Mozambique has achieved impressive economic results since the end of internal conflicts in 1992. Per capita national income has more than doubled and since 2003 the annual average growth has been close to 8 per cent, placing the country among the top three when it comes to economic growth in Africa. At the social level Mozambique has, with considerable success, made huge investments and expanded the basic public infrastructures in health and education, based on a strategy to achieve the Millennium Development Goals. On the political side, the transition from a one-party system towards a multiparty regime, albeit still nascent, is a major achievement. Today, several political parties are active on the national scene, and civil society organisations are increasingly taking part in the public debate on major political and economic issues.

Still, the country is facing a number of significant challenges. The source of growth has mainly been major foreign investments in natural resource extraction, with limited impact on employment. In addition, small-scale agriculture development, which constitutes the most important source of income for the majority of the population, continues to face important challenges. Social and economic inequalities have increased and poverty has not been reduced in nearly 10 years.

Foreign direct investments to extract the natural resources of Mozambique have increased rapidly during the past decade, in particular from BRICS countries (Brazil, Russia, India, China and South Africa). It remains an outstanding challenge to establish appropriate management of these industries so as to ensure that they contribute to the country’s development in the form of taxes and duties.

Serious problems in health and education, particularly in rural areas, and the persistence of severe malnutrition, constitute major challenges to achieving the MDGs. The HIV/AIDS epidemic continues to have an adverse impact on the country’s development.

Politically, the predominance of the governing party and the incomplete separation of state and party leave rather limited space for democratic development. One major challenge is to pursue a more inclusive and broad-based economic growth strategy with strong employment effects that significantly reduces poverty and inequalities and at the same time promotes and enhances a pluralistic democratic development.

SUMMARY
Mozambique is one of the countries in the world most vulnerable to the effects of climate change. The country has limited capacities to tackle these problems, which puts the country in a particularly fragile situation. If the potential consequences of climate change are not taken into account, progress made in economic and social areas could be quickly wiped out.

To help Mozambique address these challenges, Denmark will continue to play a dynamic role by strengthening the poverty reduction orientation of the development cooperation, promoting closer commercial relations, and sharpening and enhancing the political dialogue. This engagement will build upon Denmark's position as a credible partner that has supported Mozambique's post-Independence trajectory with substantial contributions towards economic and social progress.

In development cooperation, emphasis will be centred on the following areas:

- Linking budget support to good governance through supporting a broad-based pluralistic political development with active participation of various political parties and civil society;

- Promoting inclusive growth supported by a vibrant and sustainable private sector with strong employment creation and poverty reduction, particularly in relation to agriculture;

- Promoting reproductive health and rights;

- Enhancing climate change adaptation and environmental management.

Denmark expects to provide substantial support to Mozambique over the period 2012-15. The priorities are aligned with the Mozambican Government's poverty reduction strategy, and are in line with international principles on aid effectiveness. In addition to working with the Government and local authorities, a core part of every intervention is the active involvement and engagement of civil society organisations. The ambition is to stimulate an informed debate among public authorities and civil society, where all stakeholders are given voice, including at decentralised level. Giving voice to citizens and helping them hold public authorities accountable is a core element in each of the Danish development programmes in Mozambique. This applies particularly in regard to support given to the national budget, which is provided together with support to civil society organisations and popular movements. The objective is to hold the government to account for its implementation of the policies and programmes necessary for delivering the development results to which the budget support contributes.

Budget support will be increased in areas where experience shows that this form of support produces better results and where the necessary preconditions are deemed to be in place.

An important element in the Danish cooperation with Mozambique is political dialogue. This dialogue focuses on key issues such as poverty reduction, human rights, anti-corruption and transparency in public finance management. Although there continues to be widespread corruption in the public sector, progress has been achieved, for example, by means of implementing initiatives aimed at exposing and eliminating corruption.

The dialogue between Denmark and Mozambique will also deal with issues of international, regional and sub-regional importance, including issues such as climate change, human rights, piracy and stability in the region. These are all high-priority areas for Denmark.

