permanent field presence; e.g. the combination with complementary projects at the district level and/or linking with the existing WatSan field presence in a combined 'basic services' operations could be avenues to explore. If deemed beneficial for the work with the frontline of service provision, cooperation with a topical working group at the national level that is directly relevant to the district level support should be considered. The same holds for cooperation with DPS. Finally, we encourage expanding cooperation with civil society and actively researching and piloting alternative / complementary lines of	the central levels (National and Provincial). - There is presently widespread acceptance that for the next wave of gains to be made, although the central level requires continued support for its over-sight/regulatory function as well as the policy reform and dialogue, it is the periphery that ought to attract greater attention and support of both Government and sector partners for the foreseeable future. The findings and recommendations of the evaluation offer an excellent starting point to redesign the domain - including a WatSan component. - (ii) Although there exists national strategies and policies to integrate health and WatSan interventions, our intervention in the health sector currently extend beyond the scope of health promotion (which is the point intersection). We have more issues to tackle within the ministry related to governance policy (design and implementation, monitoring etc.). We maintain more holistic systemic approaches and that would address these aspects as mentioned above and also in point (i) above. - (iii) Strongly agree. <u>Measures</u> - WatSan and health will be in one single 'basic services' line of intervention in the health Domain of the new CS. - Further reflections will be shared and discussed in the context of the upcoming new country strategy process, namely the national consultation phase in Feb/March and planning workshop on 21-24 March. The results of the discussion will be reflected in the Concept Note to the new Mozambique strategy.

RECOMMENDATIONS	MANAGEMENT RESPONSE
intervention as mid-term options where Switzerland has an added value and potential for higher outreach. Funds for the activities proposed under (iii) become available from gradually phasing out PROSAUDE support. Since the absorption capacity of districts is limited, only part of the PROSAUDE funds will be used for the proposed new facility; the remaining amount will available for piloting alternative / complementary lines of intervention.	
Recommendation 7 In light of these conclusions we propose for the next CS to enter into a transition phase during which (i) GBS to the central government is continued with declining financial contributions but intensified policy dialogue; (ii) Technical Assistance (TA) and GBS (General Budget Support)are complemented with support to EITI (Extractive Industries Transparency Initiative) implementation; (iii) sub-national budget support and / or infrastructure investment are explored, piloted and scaled up in parallel with reducing GBS for the central government. This transition phase could be divided into two distinct periods of perhaps 1 to 2 and 3 to 4 years. The first period could even be shortened if some of the preparatory work could be accomplished in the year 2016. For the first period we suggest to continue GBS and the policy / TA dialogue within the existing group of donors. We also propose that Switzerland, if possible, should become again a member of the 'Troika', and try to use this lead position for the much-needed intensification of the policy dialogue as much as possible. As mentioned before, promoting policies to reduce more effectively income and non-income poverty would be the most outstanding and challenging task. At the same time we recommend to continue TA for the Tax Common Fund (TCF). First, as mentioned before, because TA for domestic resource mobilization is a clever complement to GBS and continues to be an important task for GoM in the foreseeable future; second, because cooperation in this field has been successful for a long time.	Fully agree / **Partially agree** / Not agree <u>Response</u> Overall, we agree that given contextual changes, the rethinking of the time-frame for the provision of GBS is appropriate now and a transitory/exit phase is one of the options for Switzerland. Such a decision warrants good preparation, strategic embedding and transparent communication in Switzerland and Mozambique. - We are therefore not sure that the suggestion to divide such a transitory phase further in two periods is appropriate. We would expect that a transition-phase require good communication and signalling. For example, engaging in the Troika does not appear an appropriate option, as it would provide a strong signal to stay engaged, especially now when the GBS-instrument in Mozambique is redesigned. Moreover, Troika-membership requires three years of engagement for which current resources at SCO (and SECO) are not available. Hence, we do not support the recommendation for a stronger engagement in the Troika, given current resources. - Increased engagement in the national EITI process, the recent ESPG Steering Committee confirmed that due to many donor-financed activities, Mozambique should not be considered as a first priority for the ESPG trust-fund (supporting EITI implementation). Under the next strategy however, SECO could make use of the recently approved country activity line to help Mozambique with EITI implementation. We agree on the other hand with the continuation of the accompanying technical assistance in taxation as a good complement to GBS. We agree that Switzerland should use a transitory phase to scope for other

RECOMMENDATIONS	MANAGEMENT RESPONSE
The recent difficulties of Mozambican Tax Authority (ATM) to absorb the TA funds seem to be a transient management problem that can be overcome. In addition to contributing TA to the TCF we suggest that SECO take an active role in supporting the national EITI process in which GoM tends to stick to the minimum requirements only. This would also be in line with the support to the World Bank's Extractives Global Programmatic Support (EGPS) facility, one of the global initiatives mentioned above. Such an additional TA intervention can be regarded as an additional contribution to public revenue generation and public accountability, which, as mentioned before, will be fueled to a growing extent by revenues from natural resource extraction. The EITI / EGPS process can, inter alia, help to increase transparency and accountability, and to mobilize additional financial resources in a way that augments the work of the TCF. In other words, the 'twins' of GBS plus TCF would be extended to 'triplets'. Parallel to these recommended interventions we suggest that the first period of the transition phase is used to analyze (including feasibility studies) and plan new interventions during the second period. Analysis should be done in close consultation and coordination with SDC and other donors that might have relevant experience For these new interventions we see two lines of activities, (a) and (b). Both would imply a closer coordination and cooperation between SECO and SDC, possibly resulting in stronger synergetic benefits from the interventions of the two agencies. (a) GoM has made repeated commitments towards political, administrative and fiscal decentralization, which implies a shift of power and resources away from the central government to local authorities. Decentralization processes are supported by SDC in a number of districts and municipalities. We suggest analyzing the possibility to provide sub-national budget support, inter alia utilizing SDC's experience in decentralization processes, as well as possible experience of other donors following that route. Given the dire fiscal situation of districts and municipalities, the income and non-income poverty reduction potential of budget support seems quite promising.	potential SECO activity. However, both of the suggested areas in the report would not allow for test-cases, given the relatively short time period of 2 years. Sub-national budget support requires a long-term commitment to be effective and infrastructure activities are not well suited for pilots. On the other hand, to commission concrete feasibility studies, leading to a decision for engagement, seems an option. Measures - SECO has started its reflections on the provision of GBS beyond 2016. Our reflections will be shared and discussed in the context of the upcoming strategy formulation. - 2 SECO mission to Mozambique (MZ) in 2016 to make thorough assessment: mission of head of macro-unit to MZ (spring) and mission of Program Manager SECO to MZ (fall). - Extend Project agreement in Taxation to 2017.

RECOMMENDATIONS	MANAGEMENT RESPONSE
(b) Both rural and urban areas in Mozambique still suffer from substantial deficiencies in infrastructure in all conceivable areas, such as water supply, energy supply, transport, waste disposal, etc. SECO has both the capacities and long-time experience in intervening in these areas, including relevant TA and policy support to local authorities and enterprises. As in the intervention line (a) SECO should analyze possibilities to build up a new line of activities that could complement and re-enforce projects and programs of SDC in other thematic domains such as WatSan at the local level. Again it can be said that helping to reduce the massive infrastructure deficits in both rural and urban areas promises large potentials for income and non-income poverty reduction. For the second period of the transition phase we suggest to start with a small number of test cases of intervention lines (a) and / or (b). These test cases should be used to collect sufficient experience to decide about whether, how, to which extent, where, with whom, etc. activities will be continued and broadened. The financial resources could be built up step by step and would be withdrawn from the GBS at the national level. Of course, GoM must be informed from the very beginning about the transition phase, its justification from Switzerland's point of view, and its financial implications for GBS at the national level. Both TA within TCF activities and the national EITI / EGPS process should be continued throughout the second period. They represent valuable support measures to increase domestic resource mobilization and PFM transparency, certainly an important task for GoM in the foreseeable future. Both TA within TCF activities and the national EITI / EGPS process should be continued throughout the second period. They represent valuable support measures to increase domestic resource mobilization and PFM transparency, certainly an important task for GoM in the foreseeable future.	

RECOMMENDATIONS	MANAGEMENT RESPONSE		
Recommendation 8	Fully agree	**Partially agree**	Not agree
For the private sector development component we recommend analyzing options for expanding the portfolio towards an agricultural sector strategy that focuses on the potential of agriculture to increase food security and reduce income poverty particularly for smallholder farmers and to explore different intervention modalities during the first years of the next CS. Such an analysis should capitalize on the experience gained from the current interventions at the field and policy level, address extension services and access to finance, and explore potential synergies with the global program Food Security, with infrastructure development, and processing. Furthermore, the policy field has to be considered very carefully to inform the strategy.	Response The private and financial sector domain should not be compared with a traditional rural development program as it seeks to harness the potential of the private sector to alleviate poverty through market creation. This approach is more sustainable than direct intervention. The beneficiaries are poor small scale farmers with on average less than 0.5 hectare, lending groups consisting of poor women, and individual traders. We totally agree with the recommendation to continue working in the agriculture given that 80% of rural poor depend from this sector to generate revenue. From a methodological perspective, the domain adopted a coherent market system development (MSD) approach (promoted by SDC, DFID, and USAID) to ensure the long term sustainability of its programs. Yet, such methodology promoting facilitation – instead of direct intervention - requires more time to show results. Food security is a multidimensional concept that can be addressed through different means. Currently, SDC projects support farmers in improving agriculture practices which reduces food insecurity. For coherence reason and for not to jeopardizing the overall Market Systems Development (MSD) methodology, the domain decided to respond to this problematic within its project to avoid distorting markets. For instance farmers are advised to cultivate not only several types of cash crops but also food crops. At time when SDC wants to reduce the number of themes (concentration), we think that expending the scope of the portfolio - beyond what is already being within the existing project - would be incoherent with SDC strategy. We welcome the recommendation of building synergies between projects. Yet, this can only happen in the framework of the new country strategy as the micro credit bank has just started operations. It is worth mentioning that agriculture is perceived as a highly risky activity for lending institutions.		

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<tr><th>RECOMMENDATIONS</th><th colspan="3">MANAGEMENT RESPONSE</th></tr>
<tr><td></td><td colspan="3"><u>Measures</u>
The result of the 3 years impact evaluation of the MSD approach chosen by the domain and carried out by IFPRI[2] will be available in 2017. At this occasion, it will be possible to look critically at the coherent approach taken by the domain. The results of the evaluation will allow SDC to strengthen its policy work with the government.</td></tr>
<tr><td rowspan="3">Recommendation 9
We recommend continuing support to <u>Microbanco FIDES Mozambique (MBFM)</u> conditional on adequate cost sharing and capital support between public and private partners, including a reasonable increase of the paid-up private capital before the start of the next phase, successful investor acquisition, digressive subsidies, and establishing strong internal control and audit mechanisms.
We recommend establishing and communicating conditions under which Swiss support should be discontinued based on a risk sensitivity analysis (human resource risk, management risk, operational risk, funding risks, external risks) in order to avoid that Switzerland keeps investing because of the investment made (fear to face ‘sunk costs’), and not because of reasonable prospects for success.
We suggest keeping MBFM as a pilot and not deciding before 2019 on any potential future engagement in the sector.
For INFINA[3] we propose to explore the possibility of establishing the academy as an independent Vocational Education and Training program (VET) for the industry supported by a donor group and in cooperation with the financial industry in the mid-term.</td><td>Fully agree</td><td>Partially agree</td><td>Not agree</td></tr>
<tr><td colspan="3"><u>Response</u>
We share the assessment that MBFM is a risky project (financially and from a reputational perspective for Switzerland). Yet, if the project is successful, it can contribute to changing the life of thousands poor Mozambicans. Therefore, risks have to be clearly analysed, if possible mitigated, but also put into perspective with the potential tremendous impact that the project can have in terms of outreach and poverty alleviation. At this stage, it is worth noting that SDC is the first donor to have supported in the field the establishment of a micro credit bank addressing the issue of access to finance.
We agree on the importance to find a balance between the costs shared by SDC and the private sector. We welcome the ideas of developing scenarios. This was done by the bank management who recently reported on that matter to the board.
Regarding INFINA, we believe that the training institution should at this stage focuses on training staff for MBFM only as training enough and qualified mid management remains one of the major challenge/risk for the success of the bank. INFINA has to remain MBFM training centre and therefore MBFM will have to include INFINA costs within its budget.</td></tr>
<tr><td colspan="3"><u>Measures</u>
In the framework of the preparation of a new credit proposal for the period 2017 – 2019, an external evaluation will take place in March 2016. Its</td></tr>
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[2] http://www.ifpri.org/
[3] Training institute for bank employees

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<tr><th>RECOMMENDATIONS</th><th colspan="3">MANAGEMENT RESPONSE</th></tr>
<tr><td></td><td colspan="3">conclusions will help SDC defining the scope and terms of collaboration with MBFM and the TA provider (FIDES[4]). Further, it will help SDC clearly defined the role of Switzerland and an exit strategy.</td></tr>
<tr><td rowspan="2">Recommendation 10
We recommend developing a <u>programmatic approach to the resource boom</u> that builds on (a) the proposed monitoring of the extractive sector (R2) and (b) the current project-level responses (centered mainly around macroeconomic policies and land rights), and develops a strategy for responding to the challenges of the extractive sector at different levels. Developing a programmatic approach starts with a systematic mapping of the developmental relevant risks and opportunities of resource extraction along the resource governance cycle (negotiation and award of licenses, project development and operations, revenue collection, management and reinvestment) and identifies links to the CS domains (e.g. fiscal issues, local linkages and local content, social, health and environmental impact, conflict dynamics etc.). This in turn allows coherent lines of intervention at the local, regional and national level to be devised that fit with the strength and expertise of the Swiss development cooperation, are linked to global initiatives, and are complementary to initiatives of other actors.</td><td>Fully agree</td><td>Partially agree</td><td>Not agree</td></tr>
<tr><td colspan="3"><u>Response</u>
Swiss interventions in Mozambique already respond at different levels to the challenges posed by the resource boom. At the macroeconomic and national level as well as at the local level (Policy dialogue GBS, Fiscal regime, tax authorities, increased public/social accountability through CSOs, improved land-management, Public Financial Management (PFM) at national and decentralized/deconcentrated level etc.).
We agree that a more holistic and programmatic approach which encompasses all domains of the strategy will offer more synergies and opportunities facing challenges of the natural resource boom at different levels. Mapping of relevant risks and opportunities of resource extraction always should focus on poverty reduction. The development of a more programmatic approach to the resource boom will be part of the new strategy. However, engagement in new partners and new projects will strongly depend on availability of resources. The overall guiding element should be a clear added-value for Swiss-financed activities needs to be demonstrated before engaging in this very complicated and crowded topic. More resources at SCO to follow the dialogue and discussion in this area would be required for a scaled up programmatic approach. A more programmatic approach should in a first instance focus on increasing the impact of existing activities by better linking interventions at the local level to Policy dialogue at the national and international level and by improving Synergies with global and international initiatives (NRGI, 4U, land matrix etc.).</td></tr>
</table>

[4] https://www.fides.ch/en/

RECOMMENDATIONS	MANAGEMENT RESPONSE
	Measures - The future strategy will include a more programmatic approach to the resource boom. The issue will be tackled from a holistic approach focusing on the efficient, transparent and socially accountable management of all existing resources including extractive industries. A CS monitoring concept will be elaborated that includes context monitoring, risk management and will allow devising coherent lines of intervention at local, regional and national level as well as between the domains of intervention.

Evaluation Area 3: Implementation of the CS and their portfolio

RECOMMENDATIONS	MANAGEMENT RESPONSE		
Recommendation 11 We encourage the management to also review and improve management processes in order to support the effective implementation of the strategy including but not limited to a proactive management and integration of suitable global programs, focusing donor coordination engagement on topics relevant for the overall CS, and integrating gender in a more systemic way.	**Fully agree**	Partially agree	Not agree
	Response We agree that management processes can improve and support the recommendation for more focused engagement in areas relevant for the CS with increasing gender sensitivity. This implies two options: training on basic Gender Concepts (Module of SDC Gender in Practice Toolkit and special training on Module II and- Gender & qualitative interpretation of data. But due to high turnover of staff as recognized by the evaluation team, it is not easy to conduct such training in very short period of time. Additional support from OSA or SDC Headquarter (HQ) would be required to conduct the training on the last topic above mentioned in order to improve gender qualitative reporting. The above training not only to target SDC staff but also NGOs, Government and Private Sector.		
	Measures - Gender Equality an Mainstreaming Plan Mozambique will be further substantiated		

<table>
<tr><th>RECOMMENDATIONS</th><th colspan="3">MANAGEMENT RESPONSE</th></tr>
<tr><td></td><td colspan="3">- New CS will reflect gender equity in each domain
- Gender Baseline for Northern Provinces
Gender Workshop with Embassy Staff and Partners</td></tr>
<tr><td rowspan="3">Recommendation 12
We recommend that HQ engages in <u>better clarifying cooperation and complementarity between global and regional programs</u> and how this is expected to translate into implementation procedures. We further recommend that the country office proactively approaches global programs to explore synergies and scaling up potential.</td><td>Fully agree</td><td>Partially agree</td><td>Not agree</td></tr>
<tr><td colspan="3"><u>Response</u>
Cooperation with Global Programs (GP) and also Regional Programs (RP) are especially fruitful were synergies with the CS exists and where collaboration is agreed upon. The communication should be twofold between GP, OSA and the Cooperation office in Mozambique (CooF MOZ). On one hand, it is the Desk Mozambique and the CooF who has to make efforts to ask and find relevant programs to CS Mozambique and on the other hand, the Divisions of the Global Program have to provide proactively the programs which have relevant influence on the CS Mozambique. We are already reviewing communication procedures between GP and OSA/CooF.</td></tr>
<tr><td colspan="3"><u>Measures</u>
- Finalize an overview list of all relevant Global- and Regional Programs relevant for Mozambique.
- The Divisions of the Global Cooperation Department and the responsible program managers of regional programs in Mozambique will be included in the elaboration process of the new CS.
The embassy/ CooF will review and where possible systematize its communication and management processes.</td></tr>
<tr><td rowspan="3">Recommendation 13
We recommend elaborating the res<u>ults framework for the new CS along the domain logic</u> and ensuring cooperation, knowledge exchange and coordination between domains through effective and efficient management processes.</td><td>Fully agree</td><td>Partially agree</td><td>Not agree</td></tr>
<tr><td colspan="3"><u>Response</u>
The new CS structure will be elaborated in the “domain logic” according to the CS Guidelines. The inter-domain cooperation, which was obviously a positive effect of the “outcome logic”, will be maintained also with return to the “domain logic” in the new strategy.</td></tr>
<tr><td colspan="3"><u>Measures</u>
See above.</td></tr>
</table>

<table>
<tr><th>RECOMMENDATIONS</th><th colspan="3">MANAGEMENT RESPONSE</th></tr>
<tr><td rowspan="3">Recommendation 14
We recommend investing in a solid, meaningful and complete results framework as a foundation for the CS Monitoring Concept. This should be linked with an expanded context analysis as proposed earlier. Together these measures enable the discussion of results from a strategic perspective and support the focus on steering implications.</td><td>Fully agree</td><td>Partially agree</td><td>Not agree</td></tr>
<tr><td colspan="3">Response
The establishment of the results framework will be one of the key components within the elaboration process of the new CS. The objective is to have a complete results framework with steering relevant indicators including baselines and targets. Results framework and instruments as well as CS monitoring organization will be elaborated in the elaboration process of new CS.</td></tr>
<tr><td colspan="3">Measures
See above.</td></tr>
<tr><td rowspan="3">Recommendation 15
We recommend to review and consolidate the management structure of the integrated representation. This requires prioritizing political, economic and development interests at country and HQ level.</td><td>Fully agree</td><td>Partially agree</td><td>Not agree</td></tr>
<tr><td colspan="3">Response
We agree that the formal management structure should be further consolidated/separated especially with regard to the roles and responsibilities of the core management team (HoM, HoC, CFPA[5]) and a focus on how to efficiently and effectively respond to demands & expectations from different levels.</td></tr>
<tr><td colspan="3">Measures
- Review of Organigram and staff structure in view of full integration
- Review of Meeting structure
- Mapping of division or work
- Regular updating and cleaning of Office Manual to further institutionalize relevant processes
Continuing clarification of responsibilities of national collaborators.</td></tr>
</table>

[5] HoM = Head of Mission; HoC = Head of Cooperation; CFPA = Chief Finance, Personal and Administration

RECOMMENDATIONS	MANAGEMENT RESPONSE		
Recommendation 16 We recommend exploring the potential to expand synergies between development cooperation and 'traditional' embassy tasks.	**Fully agree**	Partially agree	Not agree
	Response The integrated embassy with staff having experience in development cooperation and traditional embassy tasks is actually an ideal opportunity to explore potential and expand synergies between the fields of Swiss intervention. It will be particularly important to embed these aspects in the new CS.		
	Measures - Emphases will be given to complete the integration process to fully benefit from the complementary roles and responsibilities. - Linkages between Development and Swiss Investors will be explored and strengthened where meaningful. - The comparative advantage of an integrated Embassy will be strengthened through complementary access to relevant stakeholders. See also above.		

Evaluation area 4: Results of the CS in relation to the results at country level

RECOMMENDATIONS	MANAGEMENT RESPONSE		
Recommendation 17 We recommend using the results framework more actively as a steering mechanism during the implementation of the CS.	**Fully agree**	Partially agree	Not agree
	Response A meaningful monitoring concept is the prerequisite for the successful monitoring and steering of the new strategy.		
	Measures See above and further comments and recommendation in MR of AR 2015.		