Finally, Denmark will work for stronger investment and trade relations between the two countries. This will help expand growth and employment opportunities as well as improve access to cleaner and more efficient technologies to the benefit of the environment and climate. Among Danish companies, there is increasing interest in investing in Mozambique, and Denmark will work actively to promote investments and trade relations between the two countries.
Danish development cooperation with Mozambique dates back to the immediate post-Independence years and has developed in a wide range of areas since. In the early 1990s, Mozambique was one of the first countries to receive general budget support from Denmark and in 1994 it gained status as a partner country. Mozambique has in recent years become one of the most important partners for official Danish development cooperation.

In 2008, a comprehensive evaluation concluded that Danish development assistance to Mozambique had been of “high quality” with a good synergy between Danish and Mozambican priorities. Based on the EU Code of Conduct and the Paris Declaration, which emphasise increased local ownership and aid effectiveness, it was suggested that Denmark in the future should concentrate on fewer sectors. This is reflected in the preparation of the present partnership policy, Denmark-Mozambique Partnership 2012-2015.

The comprehensive cooperation between Denmark and Mozambique has developed into a strong partnership built on trust. The bilateral dialogue is open and constructive, and covers political, commercial and especially socio-economic developments and priorities. The dialogue reflects the composition of Denmark’s activities and priorities in Mozambique. In addition to the overall development priorities of building a stronger democracy and fighting poverty and inequality, Danish commercial interests in Mozambique are expanding. This is reflected in the dialogue with the Government.
The long history of cooperation and sound development results have helped build an important level of trust and provided a solid and constructive basis for open and frank political dialogue regarding national, regional as well as international issues.

Although high economic growth since the end of armed conflict in 1992 has changed the status of Mozambique as the poorest country in the world, the vast majority of Mozambicans remain poor by almost any standard. There is a need not only to do something about the many dimensions of the widespread poverty, but also to address a number of difficult governance challenges. Helping the Government to tackle these challenges is the principal reason for continued Danish support to Mozambique.

More than half of the government’s budget is allocated to social sectors and infrastructure. Around half of these expenditure items are funded by external assistance. Continued advances in social services are crucial to achieving the Millennium Development Goals.

This will require external donor support – at least in the medium term, until more reliance on domestic sources of funding can be ensured.

Increased regional cooperation will be supported so as to enhance the prospects for regional economic and social development, and to enable the country to address challenges of a cross-border nature more effectively.

RATIONALE FOR THE PARTNERSHIP
Mozambique is on the verge of entering a new phase of development. There are opportunities to be seized and challenges to be overcome. The opportunities include raising public revenues and creation of jobs associated with the huge investments in extraction of natural resources, as well as increasing productivity in agriculture. The key challenge will be to transform the country’s high, but narrowly concentrated, economic growth into a broader more inclusive development path guided by an open and democratic political process, where the Government is accountable to its citizens and respects their rights.

The vision for the partnership between Mozambique and Denmark for the period 2012-15 is to expand the opportunities of the poor to take part in and benefit from Mozambique’s considerable economic growth. This will require a growth pattern which focuses on the individual, creates more productive employment opportunities, and ensures more efficient and transparent use of the country’s resources. It will also require broad improvements in health standards to break the inter-generational transmission of poverty and vulnerability. The significant climate change and environmental risks which the country is facing will also need to be addressed, as the realisation of the threats could potentially undermine much of the progress the country has experienced over the last decades.

The partnership between Mozambique and Denmark reflects the ambition to address these challenges. The means to do this include political dialogue, development cooperation, and the active promotion of stronger trade and investment ties between Mozambique and Denmark.
The political situation has stabilised and four elections have been held since Mozambique introduced a multi-party system by constitution in 1990. Although the dominant political party FRELIMO has retained control of the government since Independence, the constitutional limit on two successive presidential terms has been accepted. The political dialogue between the Mozambican government and its development partners has led the government to improve the electoral process. The government continues to support reform of the public sector, to improve accountability, transparency and overall performance, respecting the universal human rights and fundamental freedoms as set forth in the UN Charter and the Universal Declaration on Human Rights.

The separation between the state and FRELIMO is still at a preliminary stage. Some progress has been achieved in the direction of a clearer separation of party and state, and this is openly discussed in the media. An important element in this work is the continued capacity building of the public administration and civil service at all levels. Political decentralisation has been expanded with 10 new provincial parliaments established in 2010, whereby the on-going decentralisation process is gradually strengthening the locally elected governments.

Mozambique is one of the youngest multi-party democracies in Africa. Experience with four multi-party elections is encouraging, but further progress needs to be made to embed a more vigorous democratic debate. The voices and capacities of civil society organisations in Mozambique vary considerably in strength. While there is room for dialogue and evidence of the Government listening to civil society, the capacity of non-governmental organisations to set the agenda and keep the Government accountable for its actions remains limited.

Separation of powers between the executive, the judiciary, and legislative functions is still nascent and fragile. The relatively poor governance performance this gives rise to is reflected in the country’s poor performance in international comparisons and rankings, including in Transparency International’s Corruption Index, in which Mozambique has a relatively low ranking.

With respect to international issues, the two key pillars in the Mozambican foreign policy are to (1) maintain good relations with its African neighbours, and (2) sustain and expand ties to development and trade partners in both Europe and North America, but also increasingly with the BRICS countries (Brazil, Russia, India, China and South Africa).
Economic growth has averaged around 8 per cent annually for almost two decades. These high rates of growth reflect the country’s very low starting point, as well as the peace dividend. In more recent years, the main engine of economic growth has been a series of very large foreign direct investments primarily in the extractive industries. Some dynamism is also apparent in construction, transport and the service sectors, while the agricultural sector, where most Mozambicans generate their livelihoods, continues to show very low levels of productivity.

By 2010, income per capita had risen to USD 440. This figure is substantially below the average for developing countries in sub-Saharan Africa. The UN Human Development Index ranks Mozambique 184 out of 187 countries. In terms of GDP per capita, Mozambique is ranked 163 out of 171 countries.

The poverty headcount rate fell from around 80 per cent in 1992 and 69 per cent in 1997 to 54 per cent in 2003. However, over the past decade the decrease in poverty has stagnated. The 2010 household survey indicates that the national poverty rate remains unchanged at 54 per cent. In absolute figures this corresponds to an increase of two million Mozambicans surviving on less than 1 USD per day.

While the poverty rate remains alarmingly high, the literacy rates and school enrolments have increased dramatically over the same period. By 2003, 68 per cent of children aged 7-17 were attending school; a figure which had risen to 90 per cent in 2009. By 2010, 64 per cent of women gave birth in a health facility (up 15 per cent over five years) and 77 per cent of one-year-olds completed the national vaccination programme. There has also been a gradual increase in the physical assets of Mozambican households. For example, in 1996 only just over one in ten households owned a bicycle, whereas this number had roughly tripled by 2009.

Without higher productivity across economic sectors including agriculture, industry and services, it will be difficult to effectively reduce poverty, increase production and ensure stable food self-sufficiency. The Mozambican private sector is vibrant and dynamic, yet remains largely informal and also very fragile. Only few enterprises and businesses are able to expand and make the transition to the formal sector. This is due among other things to unfavourable business conditions, with limited access to credit for small and medium-sized enterprises, considerable bureaucracy and unclear government intervention in the private sector. While foreign investments in communication, minerals and energy have been responsible for the bulk of the growth, linkages between these investments and the rest of the economy are weak. The significant natural resources (especially coal and natural gas) of the country underscore the need for more transparent and fair management of the natural resources, including through an efficient taxation policy. It is important to find effective ways to support domestic private sector growth and also ensure that foreign investments have a positive effect on employment.

Improving primary health services, especially among young mothers and children, will be a crucial step towards achieving long-term developmental progress. In particular, the HIV/AIDS epidemic and the high levels of malnutrition need to be tackled in order to improve the prospects of long-term sustainable development. The number of adults and children living with HIV/AIDS is alarming, with a prevalence of 11.5 in 2010, and the level of child malnutrition among under-five-year-olds has remained broadly constant at 44 per cent over the last two decades.
The document discusses the commercial situation in Mozambique, highlighting its resource wealth, strategic location, and recent foreign direct investment (FDI) attraction. It also outlines ongoing government reforms aimed at improving the business climate. Despite these efforts, many challenges remain, including education levels, infrastructure, and bureaucratic processes. The document concludes with specific sector opportunities, including agriculture, energy and mining, infrastructure, services, and tourism. Each section provides an overview of the sector's potential and challenges.
While the overall growth figures are impressive and are attracting foreign investors in increasing numbers, a deep sense of indignation is palpable among large segments of the population. The social unrest that Maputo experienced in September 2010 as a consequence of increasing food prices is a warning of what could happen if the Government fails to deliver on its development agenda.