<table>
<tr><th>RECOMMENDATIONS</th><th colspan="3">MANAGEMENT RESPONSE</th></tr>
<tr><td rowspan="3">Recommendation 18
We recommend reducing the number of commitments in <u>donor coordination bodies and working groups</u> to those that are strategically important in the context of the goals of the CS. There, do an excellent job and act as (long-term) leader to increase the cost-benefit ratio. An example for this could be decentralization: Switzerland is already perceived as a strong donor in the decentralization agenda and has the substance, knowledge and credibility to take the opportunity and take the lead when the current focal point resigns.
Such a strategy also requires institutional planning and preparedness that survives rotation.</td><td>Fully agree</td><td>Partially agree</td><td>Not agree</td></tr>
<tr><td colspan="3"><u>Response</u>
Swiss engagement in working groups, especially in terms of leading policy dialogue will be prioritized and limited to areas, where Switzerland brings real added-value. It is clear that Switzerland cannot be engaged everywhere. Therefore prioritization and expectation should be done in the context of the new strategy formulation between SDC/SECO and SCO. Each agency has expectation on monitoring and leading policy dialogue. Hence, these expectations need to be openly laid-out and aligned.
A main objective of the embassy/COOF will be to reduce transaction cost.</td></tr>
<tr><td colspan="3"><u>Measures</u>
- The number of commitments in donor groups and coordination bodies will be discussed within the elaboration process of the new CS. (benchmark 2014: 15 2009: 9).
Planned engagement in selected working group as lead or shadow lead will be critically assessed and discussed in the management team.</td></tr>
<tr><td rowspan="3">Recommendation 19
We recommend that the country office explores and pilots <u>new / additional measures to address the systemic shortage of skilled staff</u> such as for example a VET initiative for public administration to complement ‘on the job’ support provided currently and to broaden impact. Exploring and piloting innovations to address sustainability risks are also recommended for social accountability initiatives and support to sub-national CSOs.</td><td>Fully agree</td><td>Partially agree</td><td>Not agree</td></tr>
<tr><td colspan="3"><u>Response</u>
Increasing skills development to improving the general business environment are crucial steps to close the reform implementation gap in Mozambique. Options will be explored and decision on engagement will be made keeping in mind existing resource constraints.</td></tr>
<tr><td colspan="3"><u>Measures</u>
Reflections on more systemic approach to Capacity building of Government, CSO and Private Sector Development (PSD) ongoing as part of the CS elaboration process and beyond.
- Option for engagement in vocational training will be explored through the existing domains.
Ongoing efforts and interventions in skills development will be better communicated and reported.</td></tr>
</table>

<table>
<tr><th>RECOMMENDATIONS</th><th colspan="3">MANAGEMENT RESPONSE</th></tr>
<tr><td rowspan="3">Recommendation 20
In case SECO considers a diversification of its engagement in Mozambique, we recommend and encourage a more detailed analysis of the urban water and sanitation sector due to its potential. A thorough assessment of intervention options and the required resources at the SCO would be required in order to base a decision on sound information.
We further recommend close coordination with SDCs support to municipalities in order to exploit synergies in PFM, participatory budgeting, and social accountability interventions (see also R5).</td><td>Fully agree</td><td>Partially agree</td><td>Not agree</td></tr>
<tr><td colspan="3"><u>Response</u>
Increasing complementary collaboration, communication and coordination within the domains, the SECO and the Global Programs is vital to further develop the portfolio.</td></tr>
<tr><td colspan="3"><u>Measures</u>
- This is an area that has to be further explored as part of the CS elaboration process and beyond.
- A note will be prepared outlining areas for possible complementary SECO engagement over the period of the next CS and beyond.</td></tr>
<tr><td rowspan="3">Recommendation 21
We recommend carrying out systematic DRR and CEDRIG (Climate, Environment and Disaster Risk Reduction Integration Guidance) scans of the programs and the portfolio at the design and planning stage in order to identify, prevent and mitigate risks resulting from natural disasters and climate change effects (e.g. water availability; where necessary engage in organizing catchment management systems).</td><td>Fully agree</td><td>Partially agree</td><td>Not agree</td></tr>
<tr><td colspan="3"><u>Response</u>
“The challenges linked to Climate Change (CC), environmental degradation and Disaster Risk Reduction (DRR) shall be duly reflected and integrated in the Concept Note. This shall lead to a sound context analysis and the integration of these cross-cutting issues in the results framework with the intention to make the strategy with its programs and projects CC, environment and DRR smarter.</td></tr>
<tr><td colspan="3"><u>Measures</u>
- Consultation and involvement of the Climate Change & Environment (CC&E) and the DRR networks of SDC throughout the strategy development process to secure the adequate inclusion of the Climate Change (CC), Environmental (E) and Disaster Risk Reduction (DRR) aspects.
- Systematic application of the CEDRIG tool for all relevant programs and projects as deemed appropriate both for planning and review purposes (main streaming of CC, E and DRR).
- Organization of a specific CEDRIG workshop for the Domain ‘Income and Economic Development’ (tentatively scheduled for 2017) with the support of the CC&E and the DRR networks (mainstreaming of CC, E and DRR).</td></tr>
</table>

<table>
<tr><th>RECOMMENDATIONS</th><th colspan="3">MANAGEMENT RESPONSE</th></tr>
<tr><td></td><td colspan="3">Targeted awareness raising, capacity building and training efforts both for SDC staff and partners to promote the fruitful utilization of CEDRIG with support from the CC&E and DRR networks.</td></tr>
<tr><td rowspan="3">Recommendation 22
We recommend communicating achievements in a more systematic way so as to be able to influence policies and promote a scaling-up.</td><td>Fully agree</td><td>Partially agree</td><td>Not agree</td></tr>
<tr><td colspan="3"><u>Response</u>
SDC has introduced a large number of standardized reporting formats and instruments for reporting results achievement. The use of most of these instruments is compulsory and quite well implemented by the CooF.</td></tr>
<tr><td colspan="3"><u>Measures</u>
Finalize and implement the communication Policy of the EOSM.</td></tr>
</table>

II. Evaluators’ Final Report

The evaluation report for the country evaluation of the Cooperation Strategy Mozambique 2012 – 2016 has been elaborated in collaboration with the Evaluation and Corporate Controlling Section, the international consultant Dr. Fritz Brugger, (ETHZ NADEL) and Prof. Rolf Kappel (ETHZ NADEL). with valuable inputs from the two peers from SDC.

Ursula Läubli (SDC) and Christoph Graf (SDC) participated as peers at the interviews with resource persons at SDC’s and SECO’s Headquarters and commented on draft versions of this report.

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January 2016

Acknowledgements

Our special thanks go to the staff of SCO Mozambique, the Mozambique desk at SDC Berne, and SECO for preparing the information on the project portfolio and for helping us to make the logistic arrangements.

Table of Content

Anenxes

Abbreviations

AIAS	National Water and Sanitation Asset Holding Company in Mozambique
AR	Annual Report
ATAF	African Tax Administration Forum
ATM	Mozambican Tax Authority
BO	Banco Oportunidade
CABI	Commwealth Agricultural Bureau International
CDC	Community Development Committee
CDHP	Cabo Delgado Health Plan
CEDRIG	Climate, Environment and Disaster Risk Reduction Integration Guidance
CF	Common Fund
CIP	Center for Public Integrity
CPIA	Country Policy and Institutional Assessment
CRA	National Water Regulation Authority in Mozambique
CS	Cooperation Strategy
CSDP	Conflict Sensitive Development Programing
CSO	Civil Society Organization
DFID	Department for International Development
DNEAP	National Directorate for Studies and Policy Analysis in Mozambique
DPS	Direcção Provincial de Saúde, Health Department
DREAM	Aids project SDC
DRR	Disaster Risk Reduction
DUAT	Land use right (direito de uso e aproveitamento do terra)
EGPS	Extractive Global Programmatic Support
EITI	Extractive Industries Transparency Initiative
EQ	Evaluation question
eSISTAFE	Electronic State Financial Administration System
EU	European Union
FCD	Federal Council Dispatch
FDFA	Federal Department of Foreign Affairs
FDI	Foreign Direct Investment
FIPAG	National Water Asset Holding Company in Mozambique
FRELIMO	Frente de Libertação de Moçambique
FTAP	Fiscal Transparency Action Plan
GBS	General Budget Support
GDP	Gross Domestic Product
GEMP	Gender Equality and Mainstreaming Plan
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GNI	Gross National Income
GoM	Government of Mozambique
Gotas	Governance, WatSan and Health Project SDC
GPFS	Global Program Food Security
HIPC	Heavily Indebted Poor Countries
HortiSempre	Private Sector Project SDC
HQ	Head Quarter
HSDP	Health Sector Development Program
IESE	Institute for Social and Economic Studies
IFI	International Finance Institution

Inovagro	Private Sector Project SDC
LNG	Liquefied Natural Gas
MASC	Foundation to support and strengthen civil society in Mozambique
MBFM	Microbanco FIDES Mozambique
M4P	Making markets work for the poor
M&E	Monitoring and Evaluation
MERV	Monitoring der entwicklungsrelevanten Veränderungen
MISAU	Health Ministry
MSD	Market Systems Development
MSME	Micro Small and Medium Enterprises
MoU	Memorandum of Understanding
NPO	National Program Officer
NRGI	Natural Resource Governance Institute
ODA	Official Development Assistance
P4H	Providing for Health
PEA	Political Economy Analysis
PAP	Program Aid Partnership
PARP	Poverty Reduction Strategy (Mozambique)
PETS	Public expenditure tracking surveys
PRODEM	Programa de Desenvolvimento Autárquico
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PPP	Public Private Partnership
PSD	Private Sector Development
PQG	Plano Quinquenal do Governo
PRONASAR	Programa Nacional de Agua e Saneamento Rural
PROSAUDE	Health Sector Common Fund
RENAMO	Resistência Nacional de Moçambique
RF	Results Framework
RTAC	Regional Technical Assistance Center
SA	Social Accountability
SADC	Southern African Development Community
SAI CDF	Supreme Audit Institutions Capacity Development Fund
SAMES	Indicator system to measure effectiveness of SA initiatives
SCO-M	Swiss Cooperation Office Mozambique
SDC	Swiss Agency for Development and Cooperation
SDPI	District Services for Planning and Infrastructure
SDSMAS	District Services for Health, Women and Social Action
SECO	State Secretariat for Economic Affairs of Switzerland
SWAp	Sector-wide Approach
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TCF	Tax Common Fund
TTF AML	Topical Trust Fund Anti Money Laundering
TTF MNRW	Topical Trust Fund Managing Natural Resource Wealth
UEM	Universidade Eduardo Mondlane
UN	United Nations
VET	Vocational Education and Training
WatSan	Water and Sanitation

Introduction

This report concerns the evaluation of the Cooperation Strategy (CS) Mozambique 2012 - 2016, and presents the main findings of the evaluation. The evaluation follows the methodology provided by SDC's Country and Regional Strategy Evaluation Concept and its Country and Regional Strategy Evaluation Toolbox.

An inception report was compiled as an analytical document and in preparation for the field visit. It summarizes the results of the analysis of key documents such as the Annual Reports (ARs) 2012 – 2014 of the SCO-Mozambique, selected project evaluations and reviews. Furthermore, SCO prepared a detailed project list per domain, which was then used as the basis to produce a preliminary portfolio analysis.

The evaluation report builds on the more extensive context analysis, portfolio analysis and the other material presented in the inception report. Although this material is not reproduced in the evaluation report, it is recommended that both are consulted together. The context analysis done for the inception report is reproduced in annex 7.

The evaluation team conducted interviews at HQ level prior to the field visit.

The evaluation team went on a two-week field mission to Mozambique from November 1 to 14 November 2015. The field visit included

- interviews at the country office with the Head of Mission, the Head of Cooperation, domain heads, NPOs and the senior management team;
- a staff workshop reviewing the result chains;
- interviews with government partners, implementing partners and relevant donors;
- field visits covering all three domains of the CS.

The evaluation report presents results at a highly aggregated level: all findings draw on multiple sources, typically a combination of (external) evaluations, internal documents (annual reports etc.), 3rd party studies (academic sources, think tanks, media), information collected through our interviews at HQ and in Mozambique as well as other observations made during the field work. All sources consulted are listed in the bibliography and in annex 1. Detailed lists of the interviews at HQ and at the field level are presented in annex 3 and 4.

The report is structured along the four Evaluation Areas and covers the Evaluation Questions. It summarizes the main findings and presents recommendations in light of the preparation of the new Country Strategy.

Our special thanks go to the staff of the Swiss representation in Mozambique for their excellent support and cooperation during the whole process and in particular in the field. We are also grateful for the great support of the Mozambique desk at SDC Berne, and SECO for preparing the information on the project portfolio and helping us to make logistic arrangements.

Executive Summary

Donor	SDC – Swiss Agency for Development and Cooperation
Report title	Country Evaluation Cooperation Strategy Mozambique 2012 – 2016
Geographic area	Mozambique
Sector	Country program
Language	English
Date	January 2016
Authors	Fritz Brugger (team leader) – ETH Zurich / NADEL Peers SDC: Ursula Läubli, Christoph Graf

Subject Description

This evaluation analyses Switzerland's cooperation with Mozambique as defined in the Cooperation Strategy (CS) 2012 – 2016. The CS' overall goal is to support Mozambique in its fight against poverty and its transition to a politically and economically inclusive society through the promotion of rural employment and income, domestic fiscal resource mobilization, improved delivery of quality public service, and the reinforcement of civil society.

The cooperation program is mainly implemented by the Swiss Agency for Development and Cooperation (SDC). The State Secretariat for Economic Affairs (SECO) has a complementary program in Mozambique focusing on GBS and TA through the Tax Common Fund. The total CS Mozambique 2012 - 2016 amounts to around CHF 160 million.

Evaluation Objectives and Methodology

In line with the concept (SDC 2015a), content and question guide (SDC 2015b), the country evaluation uses a mutual learning process to assess whether Switzerland is achieving the strategic objectives of the CS in Mozambique, and how efficiently the strategic and operational steering mechanisms of the Swiss Cooperation Office have been put in place.

An Inception Report, summarizing the findings of an extensive context analysis and of a detailed review of key documents, such as the annual reports, selected external evaluation reports and internal reviews, was the basis for the field mission to Maputo and project visits in all three thematic domains. The fieldwork took place from 01 - 14 November 2015 and was conducted by a team of two peers from SDC and one international consultant.

The evaluation report is structured according to the four Evaluation Areas (EA): EA 1 Context analysis, EA 2 Relevance and appropriateness of project/program portfolio, EA 3 Implementation of the CS and its portfolio, and EA 4 Results of the CS in relation to the results at country level.

Major Findings and Conclusions

Evaluation Area 1: Context analysis

The CS for Mozambique is highly aligned with country priorities and policies, and with the priorities of the Federal Dispatch.

The political context is characterized by mounting tensions in the FRELIMO-RENAMO conflict over power sharing after two decades of relative peace, by internal power struggles in the ruling party, and by the near total control of FRELIMO over politics, administration, and the economy.

The economic situation is challenged by rising inequality despite a decade of strong GDP growth, the accumulation of significant debt burden due to expansive investment behavior and increasing commercial lending. Global developments in the extractive sector and in FDI in agriculture increasingly influence Mozambique's economy. The drop in commodity prices together with the devaluation of the Metical has led to an increase in inflation and GoM had to turn to the IMF for an emergency loan end of 2015. In the longer term, windfall revenues from LNG are expected to arrive in the middle of the next decade.

Mozambique is expanding relationships with BRIC countries in an attempt to reduce dependence from Western donors. Total amount of grants was 25% lower in 2015 than predicted and the combined externally funded spending (grants and loans) is expected to continue to decline in the years to come.

Evaluation Area 2: Relevance and appropriateness of the portfolio with regard to CS

The CS portfolio is highly relevant and coherent, but in some instances remains below its strategic potential. It is committed to current harmonization and aid effectiveness principles but also faces the related challenges. Depending on the domain, between 40% and 75% of the budget is channeled through country systems.

The local governance domain portfolio is in an advanced state and shows a high level of consolidation. Addressing not only supply and demand side but also particularly the interface between the two proofs relevant and delivers tangible results. Main risks challenge? are the contested decentralization process, potential for cooptation of social accountability mechanisms, and capacity constraints on the public as well as civil society side.

The health domain heavily relies on the Prosaude common fund (75% of the budget). The need for reform of the common fund is acknowledged among SWAp partners but opinions differ on the prospect for success. The complementing bilateral programs focus on the supply and demand side; yet, they are weakly aligned and do not exploit synergies with the central mechanism when comparing with the local governance setup.

Private sector development moves towards a relevant agricultural portfolio, including policy engagement, on which the strategy can build in the future. If successful, the microfinance bank might well unlock a sector that has been met with disappointment for many years. However, for most of the next CS period, it will remain a relatively risky investment and needs close management attention. The associated training facility has the potential to become an important VET institution.

GBS has contributed to increased public spending in social sectors. The openness of GoM to discuss policy issues appears to have declined, and the emphasis has shifted more and more towards a TA-oriented cooperation. The interest of GoM in increasing domestic resource mobilization, and the observed growth of public revenues relative to GDP indicate that TA interventions in the field of 'tax and development' are appropriate and successful.

Evaluation Area 3: Implementation of the CS and its portfolio

The SCO faced high staff turnover at NPO and management level; promotion of NPOs with the goal of transferring more responsibilities to locals was initiated. Cooperation with global programs is limited so far and could be expanded with mutual benefit.

The CS period started with a relatively poor results framework. It has only partially been improved over the years and the potential of an effective monitoring system has not yet been fully exploited. The outcome logic has strengthened cooperation and contributed to a more coherent Swiss approach; at the same time, it has complicated monitoring and reporting, and the understanding of ARs has suffered.

Evaluation Area 4: Results of the CS – in relation to the results at country level

The program is characterized by solid and consistent engagement and shows relevant achievements in all three domains: Tax collection rates at national and municipal level, access to water, and institutional birth rates have increased. Social accountability initiatives show positive results at the national and at the subnational level; the same holds for the capacity of municipal and district authorities. Community land delimitations have increased as well and helped strengthening land security. Sanitation coverage lags significantly behind targets though and the availability of essential medicines has not reached the intended levels.

A number of innovations have emerged and some program components have good potential for up-scaling. Among the innovations are social accountability mechanisms at the municipal level, tracking the flow of funds vertically from national to provincial and district level, or the national seed platform.

The most relevant sustainability risks across the portfolio are the uncertainty how political support for decentralization will evolve, whether the space for public debate and civil society will remain, and the severe capacity constraints on both public sector and civil society.

Recommendations

To cope with the increasing uncertainty in the political and economic context the upcoming CS should prepare for dealing with different plausible futures.

Strengthening the strategic focus on decentralization and social accountability as the guiding thread can heighten the profile of the cooperation program and Switzerland's contribution. Together with complementary measures which we recommend to explore, it can contribute to safeguarding space for public deliberation and civil society engagement.

The effectiveness of the health operations could benefit from (i) integrating health into a 'basic services' line of intervention together with WatSan; (ii) replacing (or at least significantly reducing) the Prosaude engagement through a more targeted facility to support district health services; (iii) improving the coherence of bilateral health projects and their complementarity and synergies with the post-Prosaude facility.

The expected resource boom will reduce the need for budget support, which is in line with GoM plans. At the same time, the fast growing extractive sector brings its own governance challenges. These developments call for a response at different levels: (i) Intensifying policy dialogue and TA related to natural resource management, revenue management and reinvestment, and support to the implementation of EITI; (ii) gradually reducing GBS and exploring the potential transition to new lines of intervention such as e.g. sub-national budget support or municipal infrastructure; (iii) moving towards a more programmatic approach to addressing the challenges of large scale resource extraction at local, regional and national level.

Further strengthening management processes will support the implementation of the country program, including reinforcing monitoring and steering mechanism, investing in NPO promotion, and proactively pursuing synergies with global programs and SDC thematic networks.

Evaluation Area 1: Context analysis and quality

Findings

The CS for Mozambique is highly aligned with **country priorities** and national strategies. All major lines of intervention – macroeconomic support, private sector development, health, water and sanitation, decentralization, land rights, social accountability – are designed to support the respective government policies. This still holds after GoM's transition from the Poverty Reduction Strategies (PARP) to the new 5-year Government Plans (PQG: Plano Quinquenal do Governo 2015-2019). However, the PQG does not, at the time of the review, describe measures and indicators that can be used for monitoring purposes. Those are still under negotiation between the GoM and development partners.

The CS conforms to the **Federal Dispatch** and the priorities set out in this document. More interesting is the question whether the CS focuses on those priorities in the Federal Dispatch that are most relevant for the partner country's development. Looking from that perspective, it is worth noting that the 'private sector development' projects moved towards a focus on 'agriculture and food security' supporting cash crops but increasingly also staple crops. This shift is relevant from a food security perspective: Mozambique ranks 62 (out of 76 countries) in the Global Hunger Index with a score of 20.5 out of 40, which is considered 'alarming'.

Political context assessments differ in various relevant areas: Examples include (i) the assessment of the political settlement process in the FRELIMO-RENAMO conflict, (ii) the future of the power sharing between FRELIMO internal fractions and how this will affect politics, (iii) the assessment whether the new government opens a 'window of opportunity' for reform and development towards more inclusiveness and sharing of wealth and power, (iv) and whether space for civil society is shrinking or widening. While this is not surprising given the complexity of the situation, it shows that uncertainty is on the rise. Most recent clashes between FRELIMO and RENAMO have increasingly turned violent and involved civilians using tactics deployed during the 18-year civil war; it resulted in 4'000 people fleeing to Malawi until February 2016. Mozambique, hitherto seen as a poster child for development and political stability, shows how deeply embedded conflict and instability can be, with violence erupting even after several decades of relative peace.

The resurfacing of tensions and longstanding grievances over lack of power sharing and access to economic opportunities (which go back to the 1992 peace agreement) may well be driven, at least to some extent, by the emerging extractives sector. For example, coal operations are located in traditional RENAMO strongholds and locals do not feel that they benefit from these developments, but are confronted with the negative externalities. Without finding solutions that are acceptable to all parties, instability remains either in the form of open conflict or – if one party imposes non-inclusive solutions – as the nucleus of future grievances.

Development partners not only have an interest in solving the conflict, development partners carry an obligation to support an inclusive settlement since ODA has contributed to strengthening the current FRELIMO hegemony. ODA, and aid to government in particular, provided not only funds to strengthen state-capacity and development but de facto also facilitated the 'winner takes it all' mentality of the ruling party that systematically excludes nonparty members from access to power and economic opportunities, strengthening FRELIMO as a party that controls politics, administration, and the economy.

At the project level, Switzerland is working with the government as main partner in provinces where the opposition parties are traditionally strong (except in Cabo Delgado) but the ruling party tightly controls administration, services, and access to (economic) opportunities (Niassa: FRELIMO (F): 40.6%. RENAMO (R): 39.9%, MDM (M):13.2%; Cabo Delgado: F: 69.0%, R:15.3%, M: 12.5%; Nampula: F:39.3%, R:44.4%, M:11.2%, see also annex 8). While the country office is aware of the political economy and the power and conflict dynamics, it is not clear how this influences the Swiss strategy, choice of partners, risk management, team composition and communications, which are important components of Conflict Sensitive Development Programing (CSDP). Based on the information available, there is a risk that the CS could have an unintended adverse impact on dynamics of power and conflict.

While relations with neighboring countries continue to have a strong influence on the country context (e.g. South Africa is Mozambique's main trading partner and half a million migrant workers send remittances back home), factors driven by **global developments** seem to be becoming more pertinent for Mozambique's development challenges. Key factors are FDI in the extractive industries, the volatility of commodity markets, and commercial investment in agriculture for which the Landmatrix platform (www.landmatrix.org) currently lists 79 cases.

International demand for natural resources – and resulting changes thereof – directly impacts Foreign Direct Investment (FDI) in the extractive sector and the pace of its development. The growing extractive sector exposes the country to the risk of the Dutch disease that would render traditional exporters uncompetitive. Other resource-exporters such as Angola, Gabon and Nigeria show that the agricultural sector is the most likely to lose out; for example producers of basic commodities such as cotton and cashew could face problems because they compete on price. Some observers even diagnose that Mozambique experienced a first instance of this in 2011 when the currency appreciated 33% against the US-dollar following massive FDI. Cashew prices rose to a peak, export dropped by 49%, slowing down the recovery of the cashew industry (Reuters 2012).

Currently, the country is experiencing an external shock associated with the drop in commodity prices (aluminum, gas, coal), lower growth in trading partners, and delays in investment associated with large natural resource projects. Another contributing factor is that the government interfered with the Central Bank to keep the Metical artificially strong before the 2014 elections to avoid price increases. The Metical plunged 42.25% against the dollar from January to December 2015. Consumer inflation reached 10.55% over the same period and jumped to 11.25% year-on year in January 2016 according to Mozambique's National Statistics Institute (INE). Food prices are on the rise and servicing dollar denominated debt has become more expensive. In November 2015, Mozambique turned to the IMF for a $286m emergency loan and introduced exchange controls.

The **economic context** is dominated by GDP growth driven to a large extent by mega-projects (mainly LNG and coal) and at the same time in the absence of inclusive growth. First figures released from the 2015 household survey by Mozambique's National Statistics Institute (INE) reveal a widening gap between the richest 20 percent of the population and everybody else. The wealthiest fifth of Mozambicans spend 14 times as much as the poorest fifth, which is double the ratio of 7 to 1 six years ago, and the rural-urban gap has also widened.

Economic planning is based on expected revenues from the extractive sector, particularly LNG. A recent IMF report predicted that Mozambique's average economic growth rate between 2021-2025 could reach as high as 24 percent per annum (IMF 2016). However, the analysis of the available revenue calculations and master plans, experience with earlier projects in Mozambique (Mozal, Pande / Temane concession), and experience in other resource rich countries suggest that there is a significant risk of overly optimistic revenue projection and that the effective start of revenue flows could be significantly later than anticipated. Moreover, the possibility of a global glut of LNG caused by the opening up of Iran could weaken interest in developing the Mozambican deposits.

Sovereign debt stock has sharply increased since the HIPC debt write offs in 1999 and 2006. The pace of debt accumulation and the increase in public spending in recent years are not sustainable, also resulting from the poor quality of debt contracted and a lack of rigor in project selection criteria. Overall public debt has risen from 38% of GDP by the end of 2012 to 57% of GDP in 2014 and 72% end of 2015; the 2015 increase is mainly driven by metical depreciation reflecting the fact that over 80% of debt is external (IMF 2016a, 2016b). The move in recent years towards more commercial borrowing with higher interest rates and shorter maturities is not in line with IFI agreements. It has made debt service more onerous and the currency devaluation further aggravates the problem. For example, the $850m state-guaranteed Ematum bond (Credit Suisse raised $500m, the Russian bank VTB a further $350m) carries an interest rate of 8.5% and doubled the country's overall cost of debt. Principal and interest repayments stand at around $230m annually until 2020 when the bond is due to be repaid in full. To be added to this debt are the operational losses of the Ematum tuna fishing company, which stood at $25m in its first year of operation. Donor reaction to the 2013 Ematum case was temperate compared, for example, to the 2009 donor strike. Donors used the temporarily increased leverage over GoM to negotiate the Fiscal Transparency Action Plan, a topic that has been on the agenda for quite some time but was moving slowly. It is further noticeable that Ematum seems to have overshadowed donor concern about the 2012 Catembe. The Catembe bridge is financed by a $682m loan from China's Exim bank; its development relevance is contested and could be politically driven.

The longer-term results of **institutional reform efforts** in Mozambique are mixed. In the World Bank's Country Policy and Institutional Assessment (CPIA) that grades countries according to twenty policy and institutional dimensions that are relevant for an effective poverty reduction and growth strategy, the overall CPIA score was 3.4 in 2005 and 3.5 in 2014 on a scale from 1-6. According to the CPIA criteria, reforms should lead to institutional scores of at least 4 to impact government functionality; Mozambique hits this threshold only in 8 out of 20 indicators. Over the 10-year period, seven indicators have improved, three have decreased and 50% where the same in 2014 as they were in 2005. Among the indicators with improved scores are Revenue Mobilization (3.5→4), Financial Sector (2.5→3.5), Macroeconomic Management (4→4.5), and Budget and Financial Management (3.5→4). World Governance Indicators (WGI) scores have decreased from 39.2 in 2005 to 32.5 points (out of 100) in 2013.

The **donor landscape** has changed over time and continues to change with some shift from pooled funding towards bilateral/vertical funding; donors have left GBS (G-19 has become G-14), some for concern over the mechanism, some for internal reasons. In November 2015, the UK decided in its new UK-aid strategy to end all traditional GBS in order to be able to better target spending. While the principle of using country systems is not questioned per se, these movements indicate concerns over transaction costs, effectiveness of the mechanisms, and waning quality of the policy dialogue.

Overall aid has fallen significantly in 2015 and is expected to continue to fall: While the IMF expected foreign aid grants for 2015 would be $824m, these turned out to be down by 25% to $615m only. As a consequence, IMF has cut projections for future aid grants in 2018 from $566m to $420m. Combined externally funded spending expectations (grants and loans) for 2018 were also adjusted from $2448m to $1719m (IMF 2016).

Over the past years, Mozambique tried to gradually reduce its dependence on Western donors by building relationships with emerging donors from BRIC countries. As the relative financial clout of Western donors shrinks, a rebalancing of donor influence is on the horizon. GoM wants to end aid dependency by 2025 according to the 'Vision of Public Finance' launched in 2012. External consultants might still be used for technical advice, but their influence over policy outcomes and implementation will probably decline, in conjunction with the rise of emerging market powers, which provide growing opportunities in terms of FDI, trade, and concessional financing, including for large-scale infrastructure.

The context analysis and **MERV reports** have a good quality in the topics covered. However, the scope is often confined to the national level. While these are relevant factors to be followed and analyzed, the context analysis establishes limited links to the CS and its implementation.

Related to the previous point, the ARs provide limited **reflection on the implication** of the absence of inclusive growth, how this affects the prospect of achieving the overall CS outcome, and whether changes in the strategy should be considered. Also, few reflections are offered on how international, national and subnational dynamics influence each other and the program or about the implications of the changing donor landscape, such as the reduction from the G-19 to G-14, on the Swiss position and engagement. If such reflections are made within the SCO it would be important to integrate the main conclusions into the ARs.

Currently, no in-depth political economy analysis of critical areas such as decentralization or of the health sector is available. The evaluation team was informed that this is about to change: Two PEA studies were commissioned recently, one for decentralization (commissioned by SDC), the other on the health sector (done by MASC). This is a welcome step to broaden the understanding of the context and to inform future strategies on how to deal with PE dynamics.

Conclusions (C)
C1: The evolving political context can have very different impacts on the CS and may require different responses or adaptations, depending on the direction developments take.
C2: The promotion of resource extraction increasingly affects macroeconomic, economic, social, environmental, and institutional levels. Hence, it is important to more systematically understand these effects and the challenges they present to the CS and its implementation.
C3: For the purpose of CS steering, it would be helpful to have a more detailed analysis of domain specific context issues.

Recommendations (R)
R1: We recommend using scenario-planning to address the increasing complexity and uncertainty of the context evolution and to be prepared for different plausible futures regarding the political settlement, management and distribution of economic benefits from resource wealth, evolution of the donor landscape and natural risk scenarios, and to understand the potential strategic and operational implications At the program level, the drafting of the new country program should be taken as an opportunity for an in-depth CSDP analysis and screening of the strategy to avoid that Swiss cooperation supports exclusion and prevents power sharing.
R2: Conduct a more systematic monitoring of the effects of the resource boom, particularly on the geographic region where Switzerland operates in order to identify potential links to the CS and inform the development of adequate responses. This would include, for example, monitoring new exploration and production licenses (also those that are smaller than the Rovuma basin projects) and monitoring the economic, social, environmental and institutional level effects and how these link to the CS.
R3: Focus the context analysis and the discussion of findings more on topics that are relevant to the cooperation strategy regarding the different domains and goals of the CS. Continue and expand in-depth analysis of domain context and pertinent issues (e.g. political economy analysis (PEA) or quantitative public expenditure tracking surveys (PETS) for service provisions such as health services). Use the effort of investing in context analysis to create a regular and shared understanding of the context at the national, sub-national and domain level and to discuss, evaluate and communicate its steering implications.

Evaluation Area 2: Relevance and appropriateness

Findings

The CS **portfolio is highly relevant and coherent,** but in some instances remains below its strategic potential, mainly in health and to some extent in the private sector development component.

The **use of country systems** is high throughout the CS portfolio and relevant in every domain. Around 60% of Swiss contributions are channeled through the public system (~40% in local governance, ~75% in health and ~60% in economic development, including GBS and TCF). Experience gained during the period under consideration shows that sector budget support faces challenges demonstrating results, partly but not only for design reasons. It carries high transaction costs for donors but neither does it necessarily increase predictability for the recipient country (with Switzerland being a very reliable donor for which it was also officially recognized by the GoM) nor does it increase domestic accountability.

The **local governance** domain portfolio is in an advanced state and shows a high level of consolidation.

The domain supports decentralization and promotes accountability particularly at the district and municipal level in the areas of public administration, water and sanitation service delivery, and securing land rights. Methodologically, the domain pursues these goals by systematically supporting the supply side (public administration) and demand side (citizens) through its projects. Over the period under consideration, attention increasingly shifted towards the interface between the two. The focus on the interface proves relevant and important not only to maximize synergies but also to keep momentum for social accountability strategies, since it allows citizens to see direct effects of their engagement, and both government and citizens experience added value from improved public administration and service delivery.

The *water portfolio* has a stringent design with complementary components feeding into district plans and support. The design of the Pronasar common fund assigns funding to districts and directly supports improvements from which the local population benefits. Funding channeled through Pronasar strengthens local systems at the district and provincial level mainly through synergies with complementary bilateral water projects. The projects benefit from a strong field presence of the implementer and are well coordinated with the district and province level planning and the Pronasar mechanism. The participatory approach in rural water is a trademark of Swiss cooperation. The Community Development Committees (CDCs) are a precursor of the 'conselhos consultivos', which were later integrated into the decentralization law. Switzerland has recognized expertise in rural water supply that builds on its solid long-term experience. The effect on increased water coverage was found to be more explicit than on sanitation coverage and on institutional capacity building.

More recently, the water portfolio started (through the Gotas project) to move from supporting one particular administrative level of the government structure towards tracking funds from the national to the district level. This is an innovative approach that addresses key bottlenecks in the flow of funds.

The simultaneous engagement at the sub-national and national level produced added value: while field-level programs are relevant to effectively implement policies on the ground, they allow capitalizing on the experience and evidence gathered to influence the national water policy. This approach gives the Swiss engagement and position the credibility required to exert influence in the policy process.

The *land rights component* addresses an issue that has become increasingly important and will become even more so in light of mega-projects in the agriculture and extractive sectors. The program focus is on land delimitation and issuing DUATs. More recently, synergies with other projects (Inovagro) have been created. DUATs provide relative land security only and in some instances more DUATs were issued than land was available. DUATs can be revoked when higher interests are at stake as is the case, for example, for mega projects, which typically are very politicized. For these reasons, in 2014 the land rights strategy added a research and advocacy component. It will be important that the two institutions mandated (OMR, CTV) manage to become proactive players in the land debate through evidence-based research, agenda setting, and links with international programs and governance initiatives addressing the issue.

Although the concept of supporting both the supply and demand side is sound, it also faces *challenges*.

On the supply side, key risks are that political support for decentralization is contested and capacity constraints at sub-national level. The term Gradualismo reflects a compromise between groups in favor of devolution of power and groups in favor of central control within the ruling party. Currently tendencies towards centralization are stronger than those towards devolution and there have been a number of interventions aimed at recentralization (e.g. by removing certain functions from municipalities, limiting their geographical areas, removing "non-loyal" mayors etc.). RENAMO did not participate in the 2013 municipal elections, and is not represented in the municipal governments. By contrast, the newer opposition party MDM won control of some important cities in the 2013 municipal elections and appears to be more interested in supporting the municipalization process, as a democratic way of participating in the exercise of local power.

Some state-institutions do assist municipalities, while other institutions show little interest in supporting municipal development (e.g. defining unrealistic standards for municipalities, maintaining the discourse towards "the capacity of the municipalities is still not existing or proven"), leaving the impression that they are more geared towards controlling municipalities than to providing constructive solutions to the problems of the municipalities.

On the demand side, one challenge is capacity: At the national level the CS has succeeded in building up strong centers of competence with the NGOs CIP (accountability) and IESE (economic policy) during the period of the current CS. CIP has positioned itself as the lead NGO on public accountability and extractive sector governance. CIP also managed to link up with international organizations working on natural resource governance.

The rise of the Maputo based national NGOs has not yet been matched by local CSOs. More programmatic support to sub-national level CSOs has been provided since 2007 but progress is still limited. It shall be further reinforced and a study is under preparation to inform an effective support strategy. In addition, the former support mechanism has been transformed into the independent MASC foundation. The new institution is mandated to strengthen and diversify the engagement of civil society organizations (CSOs) in governance monitoring and advocacy.

Further, demand side actors are regularly confronted with a contested space for open discourse, debate and deliberation, including intimidation of civil society actors and the risk of cooptation, putting social accountability initiatives at the national and sub-national level at risk. This also holds for media: the media sustainability index registers a downward trend since 2009.

Conclusions (C)
C4: In the context of heightened tensions between the two main political parties in which power sharing is a major topic, decentralization might be increasingly undermined and face tougher resistance; political pressure on donors supporting decentralization might rise in the future.
C5: The future evolution of the space for dialogue is uncertain and fragile but will be decisive for the country's development.

Recommendations (R)
R4: Decentralization and local governance initiatives require a long-term horizon; they should be continued and expanded to the extent possible. We recommend reviewing the allocation of support between the different administrative levels (national versus sub-national but also between sub-national levels) to ensure optimal support for sub-national entities. In light of the risk of reinforcing existing power structures and access to resources at the sub-national level (see also EA1, F3 and EA4, F8), we recommend that the local governance program actively assesses and monitors the effect of its local governance efforts on existing (political) power structures (and vice versa) and takes measures to ensure the inclusion and representation of all segments of the communities.
R5: We encourage the program to explore additional ways to safeguard and enlarge the space for public dialogue beyond support to civil society organizations in order to complement and reinforce support to civil society.

Over the last couple of years, the **health domain** has been – and still is – going through a phase of restructuring of the portfolio towards a more consistent approach. The goal is to focus the program on both the supply and demand sides and on the intersection between the two at the sub-national level so that they reasonably complement the national sector budget support. Effects on the ground are not yet visible and the Swiss contribution is not yet perceptible (beyond some capital investment components) since this new project generation (CDHP, Citizens Demand) started implementation from 2013 onwards only. While the underlying logic of the portfolio redesign is sound, it seems that the translation into respective projects has not fully exploited possible synergies and still shows limited coherence.

At the *sub-national level*, the Cabo Delgado Health Plan (CDHP) supports the supply side with enabling health promotion through the Provincial Department of Health. Project implementation until now has mainly created conditions to get operations started by building houses for health promotion workers, procuring vehicles, and identifying ways to allocate funds for activities with community health agents through the public finance systems. The 2014 mid-term review (MTR) makes relevant comments and suggestions regarding the capital investments, targeting and implementation of the project.

The complementary program on the demand side, Citizens Demand for Better Health, is a social accountability initiative using Community Score Cards and Budget Tracking methodologies to negotiate better services. After two years of preparation its start is now imminent once implementation modalities are settled.

In the current setup, the two projects are only weakly aligned. As a consequence, synergies do not materialize to the full extent possible and the interface between service provider and service user does not come to the fore and therefore does not create a process between the two sides. Regarding content, the supply side project CDHP focuses on health promotion, while the social accountability initiatives address health service delivery and health centers. At the institutional level, CDHP works through the Provincial Health Department (DPS) while Citizens Demand for Better Health works at district level authorities and with health facilities. In CDHP it remains unclear how districts are supported (beyond channeling funds for paying salaries to health promotion staff and related consumables). Districts play an important role but have little resources and space to shape health promotion and services. Geographically, CDHP targets the Cabo Delgado province, while Citizen Demand for Better Health targets only 6 districts in the Cabo Delgado province (out of 16) and another six districts in Niassa Province.

In terms of steering CDHP, the country office has tried to give maximum responsibility and ownership to the Provincial Health Department and therefore opted for a hands-off approach with no permanent presence in the field and a Maputo-centered follow-up through backstoppers and participation in steering committees. Beyond what has been agreed in the MoU, contract and annual plans, the project gives full discretion to the DPS as implementing partner on how the fund will be spent in the activities of health promotion and community involvement.

Contribution to the World Bank-led HSDP theoretically would complement CDHP, but the influence of SDC as the smallest donor in this trust fund is very limited. The last foreseen transfer of funds was suppressed due to slow execution. In the meantime, HSDP performance has improved. Wiwanana takes a classical project approach and promotes implementation of government policies (in the place of but not on behalf of the public health body), e.g. composition of health committees, referral to a health post or clinic for giving birth. However, it seems that women often are reluctant to go there because of health personnel's attitude. This illustrates the need to better coordinate with the supply side, and monitor qualitative issues for discussion with the authorities.

Contribution to the DREAM project is a standalone activity to support the treatment of HIV/Aids patients and does not fit the overall sector strategy.

At the *national level*, the contribution to the Prosaude common fund, the backbone of the sector-wide approach (SWAp) in health, absorbs close to 70% of the Swiss health budget. Over the last couple of years, the relevance of Prosaude has decreased: In 2009, 40% of the overall health budget was funded through Prosaude; in 2013, the Prosaude funded share was only 6% of all funds available to the sector. The same trend can be observed in the budget that is controlled by the Ministry of Health (MISAU): Prosaude represented 42% of the MISAU controlled funds in 2009 compared to 11% in 2013 (PROSAUDE 2015-1).

During the period under consideration, Switzerland has been permanently engaged in between five to eight SWAp coordination bodies and working groups as co-chair, 'shadow-lead', active member or advisor. However, there is limited evidence that the health system and service delivery have been strengthened. Implementation of this Common Fund (CF) has been difficult since its inception; performance is behind expectations in terms of commitment, capacity, and accountability. The CF often helped to overcome ad hoc funding bottlenecks. Trust among partners has been put to test, with several donors leaving the fund for various reasons. The anticipated reduction in transaction costs seems not to have materialized (only one in three stakeholders consulted in 2015 agreed to the statement that transaction costs have decreased). In the same Prosaude review (PROSAUDE2015-2), 85% of the stakeholders were of the opinion that the focus is not on the achievement of health results. The consensus is that a disproportionate time in the dialogue has been spent on the modality itself (management and PFM issues, disbursement predictability, conditionality, fiduciary risk, accountability etc.), whereas less attention has been paid to the downstream systems for service provision, the incentives faced by service providers, and accountability for service provision. There are no clear criteria for fund allocation to the provinces and there are no funds directly allocated to districts; it seems that one reason is the lack of will to do so (MAD2013, PROSAUDE2015-1, PROSAUDE2015-2).

Among donors and MISAU, there is agreement on the need for Prosaude reforms (PROSAUDE2015-2). Switzerland has taken the lead in the Prosaude review and the preparation of a new MoU. With Ireland (as a like-minded donor) stepping down as Focal Point in 2016 (after the MoU negotiations) and Switzerland not being in a position to take over, this might compromise the negotiation and implementation of a new and significantly revised MoU. Moreover, the shifts in the overall health sector financing towards significantly more vertical funding is not conducive to fundamentally changing Prosaude performance.

To the extent possible, synergies are exploited between the national and sub-national engagement in the health domain. For example, the experience from CDHP is fed into the working groups on service delivery (health promotion) and on administration and finance (GTAF).

Synergies between the health and WatSan domains remain below potential due to limited cooperation within the domains although access to water and sanitation are crucial to enhance the health status of the population. However, attempts to improve synergies are under way: More recent projects like Gotas are integrating water and sanitation with the promotion of health (focusing on hygiene), and water testing and water treatment at the household level. At the institutional level, Gotas works with both the district services for planning and infrastructure (SDPI) and the district services for health, women and social action (SDSMAS).

Conclusions (C)
C6: Channeling 75% of the health funds through one channel (Prosaude) represents a risk to the portfolio. Since the complementary interventions are only weakly aligned, risks are not sufficiently mitigated. Taking into consideration the concerns over the Prosaude mechanism discussed above, a thorough reform of the fund seems difficult and – in the view of the evaluation team – rather unlikely. We therefore conclude that a gradual phase out from Prosaude over the next few years is reasonable and opens the opportunity to redefine the health intervention strategy.

Recommendations (R)
R6: The effectiveness of the health operations could benefit from (i) replacing the Prosaude engagement by a targeted support facility to district health services; (ii) integration of health interventions into a 'basic services' line of intervention with WatSan; (iii) improved coherence of bilateral projects. (i) To reduce portfolio risk in the health domain we propose phasing out Prosaude and replace the Prosaude engagement with a smaller facility that directly supports district level health services and district level health outcomes (given the centralized organization of the sector, cooperation with the central and provincial level will still be required, but will not be the main focus). For such a facility, parts of the funds becoming available through Prosaude phasing out can be used; the amounts allocated and disbursed to districts have to reflect the limited absorption capacity of the district-level institutions. The facility should still use country systems. The funds should be channeled through the Treasury and be identifiable in the budget and plans and their disbursement, accounting and reporting. As a principle, such funds should be additional and not substitute those of GoM. This is in line with the GoM policy of increasingly channeling funds directly to the provinces and districts through the Ministry of Finance (MoF), rather than through the line ministries. The technical possibility should be explored and the pros and cons of disbursement should be evaluated based on results and not inputs.