As the majority of Mozambicans are socially and economically vulnerable, there is a risk of an erosion of the social progress already made. This must be seen in the context of continued high levels of absolute poverty, the spread of HIV/AIDS, widespread malnutrition and weak formal sector employment growth. Successfully expanding the provision of a range of core public goods and services that can mitigate vulnerability and decrease economic inequalities is the most sustainable way of mitigating long-term development risks. In the medium term, this will require not only substantial and predictable external support to public expenditure via budget support and other modalities but also, and just as importantly, coherent knowledge-based government policies that reflect the needs and expectations of Mozambicans.
In the efforts to align the interests and priorities of Denmark with the Mozambican Government and taking into account the opportunities and challenges that present themselves for closer ties between the two countries, Denmark is focusing its efforts in Mozambique on the following three areas:

- Maintaining and expanding the political dialogue
- Building stronger commercial ties between Denmark and Mozambique
- Delivering development assistance to a limited number of priority sectors

MAINTAINING AND EXPANDING THE POLITICAL DIALOGUE

Denmark will continue to pursue a constructive political dialogue with Mozambique on a number of national, regional and international issues. An important part of this political dialogue is pursued through the EU. Under the framework of the EU, Denmark actively pursues key political priorities especially in the areas of human rights and good governance.

The political dialogue related to the provision of budget support will include amongst other issues good governance, the fight against corruption and priorities in the budget to reflect strategic development priorities, and the need to increase fiscal revenues accruing from the investments in the extractive industry. Denmark will contribute to safeguarding the gains in social sector outcomes, including strengthening the social safety net, and use the political dialogue to help ensure that adequate funds in the budget are awarded to the social sectors. Denmark will also contribute to ensuring that Mozambicans use these services and demand quality delivery.

In order to support Mozambique’s position in the region as well as in regional and international organisations, Denmark will continuously underline that cooperation on regional and global issues and development cooperation are complementary. Through a focus on inclusive growth and job creation, better management of the country’s resources, and better monitoring of the environmental and climate risks, Denmark will pursue synergies between development interventions and broader political considerations.

In the political dialogue Denmark will continue to emphasise the importance of a strong and vibrant civil society, which can work for strong governance and sustainable development.

There will also be focus on broader regional and international issues of importance to Denmark and where Denmark wishes to promote certain positions. These issues will include such themes as piracy, prevention of money laundering, the fight against corruption, regional integration and stability (e.g. a peaceful development in Zimbabwe), and climate change.
Given the attraction of the natural resources of Mozambique to international investors, it will become increasingly important to tap into the expertise of Danish companies in the energy and clean-tech sectors. In addition to expertise for the actual extraction and processing, there are a number of very important associated industries linked to investments in natural resources. Also in this part of the value chain, there are clear opportunities for Danish enterprises. In the long term, an increasingly stronger presence of Danish businesses in Mozambique will contribute to strengthening the commercial ties between Denmark and Mozambique. Increased real trade will benefit private sector-led economic growth in the country.

As an increasing number of Danish investors and enterprises are looking to the high performing growth economies of Lusophone Africa, coherent regional advisory services will become increasingly relevant. The aim is to provide better services to Danish commercial interests in partnership with the Trade Council of Denmark and with other Danish Embassies in the region.

Denmark wishes to promote stronger networks for information sharing between Danish investors and companies operating in Mozambique. In this respect, it is important to promote respect for the social and environmental responsibilities to which Denmark attaches value.

BUILDING STRONGER COMMERCIAL TIES BETWEEN DENMARK AND MOZAMBIQUE
DELIVERING DEVELOPMENT ASSISTANCE IN A LIMITED NUMBER OF PRIORITY SECTORS

Over the period 2012-2015, Denmark expects to structure its overall development effort around (i) budget support and good governance; (ii) sustainable and inclusive growth; (iii) reproductive health and rights; and (iv) climate change adaptation and environmental management.

Supporting and strengthening civil society organisations and membership-based organisations is a core element of development cooperation with Mozambique. Denmark will support civil society organisations working with various types of advocacy, including transparency in public financial management, the fight against corruption, and empowerment of communities to stand up for their rights.