If SDC should decide against phasing out Prosaude support, we recommend to significantly reduce the Prosaude engagement and complement it with a facility to support districts along the lines described above.

(ii) We propose to combine WatSan and health in one single 'basic services' line of intervention. This allows capitalizing on synergies that arise from the similarities of topics and approaches such as PFM, health and hygiene promotion, social accountability strategies. Also, the health interventions would benefit from the more advanced WatSan intervention methodologies.

(iii) We recommend to design projects on the supply (service delivery, district TA related to district funding) and demand side (social accountability) that are complementary, directly linked to each other and focus on the interface of frontline service delivery, building on WatSan experience.

To improve effectiveness it seems reasonable to replace the 'hands off' approach to implementation and monitoring by a permanent field presence; e.g. the combination with complementary projects at the district level and/or linking with the existing WatSan field presence in a combined 'basic services' operations could be avenues to explore. If deemed beneficial for the work with the frontline of service provision, cooperation with a topical working group at the national level that is directly relevant to the district level support should be considered. The same holds for cooperation with DPS.

Finally, we encourage expanding cooperation with civil society and actively researching and piloting alternative / complementary lines of intervention as mid-term options where Switzerland has an added value and potential for higher outreach.

Funds for the activities proposed under (iii) become available from gradually phasing out Prosaude support. Since the absorption capacity of districts is limited, only part of the Prosaude funds will be used for the proposed new facility; the remaining amount will available for piloting alternative / complementary lines of intervention.

The **macroeconomic support** component of the economic development domain centers around GBS and the related policy dialogue. It is complemented by TA to the TCF, which helps to strengthen domestic resource mobilization.

Although Mozambique's economic growth performance has been substantial in GDP-terms since more than two decades, the growth process is not yet self-sustaining and stable, and income and non-income poverty continue to be high. Under these conditions, and given the country's progress in PFM and other important dimensions of governance, GBS is a legitimate and appropriate instrument. Progress is not continuous and smooth, but – despite several critical events and temporary reductions of GBS – policy adjustments of the GoM and the quality of the policy dialogue with the PAP justified this support over many years.

Switzerland participated and continues to participate actively in the policy dialogue and selected working groups of the PAP as well as associated monitoring procedures. Therefore, it can be said that Swiss authorities have taken many measures to follow and – to the extent possible – anticipate important developments and risks associated with GBS. This was and is the basis for adequate adjustments of priorities and positions in the policy dialogue.

In recent years the openness of GoM to discuss with PAP fundamental policy issues has declined, and the emphasis has shifted more and more towards a TA-oriented cooperation. A clear commitment of GoM has always been a necessary precondition for effective policy reforms, but the policy dialogue has gradually been less able to generate or strengthen such commitments. For instance, PAP are concerned about how committed GoM is to implementing declared key reform policies, particularly in politically sensitive areas such as decentralization, structural adjustments, and macroeconomic management (beyond strengthening tax authorities to increase domestic revenues).

Attempts are under way to set up a new dialogue platform that offers all relevant donors in the country an opportunity to enter into a policy dialogue with GoM. However, it is unclear from where this broader platform, probably under the lead of a UN agency, would derive its clout for an effective policy dialogue on issues such as inclusive growth or poverty reduction.

Nonetheless, the PAP providing GBS and conducting the policy / TA dialogue try their best to steer a balance between country ownership, conditionality, and donor credibility.

In addition to providing GBS, Switzerland has for many years been supporting Mozambique in modernizing and strengthening its public revenue system. TA to increase domestic resource mobilization and to improve the efficiency of the tax system was and is an important complement to GBS: it helps to prevent that external budget support substitutes efforts to raise domestic resources. Switzerland joined the TCF in 2009, which was set up by ATM in 2007.

The interest of GoM in increasing domestic resource mobilization, and the observed growth of public revenues relative to GDP since 1996, strongly indicate that TA interventions in the field of 'tax and development' were and are appropriate and successful. TA was and is always adjusted to the situation and needs of the country. Moreover, institutional developments within ATM and the organization's performance are reported in a transparent manner, and the policy and TA dialogue is satisfying. In the recent past, ATM was not able to fully absorb the TA-funds, but it seems that the underlying problems of human resource recruitment and development as well as some bottlenecks in planning and auditing can be overcome.

The overall benefits of the macroeconomic support are threefold. First, GBS has helped to expand public expenditures without resorting to imprudent public borrowing; this has contributed to maintain macroeconomic stability, to keep real interest rates at levels that promote investments and income growth, and to improve PFM. Second, an independent evaluation under EU-leadership clearly illustrates that budget allocations for important sectors of human development (education, health, etc.) have increased considerably. Assuming plausible counterfactual developments, budget allocations in these sectors have benefitted significantly from GBS. Third, the growth of public revenues relative to GDP has been and continues to be quite pronounced, which provides clear and strong evidence that the TCF interventions reflect a real 'success story'. Independent evaluations commissioned by SECO and other donors also confirm successful cooperation within the TCF framework. Taken together, the macroeconomic support has had effects on both public revenues and expenditures that offer potentials to increase incomes and reduce poverty.

However, this success comes with a big caveat at the outcome level: the most recent data (unfortunately not for later years than the period 2005-09) on the development of income poverty show only very small (virtually negligible) reductions, while data on non-income poverty indicate somewhat more pronounced, but still rather disappointing progress. The EU-led evaluation report on GBS diagnoses 'a missing link' between public expenditures and outcomes. Achieving more effectiveness at the outcome level is certainly the most challenging task for GBS and the related policy dialogue in the foreseeable future. Inter alia, it will require a much stronger emphasis on policies to reduce rural poverty through higher budget allocations to agricultural and rural development and more effective and efficient strategies and implementation.

The provision of macroeconomic support and related TA to the TCF in parallel to the SDC program offers a number of synergies, particularly at the level of PFM, where SECO supports national level administrative bodies and SDC supports municipalities and districts in improving PFM through the decentralization program as well as through the health and WatSan service delivery programs. Systemic issues that are detected at the subnational level and evidence from the field can be used to influence national level PFM. Such synergies are used where opportunities arise. Further synergies result from civil society engagement for public accountability in the resource sector and beyond, and related efforts at the policy dialogue level and the level of improving legal and policy frameworks.

Finally, it is worth mentioning that Switzerland participates in 9 global initiatives that focus on improving PFM and related governance issues, and from which Mozambique benefits directly or indirectly. The initiatives include RTAC, ATAF, TTF MNRW, PEFA, TTF AML, SAI CDF, TADAT, EITI, and EGPS. SECO's engagement in these global initiatives complements its bilateral interventions, and there can be no doubt that these multilateral operations represent valuable contributions also to the institutional development in Mozambique.

Conclusions (C)
C6: The expected growth of public revenues from natural resource extraction and GOM's declared goal to end aid dependency from GBS by the year 2025 make it not advisable to continue with GBS in its present form during the whole next phase of the CS. This conclusion is to some extent also reinforced by the finding that presumed effects from GBS on income poverty are quite disappointing, although stronger in some fields of non-income poverty (e.g education and health). In contrast, support to the TCF was highly successful in the sense that it has contributed to the strong growth of public revenues relative to GDP.

Recommendations (R)
R7: In light of these conclusions we propose for the next CS to enter into a transition phase during which (i) GBS to the central government is continued with declining financial contributions but intensified policy dialogue; (ii) TA and GBS are complemented with support to EITI implementation; (iii) sub-national budget support and / or infrastructure investment are explored, piloted and scaled up in parallel with reducing GBS for the central government. For the macroeconomic support we conclude that GBS may be fiscally required and politically justified for about 5 to maximum 10 years to come. After this period, it can be expected that revenue flows from resource extraction and other tax revenues will make GBS less and less important and finally obsolete. Under these conditions the relationship between donors and GoM will change again, and donors must take different roles. Therefore we recommend for the next CS a transition phase in which some existing interventions will be continued, some interventions reduced, and new interventions phased in. This transition phase could be divided into two distinct periods of perhaps 1 to 2 and 3 to 4 years. The first period could even be shortened if some of the preparatory work could be accomplished in the year 2016. *For the first period* we suggest to continue GBS and the policy / TA dialogue within the existing group of donors. We also propose that Switzerland, if possible, should become again a member of the 'Troika', and try to use this lead position for the much-needed intensification of the policy dialogue as much as possible. As mentioned before, promoting policies to reduce more effectively income and non-income poverty would be the most outstanding and challenging task. At the same time we recommend to continue TA for the TCF. First, as mentioned before, because TA for domestic resource mobilization is a clever complement to GBS and continues to be an important task for GoM in the foreseeable future; second, because cooperation in this field has been successful for a long time. The recent difficulties of ATM to absorb the TA funds seem to be a transient management problem that can be overcome. In addition to contributing TA to the TCF we suggest that SECO take an active role

in supporting the national EITI process in which GoM tends to stick to the minimum requirements only. This would also be in line with the support to the World Bank's Extractives Global Programmatic Support (EGPS) facility, one of the global initiatives mentioned above. Such an additional TA intervention can be regarded as an additional contribution to public revenue generation and public accountability, which, as mentioned before, will be fueled to a growing extent by revenues from natural resource extraction. The EITI / EGPS process can, inter alia, help to increase transparency and accountability, and to mobilize additional financial resources in a way that augments the work of the TCF. In other words, the 'twins' of GBS plus TCF would be extended to 'triplets'.

Parallel to these recommended interventions we suggest that the first period of the transition phase is used to analyze (including feasibility studies) and plan new interventions during the second period. For these new interventions we see two lines of activities, (a) and (b). Both would imply a closer coordination and cooperation between SECO and SDC, possibly resulting in stronger synergetic benefits from the interventions of the two agencies.

(a) GoM has made repeated commitments towards political, administrative and fiscal decentralization, which implies a shift of power and resources away from the central government to local authorities. Decentralization processes are supported by SDC in a number of districts and municipalities. We suggest analyzing the possibility to provide sub-national budget support, inter alia utilizing SDC's experience in decentralization processes, as well as possible experience of other donors following that route. Given the dire fiscal situation of districts and municipalities, the income and non-income poverty reduction potential of budget support seems quite promising.

(b) Both rural and urban areas in Mozambique still suffer from substantial deficiencies in infrastructure in all conceivable areas, such as water supply, energy supply, transport, waste disposal, etc. SECO has both the capacities and long-time experience in intervening in these areas, including relevant TA and policy support to local authorities and enterprises. As in the intervention line (a) SECO should analyze possibilities to build up a new line of activities that could complement and re-enforce projects and programs of SDC in other thematic domains such as WatSan at the local level. Again it can be said that helping to reduce the massive infrastructure deficits in both rural and urban areas promises large potentials for income and non-income poverty reduction.

It goes without saying that these two lines of interventions should be analyzed in close consultation and coordination with SDC and other donors that might have relevant experience (and perhaps could be candidates for teaming up with). At the end of the first period of the transition phase SECO must decide if and how it would like to follow either one or both of the new lines of interventions.

For the second period of the transition phase we suggest to start with a small number of test cases of intervention lines (a) and / or (b). These test cases should be used to collect sufficient experience to decide about whether, how, to which extent, where, with whom, etc. activities will be continued and broadened. The financial resources could be built up step by step and would be withdrawn from the GBS at the national level. Of course, GoM must be informed from the very beginning about the transition phase, its justification from Switzerland's point of view, and its financial implications for GBS at the national level.

Both TA within TCF activities and the national EITI / EGPS process should be continued throughout the second period. They represent valuable support measures to increase domestic resource mobilization and PFM transparency, certainly an important task for GoM in the foreseeable future.

The **private sector development** **(PSD)** component of the economic development domain was added as a new component to the current CS to replace a phased-out SECO engagement. It consists of two market systems development projects (MSD, same as M4P) in agriculture and one microfinance bank project. Based on the experiences made over the last couple of years, a domain strategy is emerging.

The two MSD projects are designed to promote PSD in agriculture. Developing PSD towards an agricultural domain is a sensible avenue to follow for two reasons: the agricultural sector has significant potential for productivity improvement (which is among the lowest in Sub-Sahara Africa), and agriculture is key for food security, poverty reduction, and inclusive growth.

After a difficult first phase, Inovagro, one of the two MSD projects, made a promising re-start focusing on a limited number of cash crop and staple crop value chains, and expanded into the policy dimension through the seed platform as well as into land right issues. The ongoing impact evaluation tests the validity of the MSD approach and the impact on farmers' income. The results will provide relevant information for future planning.

Hortisempre, the second MSD project, focuses on vegetable value chains, which supply a fast increasing market in urban areas. The vegetable index produced by Hortisempre provides useful market intelligence to the industry.

Besides first promising successes, risks can be identified that have to be proactively addressed in the future. For example, both interventions face challenges with farmers' access to finance and with extension; not addressing these issues will undermine the impact of the program on farmers' productivity and income. In vegetables, bigger players are becoming interested in the fast growing market. If the project is unable to ensure smallholder farmers' ability to improve productivity, quality and quantity, and to meet food safety requirements, in the medium term they might lose out against bigger players. In this respect the project faces another bottleneck from the government itself that is not actively promoting and supporting smallholder agriculture. The limited (transport) infrastructure is a serious risk to engage in remote areas and requires coordination with other initiatives.

Conclusions (C)
C8: Based on the particular relevance of agriculture for poverty reduction and the encouraging experience made so far we conclude that it is reasonable to intensify and expand this line of intervention.

Recommendations (R)
R8: For the private sector development component we recommend analyzing options for expanding the portfolio towards an *agricultural sector strategy* that focuses on the potential of agriculture to increase food security and reduce income poverty particularly for smallholder farmers and to explore different intervention modalities during the first years of the next CS. Such an analysis should capitalize on the experience gained from the current interventions at the field and policy level, address extension services and access to finance, and explore potential synergies with the global program Food Security, with infrastructure development, and processing. Furthermore, the policy field has to be considered very carefully to inform the strategy.

The greenfield microfinance bank Microbanco FIDES Mozambique (MBFM) is on track and now holds the long awaited banking license as well as the authorization to collect savings. Development is dynamic but still far from any level of operational sustainability and the ownership structure is also weak.

While the relevance of promoting access to finance (credit, savings, insurance) is high and the team committed, MBFM will remain a high-risk investment for Switzerland over the period of the next CS and success is not guaranteed. Break-even is expected for 2019 according to the business plan. The underlying assumptions seem very optimistic as the following two points illustrate: first, in order to reach break-even, it is planned to transfer senior management tasks from the six-person expat team to local staff during the ambitious growth phase. As the performance of the management is key to the success of any business, such a transition poses a significant challenge and can slow down growth and performance at least over the short-term. Second, while MBFM has no competition in group-lending (this is where the highest number of clients shall come from), the situation is different for individual clients (that is where the profitability shall come from). In this customer segment MBFM faces some competition with overlapping credit offerings from Banco Oportunidade (BO). BO has 663 clients in Nampula after 6.5 years while MBFM expects to get over 3'000 clients by 2019.

The INFINA academy as the recruiting and training arm of MBFM tries hard – and so far successfully – to meet MBFM's high staff demand without compromising on quality. Yet, it is confronted with the challenge of finding enough qualified instructors and having a good enough pipeline of candidates. On the other hand, demand for this kind of training is high from other commercial and microfinance banks offering new opportunities in the mid-term.

Conclusions (C)
C9: For MBFM to have a reasonable chance for success, 2019 seems an adequate planning horizon. The current business plan is based on an optimal case scenario and we see a need for better addressing the various risk dimensions and how they affect business to continue the Swiss engagement.

Recommendations (R)
R9: We recommend to continue support to MBFM conditional on adequate cost sharing and capital support between public and private partners, including a reasonable increase of the paid-up private capital before the start of the next phase, successful investor acquisition, digressive subsidies, and establishing strong internal control and audit mechanisms. We recommend establishing and communicating conditions under which Swiss support should be discontinued based on a risk sensitivity analysis (human resource risk, management risk, operational risk, funding risks, external risks) in order to avoid that Switzerland keeps investing because of the investment made (fear to face 'sunk costs'), and not because of reasonable prospects for success. We suggest keeping MBFM as a pilot and not deciding before 2019 on any potential future engagement in the sector. For INFINA we propose to explore the possibility of establishing the academy as an independent VET program for the industry supported by a donor group and in cooperation with the financial industry in the mid-term.

The **cultural program** has implemented for the first time a more strategic approach that moves beyond small actions into cultural and artistic education, more strategic and longer-term support of institutions, and strengthening a more professional platform in arts and culture. While this is a commendable approach, the implementation faced a number of challenges and only a few components proved successful. The team started to review the interventions in 2014 and is now working on the program's scope and ambition. The best way how to move forward is currently not yet clear. Furthermore, a clarification would be helpful of how – if at all – the cultural program relates to the rest of the CS, creates or uses synergies, or supports the effectiveness of other domains or activities even when it is acknowledged that the cultural program is a dedicated line of intervention under SDC's culture and development policy. Finally, the program brings quite a workload to the SCO compared to the budget amount and the execution modalities should be reviewed.

The selection of the **geographic focus** of the CS dates back to the beginning of the century and was based on the argument of regional asymmetries. A review (and potential re-definition) of the geographic focus of a CS has to consider and balance three aspects: the needs of the regions, the thematic competences and priorities of Swiss Development Cooperation and how they relate to the needs, and the existing network of donors active in the respective geographical area. Taking this perspective, it is still reasonable to continue working in Cabo Delgado, Niassa and Nampula as the needs of the populations in these provinces are still significant. The 2015 household survey data show geographical inequality with much higher income levels in the southern provinces; this could also become a source of political tension given that most of the natural resource wealth is located in the northern provinces. Furthermore, Switzerland has accumulated considerable context related knowledge in the North and has positioned itself in the donor community. According to this line of reasoning, the additional cost of shifting to another geographic area should be avoided.

One could argue that the shift in economic and political power renders Swiss support in the North (or at least in Cabo Delbado) obsolete beyond a phasing out period. The fact that for the first time the country's president hails from Cabo Delgado (and from the North) together with the expected arrival of LNG revenues will put this province under the government's spotlight and will bring (economic) development. Yet, it is equally plausible that the Swiss engagement will remain important or become even more important but probably has to adapt to new challenges. Inequality might continue to rise with only a small elite benefiting from the new opportunities, conflicts around land are likely to increase as will social and health pressures due to in-migration, and revenue-sharing might bring additional challenges.

Again other reasons to rethink the geographic focus might arise from new opportunities or new thematic orientations. For example, one could argue for the expansion to Tete province where other donors are about to pull out from the health sector; yet seizing this opportunity would require additional resources which is a rather unlikely scenario.

Several projects in the CS portfolio started to respond to the challenges posed by the resource boom at different levels. For example, the macroeconomic component provided support to developing the fiscal regime and to strengthening tax authorities. The land rights project supports local communities in the Afungi peninsula, which shall be resettled in the context of the planned Anadarko onshore LNG liquefaction plant.

Conclusions (C)	
C10:	The CSO is aware of the importance of the resource sector and understands the resulting challenges. However, there is no programmatic approach to the challenges of the resource boom: We already noted that deficit at the level of context analysis (C2). The same holds for the CS, which doesn't provide a programmatic response to the growing challenges of resource extraction.

Recommendations (R)	
R10:	We recommend developing a programmatic approach to the resource boom that builds on (a) the proposed monitoring of the extractive sector (R2) and (b) the current project-level responses (centered mainly around macroeconomic policies and land rights), and develops a strategy for responding to the challenges of the extractive sector at different levels. Developing a programmatic approach starts with a systematic mapping of the developmental relevant risks and opportunities

of resource extraction along the resource governance cycle (negotiation and award of licenses, project development and operations, revenue collection, management and reinvestment) and identifies links to the CS domains (e.g. fiscal issues, local linkages and local content, social, health and environmental impact, conflict dynamics etc.). This in turn allows coherent lines of intervention at the local, regional and national level to be devised that fit with the strength and expertise of the Swiss development cooperation, are linked to global initiatives, and are complementary to initiatives of other actors.

Evaluation Area 3: Implementation of the CS and its portfolio

Management performance

Findings

Human resource management: During the CS period under consideration, the country office has faced above-average staff fluctuation rates at all levels and for very different reasons, including three different (deputy) head of cooperation and two Heads of Mission. Such fluctuation levels put challenges to overall leadership and strategic direction, consistency of program implementation and hence the optimal and timely achievement of results.

The promotion of NPOs and supporting them to take increasing responsibility has been limited in the past, contributing to (local) staff turnover and persistently high expat levels. The current management team has recognized the problem and has started to invest in NPO development and transfer of responsibilities.

Management of **transversal themes**: Gender mainstreaming attempts have been reduced to reporting of sex-disaggregated data over the duration of the CS. Gender sensitivity also varies with implementing partners whereby public authorities tend to pay less attention to gender equality. The country office has also developed a Gender Equality and Mainstreaming Plan (GEMP) 2015 to 2018. However, little analysis and reflection about domain specific gender inequalities and how to address them are included in the GEMP.

HIV/Aids mainstreaming focuses mainly on staff of the Swiss representation and partner organizations. There are – so far unused – opportunities to integrate HIV Aids in projects that have a link to the topic (e.g. WatSan).

Management of **global programs**: The list of global programs provided in the inception report contained a number of surprises to the country office, indicative of the general lack of information and use of potential synergies. Exceptions exist though: in the case of WatSan, the implementer of bilateral projects (Helvetas) also implements a global water initiative and some local partners occasionally cooperate with the global Landmatrix project. In health, exchange with the Global Fund GFATM and P4H is ongoing (health will become a global program in 2016). Interviews with representatives of global programs at HQ revealed in several instances a reluctance from their side to proactively approach country offices, as well as unclear and inconsistent views of how global and regional programs should cooperate and complement each other.