Cooperation on poverty reduction will focus on the shared priorities of Mozambique and Denmark. The guiding principles will be respect for human rights, good governance (including anti-corruption) growth and employment opportunities, efficient delivery of social services, gender equality, as well as environment and climate challenges. At the technical level, the partnership will reflect the commitments to the Paris Declaration, the Accra Agenda for Action and the EU Code of Conduct for aid efficiency.

At a high-level dialogue meeting between Denmark and Mozambique in 2009, it was decided that Denmark should concentrate its development assistance on general budget support (including good governance, public sector and judicial reforms); promotion of growth and employment (including agriculture); health (including HIV/AIDS and malnutrition); and environment and climate change. While these areas of intervention reflect some of the most pressing challenges that Mozambique is facing at this critical juncture, donor concentration as well as Denmark’s comparative advantages in relation to development interventions also fed into the strategic prioritization of sectors that Denmark works in.

General budget support and support to good governance (including democratisation and human rights) represent 25 per cent of the planned budget. The budget support will be increased in areas where experience has shown that budget support produces better results, and where the necessary preconditions are deemed to be in place. Activities related to growth and employment are expected to account for 30 per cent. The support to the health sector and environment and climate change interventions are expected to make up 25 per cent and 20 per cent, respectively. These interventions are further elaborated below along with a presentation of the specific programmes Denmark will implement to support Mozambique’s development agenda.

Mozambique is widely considered to be a role model in terms of harmonisation of donor procedures and alignment to national systems for the delivery of development assistance. During the 1990s, Denmark and the other Nordic Countries initiated the current Programme Aid Partnership (PAP) model, in which donors coordinate their aid delivery and rely on national procedures and systems. It has since evolved considerably. Today the PAP includes all major donors to the country, and several new and emerging donors are following the work of the group as observers. This has created a solid platform for policy dialogue with the Government.
Mozambique is a young nation and an even younger democracy. Strengthening governance and deepening democracy are fundamental pillars of the present cooperation and also of the cooperation since the end of armed conflict. Within general budget support and good governance, Denmark will continue to strengthen the efforts to broaden access to justice, increase transparency, further political decentralisation and support separation between the party and the state, thus helping people to fight for their rights and ambitions as well as realise their potential within a democratic society.

To promote separation of party and state, Denmark supports the building of important government institutions (e.g. tax authorities, national audit authorities and the judiciary), so that they become more professional and independent of the ruling party. The multi-party system is supported by, among other things, support promoting free and open debate in the local media and through support to an electoral reform that strengthens an independent national electoral council.

In Mozambique, Denmark gives budget support in collaboration with 18 other donors. The focus of the cooperation is determined by the results of the annual assessment of the Government’s fulfilment of pre-agreed targets within approx. 35 indicators taken from Mozambique’s action plan for the reduction of absolute poverty. These indicators include the following main areas: 1. Agricultural and fisheries development, 2. Employment, 3. Governance/Judiciary, 4. Macroeconomy. The budget support cooperation is also accompanied by high-level dialogue on political matters such as democracy, human rights and accountability in public governance. The budget support cooperation in general comprises social matters that Denmark perceives as vital to strengthening the development of Mozambique as a democratic society based on the rule of law, with respect shown for the rights of the individual and universal access afforded to health and education as well as improved earnings generated through employment and self-employed activity.

The Danish budget support comprises a fixed tranche that is disbursed if the group of development partners deems that the Government has performed satisfactorily in terms of achieving the agreed targets. Similar to a small group of donors, however, Denmark also disburses a variable tranche. The size of the variable tranche in the case of Denmark is conditional upon the Government’s achievement of specific targets within anti-corruption, external auditing of government accounts, transparency in the management of natural resources and agricultural sector reform. The current budget support programme has a stronger focus on performance than previous programmes, justified by the need for a more results-oriented approach. General budget support will provide recurrent cost financing of the Government’s five-year plan and for the Government’s poverty reduction strategy.