The limited cooperation between global and regional programs leads to unsatisfactory situations in the case of Mozambique: In the food security program (GPFS) for example, the CABI plant-wise program has set up a presence in Mozambique that is very small and in itself not sustainable, while at the same time the CS's agricultural programs struggle with extension and could benefit from this service. Similarly, the post-harvest management program offers potential for synergies with Inovagro; a more systematic cooperation of the CS partners with the Landmatrix program would allow to link the existing land rights initiatives (particularly its research and advocacy components) with the international (policy) debate on commercial land investments. The Natural Resource Governance Initiative (NRGI) could potentially benefit country level activities (e.g. training parliamentarians and media, enhancing analytical capacity), even more so if the next strategy ventures towards a programmatic approach to resource issues as proposed earlier.

Ongoing cooperation and exchange with the **regional program** exists around the topic of social accountability. The regional seed-program was scaled-down when the country office started the seed platform.

Management of **complementary measures**: The late decision to continue GBS complicated integrating the macroeconomic component into the CS. Despite these initial troubles, the implementation of the complementary measures seems to work smoothly with good cooperation at the team level.

Conclusions (C)	
C11:	The management team's awareness of the need to invest in staff development and career planning is appreciated. We see this as a first step to focus management efforts.
C12:	In order to increase overall effectiveness of global and regional programs we conclude that a more proactive engagement from both the country office and HQ is needed to make full use of potential synergies.

Recommendations (R)	
R11:	We encourage the management to also review and improve management processes in order to support the effective implementation of the strategy including but not limited to a proactive management and integration of suitable global programs, focusing donor coordination engagement on topics relevant for the overall CS, and integrating gender in a more systemic way.
R12:	We recommend that HQ engages in better clarifying cooperation and complementarity between global and regional programs and how this is expected to translate into implementation procedures. We further recommend that the country office proactively approaches global programs to explore synergies and scaling up potential.

Quality of the CS monitoring system

Findings

As discussed in the section on achievements, the incomplete **results framework (RF) and monitoring system** of the CS under consideration made for a difficult start due to missing baselines, missing targets, non-defined data sources, and indicators that in several instances do not correspond with what the program portfolio can influence.

Unfortunately, no attempts were made to rectify this at the beginning of the CS period. This has perpetuated monitoring challenges during the CS implementation: it translated into a monitoring process that provides only part of the steering information required, seems to be overly time-consuming, and is only partly aligned with the RF.

In summer 2015, a draft of a results matrix was set up. This marks a first step to simplify and systematize access to information relevant for steering decisions but does not address information gaps (which anyway would probably be too late for the current CS).

In the ARs, we found limited qualitative assessment of results and relative little discussion of steering implications for the CS based on the monitoring results. This is an understandable but not unavoidable consequence resulting from incomplete steering information. If such information is available in annual project reports or discussed internally as the team maintains, it would be important to reflect this in the AR since it is the key document for steering the CS.

At the **project level**, the quality of monitoring differs. While some perform quite well, difficulty with effective monitoring has been an issue at the project and program level in several instances and has been discussed in various external reviews.

The **outcome logic** that was adopted for the current CS was intended to facilitate cooperation between domains. It originated in the realization that all domains had identified the same outcomes during the preparation of the CS 2012-2016. Putting joint outcomes at the top of the CS to which each domain contributes seemed a logical consequence.

Experience gained with this structure is twofold: on one hand, the team confirms that inter-domain cooperation has increased. The outcome logic has also contributed to a more systemic approach of the Swiss intervention as a whole rather than isolated interventions per domain or thematic topic. This is a welcome effect that has to be maintained.

On the other hand, the outcome logic has rendered the results chain more complex. This became obvious when analyzing the results chains of the different domains during the staff workshop. It has further complicated monitoring and reporting, and the understanding of ARs has suffered. Since the country office team is familiar with the operations they feel more the positive than the negative effects of the outcome logic.

Conclusions (C)	
C13:	Regarding outcome logic versus domain logic question is how the negative effects of the outcome logic can be eliminated without compromising on cooperation across domains. From a management perspective, facilitating cooperation typically is achieved through leadership that keeps the focus on common goals as strategic guidance and the design of information and communications processes through which this is translated into the operational level. We therefore conclude that returning to the domain logic will provide a more effective framework for a future CS.
C14:	Overall, the potential of a good concept for the monitoring and effective steering of the CS has not been fully exploited.

Recommendations (R)	
R13:	We recommend elaborating the results framework for the new CS along the domain logic and ensuring cooperation, knowledge exchange and coordination between domains through effective and efficient management processes.
R14:	We recommend investing in a solid, meaningful and complete results framework as a foundation for the CS Monitoring Concept. This should be linked with an expanded context analysis as proposed earlier. Together these measures enable the discussion of results from a strategic perspective and support the focus on steering implications.

Coordination and aid effectiveness in the country set up

Findings

Cooperation at the country office level between SECO and SDC is well established and works smoothly. This also holds for cooperation with Humanitarian Aid, which is well established following the frequent interventions in cases of flooding. However, due to the limited funds and increased number of humanitarian crises globally a future engagement of the Humanitarian Aid division in Mozambique is rather unlikely. Cooperation with the Directorate of Political Affairs is in a process of re-definition due to a shift to the integrated embassy model.

The Swiss representation actively manages cooperation with the national government as part of the CS design. Most of it is at the technical level while the Swiss engagement in high-level dialogue has been more pronounced in previous CS periods.

The country office takes an active role in donor coordination in different bodies as discussed earlier. Over time, donor coordination has become more time consuming and increases transaction costs without necessarily translating into better outcomes.

Integrated representation: The integration process has put additional burden on the team. How embassy tasks and SCO management should best be balanced seems not yet clear. This shows the comparison of the mandate with the organizational chart: It reveals that the tasks of the head of mission and its deputy currently are not aligned with their respective mandates.

Switzerland is a small to mid-sized donor, which is recognized for its long-standing commitment in areas such as health, rural water supply, decentralization, technical expertise in areas like TA to national PFM, and support to civil society organizations.

Given the size of the country and the financial volume of overall ODA in Mozambique, Swiss interventions have to be strategically planned regarding its positioning among the donor community. This particularly concerns the Swiss engagement in donor coordination and working groups. We will discuss this in more detail in EA4, point F6 and R16.

Conclusions (C)	
C15:	The transition towards an integrated representation is ongoing and consolidation is still to be achieved.
C16:	The integration offers the opportunity to proactively explore and identify synergies between the different agency mandates.

Recommendations (R)	
R15:	We recommend to review and consolidate the management structure of the integrated representation. This requires prioritizing political, economic and development interests at country and HQ level.
R16:	We recommend exploring the potential to expand synergies between development cooperation and ‘traditional’ embassy tasks.

Evaluation Area 4: Results of the CS – in relation to the results at country level

Results

Findings

The basis for the assessment of the achievements of the CS is the information provided in the results matrix against the **results framework** (RF) of the CS. Unfortunately, the analysis of the results framework and the respective results table offers limited information only: a) of the 27 indicators in the RF, 12 do not have a baseline and 8 do not have a target defined; both would be important to assess progress; b) the measurement method is described for only 3 indicators; c) 4 indicators are not relevant since they either cannot be influenced by the project (hence they do not indicate anything about project results), or they cannot be thoroughly assessed without proper definition; and d) finally, 9 indicators are not reported during the CS period for various reasons.

In **macroeconomic support**, apart from providing GBS, donor contributions have been more on strengthening the PFM system than on influencing policies. Effects have been strongest in situations where the government requested TA as, for example, in drafting the legislation of the fiscal regime for the resource sector in tax issues.

Nominal tax revenues at the national level have tripled compared to the baseline in the year 2011 and have exceeded the planned annual 10% increase by far. More difficult to answer is the question whether the quality of PFM systems has improved, which is supposed to be measured through the PEFA index. As this index was last measured in 2011, and as the next assessment will be published only in 2016, our judgment must rely on a qualitative staff assessment, which paints a mixed picture: on the one hand transparency on the budget, debt and financial operations, procurement audits and coverage of audits has improved. On the other hand concerns remain over the quality and follow-up of audits. The biggest achievement might be the Fiscal Transparency Action Plan (FTAP), which stipulates expanded fiscal reporting, fiscal forecasting and budgeting, fiscal risk mapping and disclosure, financial oversight of public enterprises and assessment of public investments. This plan was agreed upon in the aftermath of the Ematum crisis, which has put donors in a better negotiating position. However, implementation and effectiveness of the FTAP must carefully be monitored and perhaps re-claimed in the years to come.

The intended number of DNEAP studies for improving policy analysis has been produced (output), but assessing their impact on policy development remains difficult to establish. Similarly, the number of CSO studies on transparent management and the accountable use of public resources at the national and local levels has been exceeded (albeit against the very low target of only one study by 2016); the CIP and IESE studies have increasingly been influential in the national discussion.

Other indicators such as the quality of action plans after PFM analysis or the budget allocation and execution in health, education and agriculture are not reported. Instead, the share of budget spending that is covered by eSISTAFE is reported: it has increased from 42% to 68%.

Private sector development (PSD): The period of the CS under consideration has to be seen more as an explorative phase regarding the interventions in the agricultural sector. It has led to promising results, which have to be consolidated and further built upon. Outreach targets (10’000 farmers) have been met while income targets (+400USD/farmer) were reached by 75%.

MBFM has achieved around 36% of the targeted improvement of access to financial services by the end of 2015, mainly due to delayed start of operations. The second indicator, serving 50% moderate and highly vulnerable clients, has been surpassed by a margin with 93% clients falling in this category. Unfortunately, the RF doesn't define the indicator and means of verification; it is therefore unclear how it is defined and measured.

Finally, the indicator measuring the number of economically viable jobs created through supported MSME is not relevant since no project is targeting job creation.

In the **local governance** domain, coverage in water access has increased and targets have been reached; in some districts the spreading of cholera has been stopped due to successful work in the water sector and in hygiene. The allocation of the rural WatSan budget to the three Northern provinces proved volatile year by year. It is questionable whether this is a good indicator for the CS since the country program cannot influence it. In sanitation coverage, progress can be noted as well (starting from a very low level), but only 50% of the target has been reached at the district level mirroring the low sanitation performance at country level.

The decentralization indicators show a positive trend as well: The share of collected taxes has increased at the municipal level in at least 8 of the 13 selected municipalities but increases are volatile, and differences between municipalities are significant. District administration performance has seen positive trends and a satisfactory performance.

Progress was also made in promoting civil society-driven social accountability systems, which have been established in 6 municipalities (target: 8) and in 39 districts (target: 15). This has contributed to the higher tax revenues, initiated a cleaning day of the city, and led to improved waste collection among others. The trigger for voluntary participation in civil society accountability groups is training and knowledge gain while success is key to keeping such groups going.

The land rights pillar is on track to delimitate land for the planned 68 communities. In the LNG related resettlement process in Palma, partners working on land rights have been instrumental in providing support to the communities and in insisting on proper consultation, which finally led to a re-start of the community consultation process, which is still on-going.

In **health**, evidence of progress shows a mixed picture: Institutional birth rate has increased from 69% in 2011 to 76% in 2014; yet, since no target has been defined it is difficult to assess how positive this achievement is. The second indicator, the availability of 15 essential medicines in Cabo Delgado province, has not been met; it reached only 60% (against 52% in 2011) instead of the targeted 90% availability. While the first result can be linked to health promotion activities, the second mirrors the challenges of the medicine logistics system and processes.

All other health indicators are either not reported (e.g. the imbalance of consumption of health services between districts in Cabo Delgado, efficiency-related recommendations from joint health reviews, the percentage of people that can name at least two existing spaces where community members can influence health service provisioning, and the number of performing health committees in selected districts) or do not relate to the goals of the country strategy. The number of female and male adults who are eligible for HIV/AIDS treatment and are receiving combined ARV therapy in Cabo Delgado province is reported in detail and shows strong improvements (but has no target against which achievements can be assessed). However, given the significant investment made by the Global Fund GFATM as main donor in HIV/Aids we argue that attributing this success to the Swiss engagement is problematic even when acknowledging that health promotion supports receiving treatment and staying on treatment. In our view, it is debatable whether this is a reasonable indicator for the CS. Also, the only health project in the Swiss portfolio that is treating HIV patients (DREAM) is active in Maputo, Sofala, Zambezi and Gaza provinces, and is neither covered by this indicator geographically nor in the content.

Beyond the quantitative assessment of the achievements of this CS, the Swiss engagement in different **donor platforms and working groups** at the national level across the three domains needs to be discussed as well. The country office has always been engaged in between nine (2012) and fifteen (2014) such bodies. While a careful selection has been made where to engage, this is still a significant number of engagements. The goal of such engagements is twofold: On one side, they serve donor coordination towards one opinion/approach in different subject matters. In general, donor coordination has become more resource intensive over time and continues to increase transaction costs for donors. On the other side, these bodies work on strengthening country systems by influencing policymaking and policy implementation and by providing technical assistance on different topics. In most cases, the country office has contributed as active member and in some cases as 'shadow-lead', which is understood as a key knowledge provider and/or strategic advisor. In very few instances did Switzerland have the lead, e.g. in the decentralization working group, the Service Delivery Working Group, and the PROSAUDE Revision.

Discussions with other donor representatives have confirmed the quality and continuity of the Swiss contributions to these groups.

Conclusions (C)	
C17:	A better quality of the design of the results framework would better serve as steering instrument. Also, the management has to demand and ensure the consistent use of the results framework so that it provides useful steering information.
C18:	The engagement in donor platforms and working groups is time-consuming and a heavy burden for NPOs and domain heads involved. Assessing this significant effort against results achieved is quite difficult. Two questions seem to be relevant: First, which form of engagement promises the strongest influence over the respective body's strategy, working agenda and outcome? Second, in how many bodies can the country office be reasonably involved given the resources available? The country office team argues that the engagement in these groups is where Switzerland can leverage its influence compared to the funds contributed. While the evaluation team agrees to this view, it also holds that influence is to a large extent a function of the formal position in the group. It therefore sees an optimal outcome in a situation where Switzerland focuses on an even smaller number of engagements but takes on the formal lead-role with a medium to long-term perspective. As a side-effect, this would also increase the visibility and profile of the Swiss engagement.

Recommendations (R)	
R17:	We recommend using the results framework more actively as a steering mechanism during the implementation of the CS.
R18:	We recommend reducing the number of commitments in <u>donor coordination bodies and working groups</u> to those that are strategically important in the context of the goals of the CS. There, do an excellent job and act as (long-term) leader to increase the cost-benefit ratio. An example for this could be decentralization: Switzerland is already perceived as a strong donor in the decentralization agenda and has the substance, knowledge and credibility to take the opportunity and take the lead when the current focal point resigns. Such a strategy also requires institutional planning and preparedness that survives rotation.

Up-scaling and sustainability

Findings

Overall, the program is characterized by solid and consistent engagement, continuity and attention to detail. Yet, several achievements are **innovations** and/or have significant potential for **up-scaling**.

Social Accountability initiatives at the municipal level are an innovation in local governance in the North of Mozambique. Social accountability has been scaled up from 6 to 13 and then to 26 (out of 53) municipalities so far. It has potential for further replication since SA was recognized by the government and included in the Prodem program. However, the fragility of such success has to be kept in mind as well: while some fractions in the administration and at the political level support decentralization, others resist and try to push centralization. Also, there is a risk of interference with the process of selecting the members as well as a risk of cooptation of elected members in a system where loyalty to the party determines access to resources and service.

Also part of the innovation that the CS has supported is the adaptation of the land delimitation concept towards community land delimitation fitting social realities and making implementation practicable. This concept subsequently has been taken to the national level.

Tracking the flow of funds vertically from national to provincial and district level is an important innovative approach (for example, CDHP pioneered the use of country systems for the Provincial level; Gotas developed it further and follows the money paid into the central bank down to the investment at district level). It allows detecting systemic problems in financial decentralization that can be addressed at the national level, based on evidence from field experience. This shift towards vertical integration is promising as it addresses key bottlenecks in overall PFM and has good potential for mainstreaming to other sub-national PFM projects and district-level fund allocations; it also exploits synergies between national support for PFM and financial decentralization and sub-national PFM support.

In economic development, the seed platform is an innovation; it was immediately taken to the national level and used to engage in a policy dialogue. The focus on vegetables is probably less of an innovation, but the timely recognition of good opportunities has been important. As mentioned above, it could become the victim of its success from two sides: one is that more commercial farmers enter this lucrative business and crowd out the smaller ones; the other is that urbanization and the increasing number of formal buyers will at some point require quality and food safety guarantees. Continuous improvement of farmers' professionalism in production and marketing are required to capitalize on this innovation in the long-term and to scale it to other (semi-) urban areas.

MBFM as the first regulated microfinance bank serving the low-end clients is clearly designed as an innovation. If it becomes a success, it might well unlock a sector that has met with disappointment for many years. Yet, as of now this is a potential innovation that first has to prove its economic viability over the period of the next CS.

The evaluation team was asked to clarify the need and potential for scaling up the water-sanitation intervention at the level of secondary cities using SECO's tools of intervention (investment + corporate development). However, a thorough assessment of the situation and potential intervention opportunities go beyond what can be done in the context of CS evaluation. We therefore concentrated on a rapid assessment trying to understand whether a more detailed analysis might be worth the effort.

Given the fast pace of urbanization, water and sanitation in secondary cities is a clear need. The piped networks do not reach the entire population, which still continues to grow.

Unaccounted for water is in the 40%+ range, with staff/connection ratios and collection efficiency below sustainable levels.

At the institutional level, of the 53 municipalities that have decentralized responsibility for service delivery. There are two state-owned asset-holding companies: FIPAG for water supply in large cities and AIAS for small towns. CRA is the national regulator. FIPAG covers only some of the large municipalities and covers around 2.6 million consumers of more than 5.5 million in 19 towns and districts where it is present (FurtherAfrica 2016).

Urban water supply has received substantial support form multilateral donors in recent years. Among bilateral donors, the Netherlands is funding water projects in urban and peri-urban areas in Maputo metropolitan areas and several municipalities.

Sanitation coverage in urban areas is considerably lower than water supply with a corresponding high need for investment in sewages systems and wastewater treatment plants.

At the programmatic level, **sustainability** of the Swiss CS is addressed mainly through the approach of using and strengthening country systems. While this is conceptually sound, risks remain with the approach as well as with other program components.

Using country systems is typically linked to public sector reform where the key sustainability risks reside in (lack of) government ownership which is required to prevent such reforms from remaining mere signaling exercises that do not go beyond new policy documents and do not translate legal text into implementation. Accordingly, reform endeavors are more successful and sustainable where government has a genuine interest and hence commitment, as is the case with tax reform. In other areas, such as anti-corruption, donor pressure has led to three waves of legal reforms over the last ten years without impact on the ground.

At the level of macroeconomic policy, sustainability risks have materialized from political interference, from opportunities for commercial lending, and from the fragmentary implementation of the fiscal framework in domestic resource generation (mainly in mega-projects) and in capital investment. The scope for mitigation measures is limited, as policy dialogue proves more effective after scams than in preventing them as the Ematum case illustrates. More promising seems promoting transparency and strong civil society advocacy. However, there are contradicting signals regarding space for open dialogue and it is far from clear how this will evolve.

High staff turnover in public administration (for opportunity reasons, but in some instances the value of emerging centers of excellence is not appreciated in the hierarchy) and in civil society undermines progress made and challenges institutional building. The general shortage of skilled personnel in Mozambique makes this a particularly high sustainability risk. The country office has recognized the need to review its approach to capacity building and commissioned a first study to devise a new capacity building strategy.

Human resources are even more of a risk to sustainability in social accountability initiatives that are based on voluntary work; here, success in holding public administration to account and improving service delivery seems the most important factor to keep people on board, putting the interface between supply and demand side center stage.

Donor dependence is a particular sustainability risk for CSOs. It cannot only threaten the existence of an institution but also undermines its effectiveness when funding opportunities start driving CSO activities and engagement.

For the nationally important NGOs CIP and IESE, the Swiss representation has managed to diversify funding sources by organizing a donor pool and – at least as important – by providing the support in the form of core funding to safeguard the institutions' programmatic and strategic independence. The country office is aware that at the subnational level, mitigating sustainability risks and reducing donor dependence of CSOs needs more attention; the continued dependency of Wiwanana illustrates the difficulty of institutional development with district-level CSO and implementing theoretically sound measures towards sustainability.

Sustainability risks have to be considered also outside the program activities, for example Mozambique's vulnerability towards catastrophic events such as floods and droughts. Global warming is expected to increase temperatures more in the south than in the north. On average there is likely to be a decrease in rainfall in Mozambique and across all of southern Africa. Overall, Mozambique will be less harmed by climate change than many other countries with flooding as the biggest problem, according to the Intergovernmental Panel on Climate Change (IPCC).

Conclusions (C)
C19: The initiated review of the capacity building concept is a good and important measure to address sustainability risks. However, we are mildly concerned that the answers it provides might be not bold enough compared to the challenge.
C20: The urban water and sanitation sector seems to offer promising entry points for SECOs urban infrastructure line of intervention. From a CS perspective, scaling up support to urban water supply and sanitation might well complement current support provided to municipalities in the framework of the CS and reinforce the focus on effective service delivery.
C21: The vulnerability of the country towards catastrophic events suggests addressing this risk dimension more systematically.

Recommendations (R)
R19: We recommend that the country office explores and pilots new / additional measures to address the systemic shortage of skilled staff such as for example a VET initiative for public administration to complement 'on the job' support provided currently and to broaden impact. Exploring and piloting innovations to address sustainability risks are also recommended for social accountability initiatives and support to sub-national CSOs.
R20: In case SECO considers a diversification of its engagement in Mozambique, we recommend and encourage a more detailed analysis of the urban water and sanitation sector due to its potential. A thorough assessment of intervention options and the required resources at the SCO would be required in order to base a decision on sound information. We further recommend close coordination with SDCs support to municipalities in order to exploit synergies in PFM, participatory budgeting, and social accountability interventions (see also R5).
R21: We recommend carrying out systematic DRR and CEDRIC scans of the programs and the portfolio at the design and planning stage in order to identify, prevent and mitigate risks resulting from natural disasters and climate change effects (e.g. water availability; where necessary engage in organizing catchment management systems).
R22: We recommend communicating achievements in a more systematic way so as to be able to influence policies and promote a scaling-up.

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Africa Confidential (2015c) "Dash for gas cash" **56**.18

Africa Confidential (2015d) "Nyusi's nightmare" **56**.24

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Africa Confidential (2016b) "Fighting flares in Tete" **57**.2

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Annex 1: List of reviews and End-of-Phase reports (EPR)

Reviews

Code	Evaluated project. Type of review	Year	Evaluators
Economic Development			
IVAG 2013	External Review of INOVAGRO Project Phase I	2013	n.a.
MBFM2015	Microbanco Fides Moçambique SA (MBFM) ("Fides Project"), Mid-term Evaluation	2015	Klaus Maurer
IFIA2013	Review of Inclusive Finance and Insurance Academy in Nampula / Mozambique	2013	Eileen Miamidian Hans Ramm
HORTI2015	IMPACT ASSESSMENT - Final report on in-house survey with Hip-pump Beneficiaries	2015	Michael Fink
EC2014a	Independent Evaluation of Budget Support in Mozambique - Final Report Volume I	2014	European Commission.
EC2014b	Synthesis of Budget Support Evaluations: Analysis of the Findings, Conclusions and Recommendations of seven Country Evaluations of Budget Support	2014	European Commission
TAX2015	SECO Independent Evaluation on Tax and Development. Final Report (incl. Mozambique Case Study)	2015	Ecorys
CFAT2015	External Review on te Common Fund (CF) for the Implementation of the Revenue Authority (AT) Reform in Mozambique. Final Report.	2015	Gerster Consulting
Local Governance			
AGUA2014-1	AguaSan Phases II and III (09/01/08 - 09/30/14) Support for Decentralization of Water and Sanitation Sector. Impact Analysis Final Report	2014	Ana Lucia Obiols André Uandela
GOV 2014	Evaluation of SDC's Governance Programming and Mainstreaming – Mozambique Country Case Study	2014	John Saxby
PROGOAS_CS 2013	Advancing Accountability through Conselhos Consultivos in Mozambique: PROGOAS Case Study	2013	Marco Faehndrich Ilídio Nhantumbo
PROGOAS_II 2013	Governance, Water and Sanitation Program in Nampula and Cabo Delgado (PROGOAS) Phase II Mid-term evaluation	2013	Agnes Deshormes Celeste Nobela Andre Uandela
NDPFP 2013	National Decentralized Planning and Finance Project (NDPFP) - Aide Memoire - Mid-Term Review Mission (MTRM)	2013	n.a.
NDPFP 2014	Project Performance Assessment Report. Decentralized Planning and Finance Project	2014	World Bank Independent Evaluation Group
LUF 2013	Evaluation of the Mozambique Community Land Use Fund	2013	Effective Development Group GRM International The QED Group

Health			
PROSAUDE 2015-1	Desk review of the joint funding mechanism (PROSAUDE II) to the health sector in Mozambique 2008- 2013 (as part of the overall review of PROSAUDE II)	2015	Notburga Tim-mermans (ETC Nether-lands)
PROSAUDE 2015-2	PROSAUDE II Review Phase 2 – Stakeholder Consulta-tion	2015	Kate Brownlow Zeferino Martins
MAD2013	Observations & Options for SDC Health Program in Mozambique	2013	Jacques Mader
HSDP2014	Aide memoire – Implementation Support Mission for the Health Service Delivery Project (Cr-4582-) and Additional Financing for Nutrition (Cr-5194-Moz)	2014	World Bank
HSDP2013	Aide memoire – Implementation Support Mission for the Health Service Delivery Project (Cr-4582-) and Additional Financing for Nutrition (Cr-5194-Moz)	2013	World Bank
CDHP 2014	Project to Finance Supports for the Implementation of the Provincial Plan for Community Involvement in Health in Cabo Delgado	2014	João Costa Fatima Mussá

End-of-Phase Reports

Code	Concerned project	Year
Economic Development		
IVAG 2014	Private sector led rural growth in Northern Mozambique “INOVAGRO” Phase 01.01.2011 – 31.12.2013	2014
Local Governance		
AGUA2014-2	AguaSan Phase 3 - Support to Decentralization of Rural Water and Sanitation Services and Policy dialogue Phase 01.01.12 – 30.09.14	2014
PROGOAS1 2012	Governance, Water and Sanitation Project (PROGOAS I) Phase 01.01.2009 – 31.03.2012	2012
Health		
PROSAUDE 2015	Health System Strengthening Support Program Phase: 01.01.2013 – 31. 12. 2015	2015
WIWANA 2013	Community empowerment for health (WIWANANA) Phase: 01.01.2009 – 28.02.2013	2013

Annex 2: Evaluation matrix including specific evaluation questions

Evaluation Area 1: Context analysis (referring to the partner country context, the region and to the Swiss context)
1.1 Positioning and adaptation of CS with respect to country and regional context as well as Swiss policies 111. How well does the CS (strategic orientation, overall goal, domains of intervention and transversal themes, global challenges) reflect the development priorities, set by the partner country/countries and the policies of the Federal Council Dispatch (FCD)? *111a. Which SECO business lines have been and would be particularly valuable for Mozambique responding to the context and its evolution?* 112. Which changes in the context (national and regional) were the most important and what effects may they have caused on the CS? Which adaptations have been taken? *112a. What were the consequences of the "boom" in natural resources exploration on the implementation of the projects in the North of Mozambique and the involvement with civil society organizations?* *112b. Did the evolution of the regional context (South Africa, Tanzania, Zimbabwe etc.) influence the implementation of the CS?* **1.2 Quality of context analysis** 121. To what extent is the context analysis realistic and relevant? To what extent is the broad political context taken into account in the CS and ARs? Does the analysis include current issues (e.g. social and economic inequality, global challenges, power relations, regional disparities) and relevant stakeholders (e.g. private sector, state apparatus and political parties, institutions and powers)?

Evaluation Area 2: Relevance and appropriateness of the projects/program portfolio with regard to the domains of intervention of the CS
2.1 Relevance of the projects/program portfolios 211. To what extent are the projects/program portfolios relevant, coherent and appropriate for achieving the results of the CS regarding its domains of intervention? *211a. What is the relevance and impact of the overall portfolio composition (including the modalities mix, relative weight of modalities and partners) for delivering results and effectiveness?* *211b. Given main development challenges for inclusive growth and the changing global aid architecture, to what extent did the overall strategy in Mozambique respond to critical needs, including the role of different forms of intervention (TA, policy dialogue, direct and indirect funding, donor coordination, etc.)* *211c. To what extent are the complementary measures, financed by SECO, relevant for achieving the results of the CS? In what fields of actions would complementary measures (SECO) be beneficial for the Swiss Development cooperation?* 212. To what extent are the approaches being applied appropriately in the domains? Which innovative approaches produce added value? *212a. Acknowledging that SDC recognizes innovation as decisive factors for sustainable global development, to what extent did the private sector domain portfolio develop innovative and flexible solutions and approaches meeting the challenges of a region characterized by rapid contextual changes?* ***2.2 Additional questions*** *221. What was the added value (and cost – benefit) of SDC interventions in health and WatSan at subnational level in the North?*

222. What was the value of complementary measures by SECO (GBS with focus on sound macroeconomic management and PFM strengthening, support to Tax reform and several TA in the same areas via multilateral initiatives) to the program in Mozambique: content and inter domains relation, benefits, challenges?

Evaluation Area 3: Implementation of the CS and its portfolio

3.1 Management performance

311. How efficient is the portfolio management of the SCO (regarding transversal themes, collaboration with the global programs, implementation of complementary measures, financial and human resources and aid diplomacy)? What are its contributions to an optimal achievement of results?

3.2 Quality of the CS monitoring system

321. To what extent is the process management of the CS monitoring system relevant and efficient, in order to provide evidence-based data/information for accounting for results (reporting) and CS steering?

3.3 Coordination and aid effectiveness in the country set up

331. Which role do SCOs play within the network of different Swiss agencies in charge of development cooperation (SDC – Regional Cooperation, Humanitarian Aid, Global Cooperation and Cooperation with Eastern Europe –, SECO, Directorate of Political Affairs / Human Security Division), national governments and the donor community? Which added values result due to Switzerland's support in the respective countries?

331a. What synergies exist between complementary measures and the SDC portfolio?

3.4 Additional questions:

341. What is the added value of the outcome logic vs Domain logic on reporting, steering and results?

Evaluation Area 4: Results of the CS – in relation to the results at country level

4.1 Domain results, effectiveness and contribution to country results

411. Which contributions of the Swiss Cooperation portfolio become visible at the output and outcome level, particularly regarding the achievement of the development results in the partner country? Which internal and external factors enhance or hinder aid performance and results achievements?

4.2 Sustainability and scaling up

421. Which innovations generated by field experience have been scaled up through policy dialogue, alliances, networking and dissemination?

422. Which actions have been taken at country level to enhance the sustainability of the Swiss investments?

4.3 Additional questions

411. To what extent is there a need for scaling up the water-sanitation intervention at the level of secondary cities for a specific intervention of SECO's tool (investment + corporate development)? If yes: What is the donors' landscape and what could be the Switzerland position? Is there adequate capacity at the cooperation office?

Annex 3: Interviews during the preparation phase

Date	Persons interviewed	Team members
20.08.2015	Marie Gilbrin (Deputy Head SOSA)	FBR, UL
20.08.2015	Mirjam Macchi Howell (Global Program Climate Change)	FBR, UL
20.08.2015	Yves Mauron (Mozambique Desk)	FBR, UL
20.08.2015	Yuka Greiler (Global Program Climate Change)	FBR, UL
20.08.2015	Thoms Frey (Deputy Head Humanitarian Aid Africa)	FBR, UL
20.08.2015	Peter Beez (Focal Point E+I)	FBR, UL
21.08.2015	Katrin Ochsenbein (Focal Point Mozambique)	FBR, RK, CG
21.08.2015	Irene Leibundgut (Deputy Head WEQA)	FBR, RK, CG
21.08.2015	Ueli Ramseier (Evaluation)	FBR, RK, CG
21.08.2015	Martin Saladin (Head WELG, deputy head WEOP)	FBR, RK, CG
25.08.2015	Peter Bieler (Global Program Food Security)	FBR, UL
25.08.2015	Jacques Mader (Global Program Health)	FBR, UL
25.08.2015	Laura Butt Guillemain (Head SCO-M until May 2015)	FBR
15.09.2015	Joseph Hanlon (Visiting Senior Fellow at LSE)	FBR
20.11.2015	Monika Rubiolo (Head Macroeconomic Support)	FBR, RK

FBR: Fritz Brugger

CG: Christoph Graf

RK: Rolf Kappel

UL: Ursula Läubli

Annex 4: Interviews during field work in Mozambique

Economic Development

Age Tarrua	AGROWAM Chairman / Waresta market
Eileen Miamidian	Ayani Financial Services, COO
Manuel Mateus Mondlane	Banco Oportunidade, Nampula Branch Manager
Damiano Stella	Canada High Commission, PFM Advisor
Augusta Pechiço	DNEAP/MEF Deputy Head
Vasco Nhabinde	DNEAP/MEF Head / Head UEM Research (end 2014)
Love Theodossiadis	Embassy of Sweden, Economist
Geert Anckaret	EU Delegation, Head of Sector economic Development and Governance
François-Philippe Dubé	High Commission of Canada, First Secretary
Panganai Dubuia	Hortisempre Field Officer
Michael Fink	Hortisempre M&E Manager
Nordino Chilane	Hortisempre M&E Officer
Manuel Batista	Hortisempre Project Beneficiary
Franco Scotti	Hortisempre Project Director
Arian Lila	INFINA Director
Zaira José	INFINA Instructor
Carlos Malita	Inovagro Market Systems Manager
Tiana Campos	Inovagro Market Systems Officer
Nephas Munyeche	Inovagro Project Director
Celso Ruface	Inovagro Seed Sector Specialist
Caroline Ennis	Irish Embassy, Economist
Assane Amade	ITC Field Officer, Nampula
Mussa Chovieque	ITC Provincial Director, Nampula
Jaime Narcisio Bila	JNB Manager
Samuel Irmão	MBFM
Eduardo Lucchesi	MBFM CEO
2 DEGO groups	MBFM DEGO clients
Aurora Velanjaku	MBFM Deputy COO
Elsa Lurdes Oliveira	MBFM Field Supervisor
Nue Spaqui	MBFM Head Individual Clients
Mauricio John	MBFM Loan Officer
Edgar Aguilar	MBFM Product Development Expert
Miguel Brito e Abreu	Portuguese Embassy, Head of Cooperation
Niels Richter	Royal Danish Embassy, Head of Cooperation
Isaltina Lucas	Treasury Director MEF (until Sept 2015)
Brigit Helms	USAID Speed Project

Local Governance

Bernard Weimar	Map Consulting
Joao Carilho	Map Consulting
	Ministry of State Administration and Public Function
Antonio Mulhovo	DAF
Célia Gonçalves	DPC
Nicolas Morand	ProGoAs Coordinator
Francisco Sumbane	Project Manager
Carlos Francisco Nampava	District Administrator
Arnaldo Vequina Mueha	Chief of District Services for Planning and Infrastructure
Namacoma Aquimo	Community Leader Community of Manrasse
Imbwanga Mapoko	Concern Universal
Ali Lala	Concern Universal
Cecílio Anly Chabane	Major of Montepuez
Ernesto Taiar	President Municipal Assembly Montepuez
Imbwanga Mapoko	Social Accountability monitoring committee Montpuez
Ali Lala	Social Accountability monitoring committee Montpuez
Rui Nazaré	COWI
Lars Christensen	PRODEM
Hugo Oosterkamp	PRODEM
Antonio Muagerene	PRODEM
Pronch Murray	Irish Embassy
Inocêncio Macuacua	Irish Embassy
Torben Larsen	Royal Danish Embassy
Paulo Junior	Royal Danish Embassy
Dino Coutinho	CD Provincial Director Public Works and Water Management
Jose Carlos da Cunha	Cabo Delgado Provincial Director Economy and Finance

Health

Peggy Thorpe	Canada High Commission
Carlos Francisco Nampava	Chiure District Administrator
Mbate Matandalasse	Danida
Kiriliana Mbule Amandio Manuel	Deputy of Planning and Cooperation Department – Provincial Health Directorate (Cabo Delgado)
Etelvina Mahanjane	DFID
Alberto Mussati	Flanders
Orlando Muianga	Head of Finance Department - Provincial Health Directorate
Manuel Eurico	Head of Health District Directorate - Chiure
Diarmuid Mclean	Irish Embassy

Jonas Chambule	Irish Embassy
Aldeia 25 de Setembro (Chiúre Velho)	Members of Local Health Committee
Denise Namburete	Nweti
Neusa Macaringue	Nweti
Tom Huxley	Solidarmed Provincial Coordinator
Abide Dias	Wiwanana Executive Director
Filipe Mucussete	Wiwanana Executive Directorate Member
Ester Isabel Isaque	Wiwanana Executive Directorate Member
Tomas Paulino Brito	Wiwanana Executive Directorate Member

Head office and other meetings

Mirko Manzoni	SDC Head of Delegation
Leo Näscher	SDC Head of Cooperation
Sven Stucki	SDC Domain Head Local Governance
Pierre Strauss	SDC Domain Head Economic Development
Telma Loforte	SDC Domain Head Macroeconomic Support
Nobre Canhanga	SDC NPO Local Governance
Fernando Pililão	SDC NPO Local Governance
Helder Ntimane	SDC NPO Health
Horacio Morgado	SDC NPO Economic Development
Amelia Matsinhe	SDC NPO Culture
Mujinga Ngonga	SDC NPO Health
Adriano Nuvunga	CIP
Louís de Brito	IESE
João Pereira	MASC Foundation
Paulo A. David	ABB, Country Director
Patrick Schweizer	Club of Mozambique

Annex 5: Basic statistical data of Mozambique

	2000	2005	2008	2010	2012	2014
GDP/capita in PPP terms (US$)	236.455	336.487	479.232	458.327	576.210	672.244
GDP growth rate	1.1	8.7	6.3	6.8	7.1	7.4
Adjusted net savings, including particulate emission damage (current US$ mio)		-306		100	588	1'162 (2013)
Adjusted net savings, including particulate emission damage (%GNI)		-4.92		1.02	3.94	7.46
Poverty 1.25 USD (PPP)/day (%)	74.7 (2002)			60.7 (2009)		
FDI Flow (inward) US$ mio	139	108	592	1'018	5'629	
FDI Stock US$ mio	1'249	2'630	3'670	4'766	13'987	
Swiss exports (mio CHF): Most important categories: Chemical and pharmaceutical products; Machines, appliances, electronics; Precision instruments	6.07	3.71	11.09	17.57	13.73	15.83
Swiss imports (mio CHF): Most important categories: Forestry and agricultural products, fisheries	0.57	5.69	12.87	6.46	20.68	28.57
ODA / capita (current US$)	50	62	88	81	83	
Net ODA received (current US$ mio)	906	1'297	1'996	1'951	2'097	2'314
Swiss aid inflows (mio. CHF)	6.3	30.8	15.9	19.9	32.1	31
Unemployment rate (% of labor force)	8.6	8.3	8.3	8.3	8.3	
HDI (rank [total: 187 countries])	0.285	0.343	0.366 (179)	0.380 (179)	0.389 (179)	0.393 (178)
Maternal mortality ratio (per 100,000 live births)	870	680		540		
% of seats held by women in national parliament		34.8	34.8	39.2	39.2	39.2
Gini coefficient	47.1 (2002)		45.7 (2009)			
Corruption Perception Index (TI) (0 worst, 10 best)	2.2	2.8	2.6	2.7	3.1	3.1
Bertelsmann Transformation Index						
Status* (1 worst, 10 best)		6.01 (2006)	5.56	5.71	5.4	5.5
Management** (1 worst, 10 best)		6.05 (2006)	5.00	5.55	5.1	5.4
Estimated adult (15-49) HIV prevalence (%)	8.8 (2001)	11.1		11.3 (2009)		10.8 (2013)

Sources:

GDP/capita in PPP terms (USD): http://www.imf.org/external/pubs/ft/weo/2011/01/weodata/weoselgr.aspx

GDP growth rate: http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?page=4

Poverty 1 USD (PPP) / day (consumption based): http://mdgs.un.org/unsd/mdg/Data.aspx

FDI Flow and Stock: http://unctadstat.unctad.org/TableViewer/tableView.aspx

Trade: SECO/OSEC

ODA / capita: http://data.worldbank.org/indicator/DT.ODA.ODAT.PC.ZS?page=4

Swiss aid inflow:
http://www.deza.admin.ch/de/Home/Dokumentation/Publikationen/Jahresberichte/Archiv_Jahresberichte

Unemployment rate (% of labour force): http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?page=4

HDI: http://hdrstats.undp.org/en/tables/default.html

Maternal mortality ratio: http://data.worldbank.org/indicator/SH.STA.MMRT

% of seats held by women in national parliament:
http://unstats.un.org/unsd/mdg/SeriesDetail.aspx?srid=557&crid=

Gini coefficient: http://data.worldbank.org/indicator/SI.POV.GINI?page=4

Corruption Perception Index: http://www.transparency.org/policy_research/surveys_indices/cpi

Bertelsmann Transformation Index: http://www.bertelsmann-transformation-index.de/bti/laendergutachten/

CO_2 emissions / capita: http://data.worldbank.org/indicator/EN.ATM.CO2E.PC

UNAIDS - Joint United Nations Program on HIV/AIDS: http://www.unaids.org/en/

The world factbook: https://www.cia.gov/library/publications/the-world-factbook/

Annex 6: Governance Indicators

Country Policy and Institutional Assessment (CPIA)

CPIA (1=low to 6=high)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CPIA overall score	**3.4**	**3.5**	**3.5**	**3.6**	**3.6**	**3.7**	**3.6**	**3.7**	**3.6**	**3.5**
Building human resources	3.5	3.5	3.5	4.0	3.5	3.5	4.0	4.0	4.0	4.0
Business regulatory environment	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Debt policy rating	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.0	4.0
Economic management cluster average	4.2	4.2	4.2	4.3	4.5	4.5	4.5	4.5	4.2	4.2
Efficiency of revenue mobilization	3.5	3.5	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Equity of public resource use	3.5	3.5	3.5	3.5	3.5	3.5	3.0	3.0	3.0	3.0
Financial sector	2.5	3.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Fiscal policy	4.0	4.0	4.0	4.0	4.5	4.5	4.5	4.5	4.0	4.0
Gender equality	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Macroeconomic management	4.0	4.0	4.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Policies for social inclusion/equity cluster average	3.3	3.3	3.3	3.4	3.3	3.4	3.3	3.5	3.5	3.4
Policy and institutions for environmental sustainability	3.0	3.0	3.0	3.0	3.0	3.5	3.0	3.5	3.5	3.5
Property rights and rule-based governance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.5	2.5
Public sector management and institutions cluster average	3.2	3.1	3.3	3.3	3.4	3.4	3.4	3.4	3.3	3.3
Quality of budgetary and financial management	3.5	3.5	3.5	3.5	4.0	4.0	4.0	4.0	4.0	4.0
Quality of public administration	3.0	2.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Social protection and labor	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.5	3.5	3.0
Structural policies cluster average	3.2	3.5	3.7	3.7	3.7	3.7	3.5	3.5	3.5	3.5
Trade	4.0	4.5	4.5	4.5	4.5	4.5	4.0	4.0	4.0	4.0
Transparency, accountability, and corruption in the public sector	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
IDA resource allocation index	3.5	3.5	3.6	3.7	3.7	3.7	3.7	3.7	3.6	3.6

	No significant change		Increase		Decrease

Source: http://data.worldbank.org/indicator/IQ.CPA.HRES.XQ

b) World Governance Indicator (WGI) scores

WGI (0 = low; 100 = high)	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
World Governance Indicators ranking	**39.18**	**39.66**	**40.05**	**41.72**	**44.02**	**42.68**	**39.49**	**38.62**	**32.46**
Voice and accountability	50.48	45.67	46.15	46.15	45.02	45.50	42.25	42.65	39.34
Political Stability, Absence of Violence / Terrorism	51.44	61.06	54.81	56.46	66.82	57.08	57.55	58.29	37.44
Government Effectiveness	37.07	34.15	37.38	37.86	37.80	34.45	30.33	29.67	30.62
Regulatory Quality	25.00	30.88	30.58	36.89	38.76	38.28	36.02	34.93	35.89
Rule of Law	33.49	33.01	33.49	33.65	35.07	39.34	33.80	33.65	21.80
Control of Corruption	37.56	33.17	37.86	39.32	40.67	41.43	36.97	32.54	29.67

Source: http://data.worldbank.org/data-catalog/worldwide-governance-indicators

Annex 7: Context analysis (from the Inception Report, as of Nov 2015)

Below a number of context characteristics that are relevant for the CS as they shape/reflect the overall governance trends, political economy dynamics and development challenges of the country. The discussion with SCO management and the domain teams will focus on the overall design and priorities of the CS and how well they support the goal of poverty reduction, inclusive growth and an inclusive society given the challenges of the political settlement that dominate the country's policy and economy.

Politics

Following independence from Portugal in 1975, Mozambique underwent a 16-year armed conflict that ended in 1992 only. The country is considered as having made a successful transition to peace, political stability and democracy. However, the political settlement is characterized by a pervasive 'winner takes all' approach to the political economy. The political discourse and official policies may be inclusive in theory, but are hegemonic in practice.

FRELIMO. Under President Guebuza there has been a drive for centralizing control with increasing dominance of the Executive. Formal checks and balances instituted by the Constitution are countered in practice by strong party discipline and loyalty to the President. The increasing dissatisfaction with the near-hegemony of FRELIMO is mirrored by the election results, which brought Filipe Nyusi to power with a 57% majority compared to a 75% margin for Frelimo with which Armando Guebuza was elected in 2009.

The current transition in power puts the stability of the Frelimo elite coalition to test. Typically, elite coalitions are based on a distribution of rents that satisfy the interests of various factions. Guebuza used his presidency to further his economic interests; his allies also developed a dense net of business activities in all sectors including the extractive sector.[1] The typically well-informed Africa Confidential reports that the incoming government found at least $900mio missing in the treasury (Africa Confidential 2015a).

Factions within the governing Frelimo differ on how far to take the investigations into the previous government's deals. Some want the former President and his family to be prosecuted to set an example before the country's natural resources bonanza gets under way. Others say the political cost of prosecuting him would be too high for Frelimo. Yet another faction wants sanctions against Guebuza and some recompense for the abuses it suffered under his rule. Filipe Nyusi and his allies are conscious of the risk that their economic resuscitation plan could be diverted by a drawn-out post-mortem on the Guebuza era, not to mention the political ructions that could surface. At the same time, they insist the country must re-establish the rule of law and accountability in government (Africa Confidential 2015a).

The pressure on Nyusi to deliver is great. If this transition is not managed well, Frelimo could split badly, with factions using violence to defend their interests. The ministers of the new government reveal that Nyusi mirrors the challenge. There has been a stress on technical experience and competence, but also a careful balance of interest groups, mainly the Guebuza and Chissano fraction (Mozambique News Reports & Clippings 276).

RENAMO. The deterioration of relations with RENAMO since 2012 have their roots in long-standing grievances over abrogation of terms of the 1992 peace agreement, accusations of electoral fraud and vote-rigging, increasing Frelimo monopolization within the State and economy, and marginalization of RENAMO.

RENAMO has always had strong support in the coal-mining province of Tete and is the strongest party in the Province after the 2014 elections (for details see annex 9). Some

[1] CIP maintains a database to track the dense web of economic interests: http://www.cip.org.mz/cipsrcdb/

districts, such as Moatize, consolidated this historic trend, with RENAMO taking more than 65% of the vote.

Negotiations on the peace process signed in September 2014 had stalled since RENAMO's bill on regional autonomy was rejected by parliament in April 2015 and Nyusi has seemingly retreated from the flexibility and accommodation that he afforded to RENAMO in the first months of his presidency, probably following a backlash from hard-liners in Frelimo. New movement came into the peace talks when the government and RENAMO signed an agreement on the separation of powers between the state and the governing party Frelimo in June 2015. With many significant issues still unresolved, near-term volatility has to be expected until a compromise eventually will be reached.

Economy

With 7.5% on average, Mozambique has shown high GDP growth rates over the last years. The sources of growth are concentrated in a few sectors (extractive industries, telecommunications, banking and construction).

INCLUSIVE GROWTH. Despite an impressive economic trajectory, there is little evidence of improvement in the socioeconomic situation of a large majority of the population. Despite government's inclusive growth discourse, growth has not been inclusive to date: Poverty has not decreased between 2003 and 2011 and remains at 55% (MDG target for 2015: 40%). The benefits of economic growth seem to have accrued to a large extent to foreign investors such as Mozal or Sasol, which create few local jobs, few local linkages, and enjoy significant tax exemptions (Cunguara 2012, CastelBranco 2014).

AGRICULTURE. 78% of the population works in agriculture but the sector contributes only 23% to GDP. Growth in agriculture productivity is key for poverty alleviation. Yet, Mozambique's agricultural productivity is among the lowest in the world, and ranks lower than regional averages. The staple crops (maize, rice, sweet potato, sorghum) have seen less output despite increased land under cultivation in 2008-2012. Use of fertilizer is very low with 4.1%; in the North, only 0.2% of farmers use fertilizer on maize.

Mozambique is a net importer of staple food; less than 25 % of smallholder families are able to cover their food needs throughout the year. On the Global Hunger Index, Mozambique ranks 62 (out of 76 countries) with a score of 20.5 out of 40[2].

Unlike the major food crops, productivity of several of the major commercial crops (tobacco, sugarcane, cotton, sesame) has steadily increased over the past 20 years (Cunaguara 2012, Pauw 2012, IFPRI 2014).

DEBT. The external debt stock had risen to $5.6bn (34 % of GNI) by the end of 2012 and to $6.89bn (45% GNI) by 2013 (after HIPC debt write-offs in 1999, 2001 [$4.3bn] and 2006 [$2.9bn] brought public debt down to $2.7bn). Domestic debt has increased to $1bn in 2012 (from $54mio in 2001), bringing overall debt burden close to $8bn (Africa Confidential 2013d; Castel-Branco 2014).

Standard & Poor's has downgraded Mozambique's credit rating from B+ to B in 2014 and to B- in July 2015 due to the Ematum bond liabilities (Mozambique News Reports & Clippings 293). This may contribute to increasing the cost of capital in the future. The share of commercial debt financed by emerging economies (Brazil, India and China, involving 'vendor financed' public infrastructure) and also by Japan, Germany, France, Portugal and international commercial financial institutions is growing fast (Castel-Branco 2014). Higher interest rates (7-8%) and shorter maturities create a heavier debt service burden. The government seems willing to go to the limit of debt sustainability motivated by the prospect of future resource revenues and seems not to care much about the cost and the fact that revenues from the energy and coal sectors are still uncertain. A conservative approach

[2] Low < 4.9; Moderate 5.0–9.9; Serious 10.0–19.9; Alarming 20.0–29.9; Extremely alarming 30.0 <

would await the LNG revenues or only gradually anticipate future revenues to avoid painful fiscal adjustment. While Mozambique's large infrastructural deficit justifies capital spending, some recent project choices cast doubt about project selection, prioritization and investment efficiency (e.g. Ematum fishing fleet, Catembe bridge, national stadium, government ministry buildings).

TRADE. Swiss imports stand at 28mio and exports at 16mio CHF (2014). The EU is a major trade partner of Mozambique, being its main export partner (36.6 % of exports in 2013) and the fourth import partner after South Africa (11.4% of imports). After the EU, in 2013, the main other Mozambique trade partners are South Africa (30.5% of exports, 26.4 % of imports), China (9.4% of exports, 12.7% of imports), India (5.1% of exports, 14.1% of imports) and the US (1.6 % of exports and 3.2 % of imports).

IFFs. Illicit capital flight is calculated by different sources at around 3–5% of GDP per year (Mbeki 2015; Castel-Branco 2014, p36). The Institute for Social and Economic Studies (IESE) identified a systematic undervaluation of exports by one of the extractive companies of around 10% a year by comparing Mozambique's declarations of exports with those of imports in importing countries and adjusting for accounting effects (exchange rates, FOB/CIF prices etc.); the findings are consistent with other analyses (Castel-Branco 2012b).

Extractive Sector

At present, the contribution of the extractive industries to the economy is still small due to the fact that most projects are still in the exploration phase and partly due to tax exemptions or agreements at below-market prices granted to early developers such as Sasol.

COAL. All coalmines are located in Tete Province, about 500km from the sea. Since 2011, each year a new coalmine has started production. Although a second railway (to the port of Nacala) opens in 2015, the lack of transport infrastructure (railways, ports) could severely constrain coal production, and even compromise the viability of some coalmines, potentially jeopardizing any expectations of economic growth, job creation and government revenue.

LNG. LNG's contribution to government revenues will be modest over the next 10 years, apart from one-off (albeit significant) capital gains tax payments driven by the farm-in frenzy. Once production starts, it will only slowly translate into significant revenues as exploration and development costs including debt financing are recoverable (capped at 65%-75% per year, but unlimited carry-forward). There are significant risks that ineligible/ inflated expenses have been included in annual cost recovery statements. Tax administration's capacity to audit cost recovery expenses from exploration are important to protect future revenues and much more important during upcoming development phases where expenditures will be in the tens of billions (ILPI 2013, p 35).

REVENUE PROJECTION. The bulk of the revenue will come from the LNG sector. But one of the biggest risks to government's strategic decision making are the many unknowns surrounding Rovuma LNG. While the World Bank financed Gas Masterplan expects to earn $6.26bn per annum in 2026 in its baseline scenario (and $7.8bn in the advanced scenario), IMF assumes less than half the production capacity and hence much lower revenues (25% of GDP by 2030). Even the more conservative IMF estimation seems too optimistic: At the time of writing, final investment decision (FID) for the ENI FLNG and Anadarko's FDI for its onshore LNG plant are expected towards the end of 2015 only[3]. Also, Cabo Delgado Ports (PCD) has recently announced to be behind

[3] http://www.offshoreenergytoday.com/eni-coral-flng-fid-expected-by-2015-end/
http://www.bloomberg.com/news/articles/2015-05-18/anadarko-picks-cb-i-chiyoda-saipem-for-mozambique-lng-project

schedule with investment in new port facilities at Palma and Pemba to enable the development of the LNG plant.[4]

RE-INVESTMENT. The gap in production predictions highlights how variable the impact of LNG development on Mozambique's economy, FDI, GDP, and fiscal revenue may be, especially over the next 5–10 years. The current low price scenario might further slow down development and make investors even considering alternative options such as e.g. Iran, which holds the by far largest reserves (Vines 2015).

The 20-year National Development Strategy (ENDE, 2013; developed by the Ministry of Planning and Development) as well as the Gas Master Plan use the resource boom as a starting point to effect a shift away from poverty reduction towards industrialization. However, the documents provide few concrete policy proposals to suggest how the structural transformation of the economy is to be realized. Without improved planning and execution capacity, the most likely scenario might be one of private sector driven LNG development, which will likely focus exclusively on Palma and Pemba in Cabo Delgado province. The structural transformation of the economy, industrialization, and development of a downstream sector will likely lag behind and could well prove elusive, missing the unique opportunity to create a gas-based industry and promote rural development (Hanlon and Nuvunga 2015).

SECTOR GOVERNANCE. Although the legal and regulatory framework in Mozambique is generally considered adequate, its implementation is weak due to a lack of formal compliance mechanisms. The national petroleum-related institutions face significant challenges due to a critical absence of petroleum-related experience and technical expertise, centralized and bureaucratic command structures that lead to institutional paralysis, ineffective coordination across the sector, and political interference. The overall governance ranking for the resource sector (legal framework, reporting, safeguards and quality controls, enabling environment) has received a scoring of 37 (out of 100).

The on-going 5th licensing round offering 15 on- and offshore petroleum concessions (results are expected before the end of the year) has met interest among the biggest companies[5] despite low oil prices and political instability. It will also be a test for the new government whether it will not bow to pressure from the elite: Northern Frelimo figures[6] have stakes in several biddings and feel entitled to benefit from the resource boom in the province[7]. The award procedures and bid-evaluation criteria leave ample room to influence the outcome (Africa-Confidential 2014b; 2015c; CIP 2015b).

TRANSPARENCY. Mozambique is EITI compliant since 2012. Several authors point to the fact that most funds are diverted before the phase covered by EITI (Ossemane 2013). Mozambique has missed the opportunity to explicitly reference in the 2014 gas and mining laws EITI requirements on reconciling payments made by companies to Government and requirements to publish data on production volumes and sale prices. It only requires publishing the main clauses of the contract (CIP 2014a;b).

REVENUE SHARING. The 2014 gas and mining laws require revenue sharing with producing municipalities but selection criteria and amount are not defined. First experiences show that for 2013 and 2014 2.75% of the royalties have been budgeted for 7 municipali-

[4] http://allafrica.com/stories/201401230534.html

[5] ExxonMobil is bidding in partnership with Russia's Rosneft; France's Total in partnership with Angola's state-owned oil company Sonangol among others

[6] e.g. General Alberto Chipande, one of Nyusi's key allies and his main mentor is involved through Quionga Energia; others are former Minister for Mineral Resources, Castigo Langa, and former Minister for Transport and Communications Paulo Zucula (Africa-Confidential 2015c).

[7] This might also be one of the motives behind the replacement at the top ENH (the state-owned company holding the governments' shares in the concessions). In August 2015, Nyusi replaced Guebuza ally Nelson Ocuane by Omar Mitha, a technocrat who hails from Cabo Delgado (Africa-Confidential 2015c).

ties but payouts often were only a fraction. The process remains deeply flawed (Vines et al. 2015).

SOCIAL ISSUES: Disputes around compensation, resettlement, lack of economic benefit, a large increase in living cost and environmental incidences can easily lead to tensions and conflict. Evidence so far suggests that neither government nor the operators are up to this challenge: Resettlement has been handled unsatisfactorily from government and companies (Brazilian mining company Vale and Indian firm Jindal) in Tete (HRW 2013). The planned resettlement of 1'500 households for the LNG Plant in Palma has created unrest; Anadarko was forced to re-start the consultation process (AR 2013, Fauvet 2013a; Fauvet 2013b).

DONORS. A major player is Norway through its Oil for Development Program (ILPI 2013); the World Bank has set up the $50mio Mining and Gas Technical Assistance Project (MAGTAP) in 2013 and DFID has put another 8mio into MAGTAP. G19 has an Extractive Industries Taskforce with the aim to establish a common position. This group has not proved very active until now; it is beset by differences in approach due to different commercial interests of their own industry.

Governance

Institutional reform efforts in Mozambique go back to the 1990s. Results should reflect in improved scores of indicators such as the Worldwide Governance Indicators (WGI) or the World Bank's Country Policy and Institutional Assessment (CPIA) that grades countries against common characteristics in twenty areas that represent "policy and institutional dimensions of an effective poverty reduction and growth strategy"[8] The longer-term results for Mozambique are mixed: Overall CPIA score was 3.4 in 2005 and 3.5 in 2014 on a scale from 1-6. According to the CPIA criteria, reforms should lead to institutional scores of at least 4 to impact government functionality, a level that is met by 8 (out of 20) indicators only. Over the 10-year period, seven indicators have improved, three have decreased and 50% where the same in 2014 as they were in 2005. Among the indicators with improved scores are Revenue Mobilization (3.5→4), Financial Sector (2.5→3.5), Macroeconomic Management (4→4.5) and Budget and Financial Management (3.5→4). WGI scores have decreased from 39.2 in 2005 to 32.5 points (out of 100) in 2013. Detailed ratings are presented in annex 8.

It seems that the government of Mozambique has adopted many reforms as signals towards donors to maintain access to funds: it produced better laws and policies, but that this has not led to more profound changes in how the country is governed (for an in-depth analysis of challenges to externally supported institutional reform see Andrews (2013)).

Organized crime

The complex web of informal relations between political actors, civil servants, legitimate business, and organized criminals that was exposed by the scandals concerning the privatization of the Banco Commercial du Mozambique (BCM) in the mid 1990s appears to have endured as the example of Mohammed Bashir Suleiman, designated a 'drugs kingpin' by the United States in 2010 and a long-time party donor, illustrates (Africa-Confidential 2014c)[9].

Organized crime was used to advance wartime goals and meet wartime needs during the conflict phase. During the immediate post-conflict phase it served to consolidate Frelimo's hold on power and access to resources and to advance the political and economic inter-

[8] http://siteresources.worldbank.org/IDA/Resources/CPIA2007Questionnaire.pdf

[9] Bashir's conglomerate Grupo MBS Limitada, which includes retail stores and a shopping mall in Maputo, were placed under US sanctions in 2010. He is described in US cables as the largest narcotrafficker in Mozambique and he remains a significant sponsor of FRELIMO as his participation at a 2014 fundraising event of the party documents (Africa-Confidential 2014c).

ests of high-level officials. Until recently, most of the serious organized crime committed in the country had been linked in some way or another to high-ranking party members or government officials who were able to impose a certain amount of control when things got out of hand. Since the late 2000s, there have been signs that organized crime is becoming more independent of the political system, more decentralized and more violent leading many to posit that the party members and government officials are losing their grip on both domestic and transnational crime syndicates (Goredema 2013).

DRUGS. Mozambique has been called the second most active drug transit point in Africa, behind Guinea-Bissau. The country's ports and corruption amongst officials working at the ports pose a significant problem. Trafficking networks include customs service officers monitoring and taxing imports. Mozambique has yet to convict any major drug trafficker in the courts. Organized crime further includes counterfeit medication (as much as 40% of the medication on sale in pharmacies), human trafficking and kidnapping by organized 'gangs'. In 2014, 42 cases of kidnapping were registered; the abduction of mainly Asian businessmen had spread to Beira, Nampula and Inhambane (Africa-Confidential 2015b).

ILLEGAL LOGGING. A 2014 study[10] has uncovered an 88% increase in illegal logging since 2007, mainly in Zambezi and Cabo Delgado provinces. About 65 to 75% of logging are illegal, one of the highest levels in the world; only 3% of the estimated total volumes of illegal timber was confiscated. For 2013 Mozambique reported 54,000m^3 of logs exported to China, while the latter reported imports from Mozambique of 346,000m^3. The difference had a value of $102 million. Between 80–90% of the exported Mozambican timber is destined to Chinese markets, mainly in log form. Top officials are implicated in illegal logging, including the current and past agriculture ministers, FRELIMO officials, army generals and governors. A map depicting some of the implications of officials is provided in Mozambique News Reports & Clippings 295 and Africa-Confidential 2014a.

Although illegal logging is a serious threat to Mozambique's forests, the production of charcoal is still the primary source for deforestation, followed by slash-and-burn clearance of land for farming, especially in densely populated areas such as in the eastern part of the Nacala Corridor (Ekman et al. 2014).

POACHING: Mozambique's elephant population has fallen by almost half in five years, from just over 20,000 in 2009 to around 10,300 in 2014. 95% of the total loss occurred in northern Mozambique where the elephant population declined from 15,400 to 6,100. In the Niassa National Reserve, the number of elephants fell from around 12,000 to an estimated 4,440 (Mozambique News Reports & Clippings 289).

HDI

Mozambique's 2013 HDI of 0.393 is below the average of 0.493 for countries in the low human development group and below the average of 0.502 for countries in Sub-Saharan Africa.

The Gender Inequality Index value is 0.657, ranking 144 out of 149 countries in 2013.

70.2% of the population are multidimensionally poor (considering health, education, living standards) while an additional 14.8% are near multidimensional poverty. [11] Income poverty stands at 55%.

Health

Despite some progress (e.g. reduction of under-five mortality, immunization, PFM) the health system remains weak, particularly at sub-national level with human resource shortages being particularly acute. There has been downward trend over the last years with

[10] carried out by Maputo's Universidade Eduardo Mondlane (UEM), funded by the EU
[11] http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/MOZ.pdf

only about 50% of the MoH indicators reaching their annual targets. The case of malaria is illustrative: Malaria cases have increased country-wide and in Cabo Delgado in particular after performance indicators on malaria have not been met over the past two years (AR2014).

Education

Access to education is high with school enrolment rates of close to 90% but quality remains a major concern with primary completion rates of 49%, secondary school enrolment rates of 26% and completion rates of 24%[12]. The government spends around 20% of the budget on education (2012: 20%; 2013: 19%) and significant efforts will be required to improve quality if the investments in high enrolment rates are to yield results.

The shortage of people with higher education is a severe constraint for development efforts and felt not only in the public administration, private sector, aid organizations (including SDC), and project management. The arrival of extractive industries together with more dynamic financial and telecom sectors has severely increased competition for qualified staff.

Infrastructure

The country faces huge gaps in transport infrastructure. Insufficient and unreliable power supply remains a major impediment to growth. Major projects are in the pipeline with electricity production but the distribution network will be the main challenge. Negotiating reasonable and realistic 3rd party access conditions for extractive industry related infrastructure will be an important opportunity. Evidence suggests that the benefits of current transport infrastructure projects will remain limited to foreign companies (Scholvin et al. 2014).

ODA environment

For more than a decade, Mozambique has received one of the highest amounts of donor support in the region. Aid net disbursement increased from $53/capita in 2003 to $90/capita in 2013[13] but relative to the GNI the share of ODA decreased from 23% to 15% due to the strong economic performance resulting to a large extent from FDI.

The G19 / PAP MoU with the government guides harmonization and alignment in GBS and SBS. Budget support and the related policy dialogue face a number of challenges within G19 trying to steer a balance between country ownership, conditionality, and donor credibility.

Government officials have long complained of excessive control and scrutiny by international donors and their tendency to interfere in the country's 'sovereignty'. Over the past years, Mozambique tried to gradually reduce its dependence from Western donors by building relationships with emerging donors from BRIC countries. As the relative financial clout of Western donors wanes, a rebalancing of donor influence is on the horizon. External consultants might still be used for technical advice, their influence over policy outcomes and implementation will probably decline, in conjunction with the rise of emerging market powers which provide growing opportunities in terms of FDI, trade, and concessional financing, including for large-scale infrastructure. (Frühauf 2014).

[12] World Development Indicators at http://databank.worldbank.org/
[13] http://www.aidflows.org

Changes in the context related to the domains of the CS

Domain Economic Development

Agriculture

PEDSA, the agricultural strategy 2011-2020, aims at doubling yields and increasing the area under cultivation by 25% by 2019, mainly by promoting private investment and expanding commercial agriculture with a reduction of smallholder farmers and increase in farm size and productivity levels. PNISA, the related investment plan 2013-2017, has added the goals of reducing in the prevalence of chronic malnutrition in children under age 5 to below 20% by 2020 and reducing by half the proportion of the population that suffer from hunger by 2015. While PNISA is very broad in scope, prioritization and pruning of programs and subprograms are lacking. The PNISA budget 2013-2017 stands at $4bn, 85% allocated to production and productivity enhancement. At the time PNISA was launched, there was a financing gap of 78% of the total budget. The 2014 budget for PNISA was 27.9bn MT, the actual budget was 10bn MT, 55% financed by external sources. This is well below Mozambique's international commitment in the Comprehensive Africa Agriculture Development Program (CAADP) to dedicate 10% of the overall budget to agriculture. And it is only 35% of what should be invested to implement the agricultural policy (PNISA) undermining the credibility of government's policy efforts. With 7.9% for agriculture and rural development the 2015 budget again does not meet the 10% mark (Mozambique News Reports & Clippings 288; IFPRI 2014).

ProSavana is a trilateral cooperation by Brazil, Japan and Mozambique (MinAg) that aims to support Agriculture Development in 19 districts along the Nacala Corridor in the provinces of Nampula, Niassa and Zambezi. The program will target directly 400'000 small farmers and other 3.6 million indirectly during the next 30 years and will be implemented in an area of 14 million of hectares. ProSavana appears to have adopted a similar approach to that underlying the "big push" theory (i.e. substantial investment to jumpstart economic development).

Some civil society groups, international organizations and the farmer organization UNAC have voiced objections to the implementation of ProSavana in Mozambique (Grain 2012). The debate has centered on the assumption that the Brazilian Cerrado model/PROCEDER would be replicated. GIZ-commissioned research into the project based on project document analysis and interviews with project staff and other key informants concludes that ProSavana does not replicate PROCEDER but seek to develop models suitable to the specific context. It therefore concludes that criticism of ProSavana on the grounds that it is a duplicate of PROCEDER is unsubstantiated (Ekman et al. 2014).

GBS

Although Mozambique's economic growth performance is quite satisfying since more than two decades, the growth process is not yet self-sustaining and stable, and income and non-income poverty continue to be high. Under these conditions, and given the country's progress in public financial management (PFM) and other important dimensions of governance, GBS is a legitimate and appropriate instrument. Progress is not continuous and smooth, but – despite several critical events and temporary reductions of GBS – policy adjustments of the Government of Mozambique (GoM) and the quality of the policy dialogue with the G-19 justify providing this support.

Switzerland, represented by SCO-M, participates actively in the policy dialogue and selected working groups of the G-19 as well as associated monitoring procedures. Therefore it can be said that Swiss authorities have taken many measures to follow and – to the extent possible – anticipate important developments and risks relevant for continued GBS.

TCF

SECO supports Mozambique since 1996 in modernizing and strengthening its public revenue system. Technical assistance to increase domestic resource mobilisation and to improve the efficiency of the tax system (including the reduction / elimination of negative distortions of taxes) was and is an important complement to Swiss GBS. Switzerland joined the TCF in 2009, which was set up by ATM in 2007.

The interest of GoM in increasing domestic resource mobilisation, and the observed growth of public revenues relative to GDP since 1996, strongly indicate that technical assistance interventions in the field of "tax and development" were and are appropriate and successful. It seems that technical assistance was / is always adjusted to the situation and needs of the country, that institutional developments within ATM and its performance are reported in a transparent manner, and that the policy dialogue on ATM's strategy is satisfying.

Domain Health

PROSAUDE: Overall relevance of PROSAUDE has decreased as proportion of MISAU controlled health sector funding (42% in 2009 compared to 11% in 2013) as well as total health sector financing (40% in 2009 compared to 6% in 2013). This indicates a significant increase in vertical and project-based funding. In parallel, implementing PROSAUDE has remained difficult since its inception in 2008 (see also Q211 below).

The LNG boom in the North will lead to a significant socio-economic transformation and – based on experience in other extractive projects – a significant influx of job seekers and migrant workers can be expected. This will lead to an increased pressure on the health system and particularly HIV/Aids and STDs are expected to increase.

Domain Local Governance

LAND ISSUES. The potential for conflicts of interest around land use is set to increase as a inventory of concessions for commercial land use (mining, gas, forestry) illustrates (produced by the Center for Public Integrity CIP). The online-inventory www.landmatrix.org lists for Mozambique details for over 70 foreign direct investments in land.

DECENTRALIZATION. The number of municipalities increased from the initial 33 municipalities in 1998 to 43 in 2008 and 53 municipalities in 2013; about 40% of the population now live within municipal boundaries. Urbanization continues fast and is projected to reach 60% by 2030.

The term *Gradualismo* reflects a compromise between groups in favor of devolution of power and groups in favor of central control within the ruling party. Currently tendencies towards centralization are stronger than those towards devolution and there have been a number of interventions aimed at recentralization (e.g. by removing certain functions from municipalities, limiting their geographical areas, removing "non-loyal" mayors etc.). RENAMO did not participate in the 2013 municipal elections, and is not represented in the municipal governments. By contrast the newer opposition party, MDM, won control of some important cities in the 2013 municipal elections and appears to be more interested in supporting the municipalization process, as a democratic way of participation in the exercise of local power.

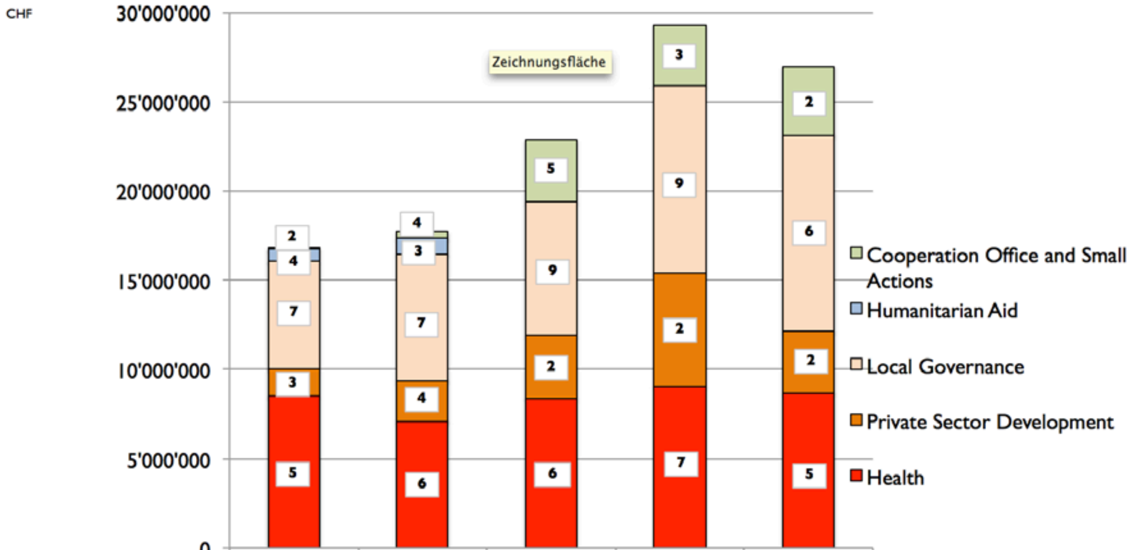
Some state-institutions do assist municipalities, while other institutions show little interest in supporting municipal development (e.g. defining unrealistic standards for municipalities, which gives their own staff a possibility to undertake consultancy work; not sharing knowledge and tools that municipalities would need; maintaining the discourse towards "the capacity of the municipalities is still not existing or proven", leaving the impression that they are more geared to controlling municipalities than to providing constructive solutions to the problems of the municipalities).

CIVIL SOCIETY*:* There are signs that space for civil society might narrow around the discussion of resource issues among others. (AR2013, AR2014).

Today, Mozambique ranks lower on all indicators of the Media Sustainability Index than in 2008. The decline came after a peak in 2009/10.

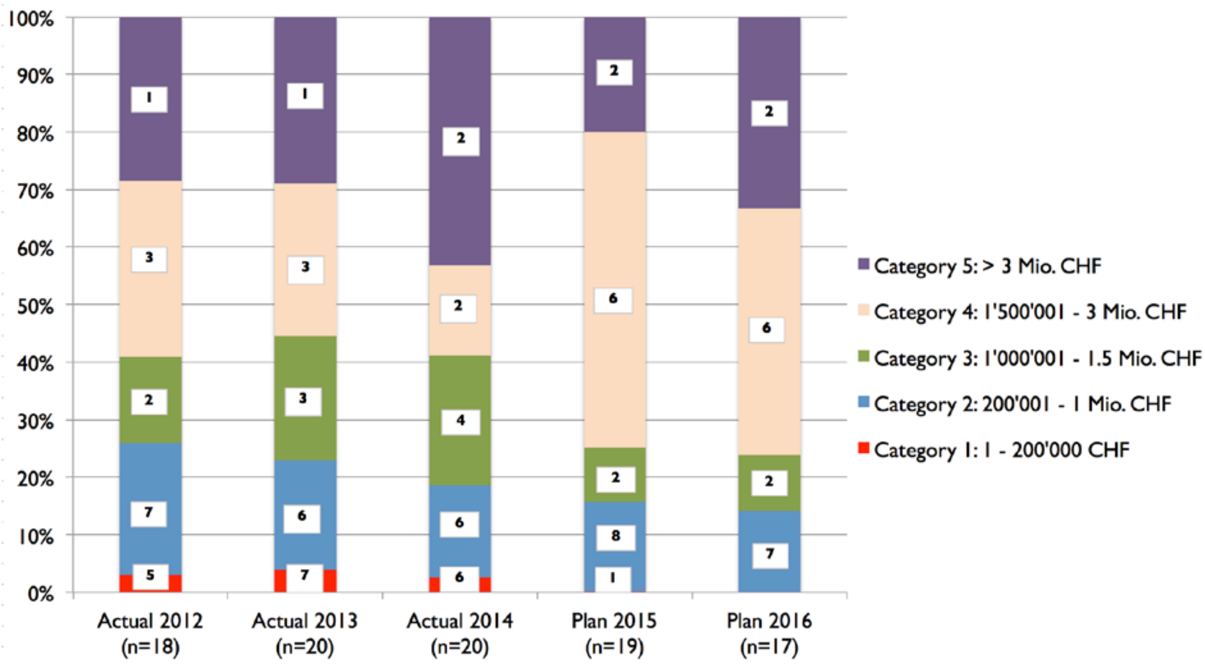
Annex 8: Portfolio analysis CS Mozambique 2012-2016

a) Temporal development of the amounts of the project portfolio over the CS Mozambique 2012-2016 period (with number of projects)

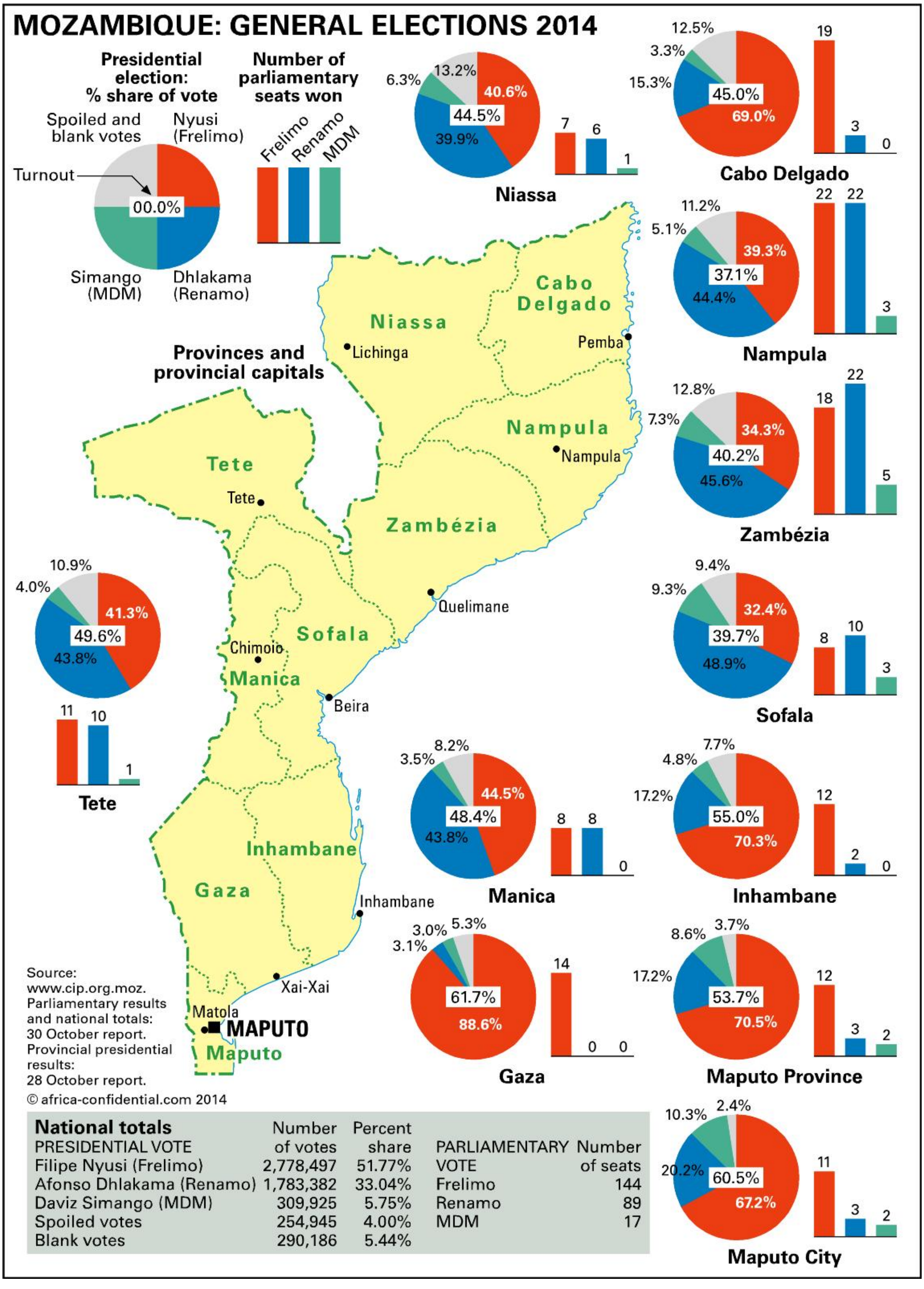


	Actual 2012 (n=18)	Actual 2013 (n=20)	Actual 2014 (n=20)	Plan 2015 (n=19)	Plan 2016 (n=17)
Cooperation Office and Small Actions	83'099	400'000	3'518'490	3'392'121	3'838'000
Humanitarian Aid	681'176	883'220	0	0	0
Local Governance	6'008'201	7'072'043	7'477'957	10'514'205	11'008'000
Private Sector Development	1'536'415	2'275'734	3'504'951	6'332'000	3'438'500
Health	8'495'928	7'111'104	8'397'788	9'063'371	8'688'000

b) Concentration of portfolio interventions



Annex 9: 2014 Election results by Province



Source: Africa Confidential 55 (22), Nov 7 2014

Annex 10: Project Duration

Project Name	Project/WBS	Project Start	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Project End
INOVAGRO	7F-06353	2010					Phase 1			Phase 2				2018
Credit and Savings Associations	7F-06373	2008			Phase 1				Phase 2					2015

Domain A:	Private Sector Development													
Project Name	Project/WBS	Project Start	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Project End
INOVAGRO	7F-06353	2010					Phase 1			Phase 2				2018
Credit and Savings Associations	7F-06373	2008			Phase 1				Phase 2					2015
Book Project Economic/Social Reforms	7F-08036	2011					Phase 1							2013
HortiSempre	7F-08214	2011							Phase 1					2022

Domain B:	Health													
Project Name	Project/WBS	Project Start	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Project End
Support to the Health Sector (SWAP)	7F-03175	2004		Phase 2	Phase 3	Phase 4	Phase 5		Phase 6			Phase 7		2018
Health Service Delivery Program	7F-05794	2009					Phase 1							2016
Community Empowerment for Health	7F-06006	2008				Phase 2			Phase 3	Phase 4				2016
Health Promotion Cabo Delgado	7F-07796	2010						Phase 1			Phase 2			2017
Citizens Dem. for Better Public Health Service	7F-08743	2013										Phase 1		2020
Integrated Program to Fight HIV/AIDS	7F-08992	2014								Phase 1				2016

Domain C:	Local Governance													
Project Name	Project/WBS	Project Start	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Project End
Aguasan	7F-04038	2005		Phase 2				Phase 3						2015
Local Governance Monitoring	7F-05704	2007		Phase 1				Phase 2			Phase 3			2018
Municipal Development Program	7F-06298	2008		Phase 1				Phase 2			Phase 3			2017
Common Fund Rural Water and Sanitation	7F-06374	2009							Phase 2		Phase 3			2017
Governance, Water, Sanitation ProGoAS	7F-06640	2009			Phase 1			Phase 2			Phase 3			2018
National Decentralized Planning & Finance Program	7F-07573	2010					Phase 1			Phase 2				2019
Advancing Land Use Rights	7F-07705	2010					Phase 1				Phase 2			2020
Policy Dialogue on Local Governance	7F-07814	2010					Phase 1							2013
Coastal Protection of the City of Beira	7F-07923	2011					Phase 1							2013
Small Piped Water Systems Cabo Delgado	7F-07924	2011					Phase 1							2013
Support to CESAB	7F-08102	2011					Phase 1							2013
Local Governance and WatSan Niassa	7F-08494	2012								Phase 1				2022

Annex 11 SDC Global Programs (GP) and SECO supported initiatives with components in Mozambique (December 2015)

GP	Project	Description
Food Security (GPFS)	CABI Plantwise	Plantwise is a global program led by CABI, which works to help farmers lose less of what they grow to plant health problems. Working closely with national agricultural advisory services we establish and support sustainable networks of plant clinics, run by trained plant doctors, where farmers can find practical plant health advice. The Plantwise program was officially launched in 2011 and started in Mozambique in 2013. At the time of writing, 10 clinics were operational and 12 plant doctors were trained. The clinics are run by the National Directorate of Agrarian Services (DNSA) that falls under MINAG) http://www.plantwise.org/plant-clinics/clinic-locations/mozambique/
	Postharvest management	GPFS in cooperation with Helvetas Swiss Intercooperation: Identify, test, replicate and improve experiences on postharvest management on the basis of good practices derived from national in order to increase food security of smallholder farmers through reduced postharvest losses at farm and community level. Pilot project in Mozambique (Nampula, Pemba area). http://dialogue2014.fanrpan.org/sites/default/files/08%20%20Ms%20Gloria%20Gummah-%20PHM_SSA%20Presentation_FANRPAN%20High%20Level%20Policy%20Dialogue.pdf
	Land Matrix	Land Matrix is a global, independent land monitoring initiative. Goal: facilitate an open development community of citizens, researchers, policy-makers and technology specialists to promote transparency and accountability in decisions over land investment. The Land Matrix was initiated by the Centre for Development and Environment (University of Berne) and the International Land Coalition. It is further coordinated by CIRAD (Centre de Coopération Internationale en Recherche Agronomique pour le Développement), GIGA (German Institute of Global and Area Studies / Leibniz-Institut für Globale und Regionale Studien) and GIZ. http://www.landmatrix.org/
	Grow Africa Initiative:	The Grow Africa Partnership was founded jointly by the African Union (AU), The New Partnership for Africa's Development (NEPAD) and the World Economic Forum in 2011. Grow Africa works to increase private sector investment in agriculture, and accelerate the execution and impact of investment commitments. The aim is to enable countries to realise the potential of the agriculture sector for economic growth and job creation, particularly among farmers, women and youth. Grow Africa brokers collaboration between governments, international and domestic agriculture companies, and smallholder farmers in order to lower the risk and cost of investing in agriculture, and improve the speed of return to all stakeholders. Mozambique is one of a total of 10 Grow-Africa-Countries. Two bilateral donors support Grow Africa: SDC and USAID https://community.growafrica.com/about https://community.growafrica.com/countries/mozambique

GP	Project	Description
Water Initiatives		Swiss Water & Sanitation NGOs Consortium with the participation of Helvetas Swiss Intercooperation (projects Cabo Delgado/Nampula) and Solidar Suisse (Manica). Duration: July 2014 – Sept 2017 Program BRIDGE (Building river dialogue and governance) with IUCN (www.iucn.org/bridge), has added a component working on Pungwe River (Mozambique and Zimbabwe) and Lake Malawi/Niassa/Nyasa (Tanzania, Malawi, Mozambique) in 2014 to improve transboundary water governance (project phase ends Dec 2015). Program WIN (Water Integrity Network) and Helvetas have joined forces to enhance water integrity with an anti-corruption. The program will contribute to awareness raising, improving capacities of key stakeholders, and country policies.
Climate Change	Energizing Development	Access to modern and clean energy services for poor households, health centres, schools, and SMEs. EnDev Mozambique is involved in grid densification, pico and micro hydro power plants (PHP and MHP, respectively), small PV systems and improved cookstoves. The key strategy of EnDev Mozambique is to achieve a functional network of four pillars in these technologies: A knowledge base, a finance base, a private sector base and a village development base. Through a bottom up approach, the project aims at creating functional structures that can be used as a leverage to influence the government structures and policies. EnDev is currently in its 2nd phase, 2009-2016; Implementer of EnDev Mozambique is GIZ http://endev.info/content/Mozambique
Employment and Income	Swiss Capacity Building Facility for Income and Employment Generation (SCBF; www.scbf.ch)	The Swiss Capacity Building Facility (SCBF) is a public-private development partnership (PPDP) established in April 2011 to assist financial institutions such as insurance companies, microfinance banks, and savings and commercial banks, in significantly scaling up their outreach to poor people in developing countries.). SCBF co-finances the development of a financial education toolbox for INFINA/MFBM
Division Analysis and Policy	NRGI Cooperation	A partnership with the Natural Resource Governance Institute will pursue this aim by advancing global transparency norms, strengthening accountability actors, and informing policymakers with evidence-based analyses for improving governance in this crucial sector. The project is relevant in particular to priority countries identified for an increased level of action by the Federal Council on March 26, 2014: Bolivia, Mali, Burkina Faso, Mozambique, Afghanistan, and Mongolia.
SECO		EITI Multi-Donor Trust Fund (MDTF): provides technical assistance to countries implementing EITI through the World Bank Group: Mozambique has received to grants for EITI communication. Seco further supports the following multilateral initiatives from which Mozambique directly benefits: ATAF (African Tax Administration Forum), EGPS (Extractive Global Programmatic Support); RATC (Regional Technical Assistance Center); SAI CDF (Supreme Audit Institutions Capacity Development Fund); TADAT Tax Administration Diagnostic Assessment Tool); TTF AML: (Topical Trust Fund Anti Money Laundering); TTF MNRW (Topical Trust Fund Managing Natural Resource Wealth)

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