The programme has a stronger focus on performance than previous programmes, justified by the need for a more results-oriented approach. General budget support will provide recurrent cost financing of the Government’s five-year plan and for the Government’s poverty reduction strategy. In the political dialogue related to general budget support, Denmark will continuously insist on the need to establish a taxation regime that is fairer for all the people of Mozambique. In particular, a more transparent taxation of the extractive industries is a high priority issue in the dialogue with the government. The tax revenue potential from these industries is substantial. Proper management of this revenue could contribute to realising the vision of a society in which more basic rights are secured.
In the political dialogue on the expenditure side of the national budget, Denmark will place emphasis on the importance of the social safety net and support processes and initiatives that strengthen social security and inclusion of the poorest and most vulnerable groups in society.

The cooperation will continue to strengthen the development of an independent and competent judiciary that delivers universal and equal access to justice through supporting legal reform and training of judges and magistrates. Denmark will support civil society organisations in the areas of human rights, gender equality and guidance on good governance practices. Within the sector programmes Denmark will emphasise gender equality and seek to enhance women’s freedom, rights and economic opportunities.

In conjunction with general budget support, Denmark is assisting Mozambique in improving its public sector financial management system. The aim is to establish a more efficient and transparent system for managing the public resources. This should also facilitate quality improvements of the public sector. A motivated and professional civil service is a necessity for providing quality services to citizens and the private sector. Finally, Denmark will continue to assist knowledge-based policy formulation as regards key political areas such as economic growth, revenue-generating activities, business climate and poverty reduction.

TO IMPROVE GOVERNANCE AND THE EFFECTIVENESS OF THE PUBLIC SECTOR, DENMARK WILL

- Ensure financing that facilitates delivery of improved public services, including in the social sectors;
- Support public sector reforms aimed at creating a more transparent, rational and integrated public sector;
- Support capacity in statistics and policy formulation so that knowledge-based analysis can provide the basis for the formulation of poverty reduction and sustainable growth policies;
- Help civil society organisations to stand up for their rights and hold the government accountable in regard to the priorities that Denmark’s budget support seeks to promote.
- Support civil society organisations in the area of justice, which can monitor and assist the Government’s Integrated Strategic Plan for better access to justice.

INDICATORS AND TARGETS

- Increased tax base: The target is to register 450,000 new taxpayers by 2014.
- The budget comprises all activities in accordance with international standards. To be verified in connection with the annual reviews of Finance Bills and the quarterly reports on implementation of the national budget.
- Revenues from utilisation of natural resources are included in the national budget. To be verified in connection with the annual reviews of Finance Bills and the quarterly reports on implementation of the national budget as well as comparison with the published contributions of the mining companies.
- Transparency and consistency in the implementation of the national budget. The target is that disbursements must not deviate by more than 5 per cent from the national budget and no more than 7 per cent within the individual sectors.
To create the required jobs to absorb the many young people entering the labour market every year, the growth pattern of Mozambique needs to be more inclusive. This requires a policy and business climate that is more conducive to sustainable and inclusive growth. Danish development assistance will facilitate this process.

At the same time, commercial interests in Mozambique are growing – also from Denmark. This creates new opportunities for transferring technical expertise and know-how as well as generating new jobs. All this will be needed for the development of the country. The pursuit of complementarities between purely commercial investments and aid-supported interventions is important so as to ensure that all opportunities to bring about development through growth are seized.

Enhancing productivity in the agricultural sector and among small and medium-sized enterprises is a priority for the Mozambican Government. Denmark will assist Mozambique in developing a vibrant private sector that can promote sustainable economic growth by creating jobs for the thousands of young women and men who enter the labour market every year. Economic growth will not automatically reduce poverty or create jobs. Growth must be inclusive and benefit the population more broadly. Danish support will target especially, but not exclusively, agri-business development along the entire value chain, from farm to fork, with processing and marketing, and also enhance access to finance for small and medium-sized enterprises and individual farmers. These are areas with great potential for sustainable job creation.

Agriculture is a vital sector, as three in four Mozambicans rely on it for their livelihoods. Denmark will support the transition towards more commercialised processing and higher value-added production. An important element in the agenda for making growth more inclusive will be the empowerment of women. Empowered women with real opportunities make sound choices that benefit not only economic growth but also the living conditions of people.

Mozambique needs to enhance competitiveness and productivity. The business climate remains one of the least favourable in Africa according to surveys of different countries. Danish cooperation will seek to create better business conditions, including better market access for rural areas, for the private sector in general and for the development of small and medium-sized agri-businesses and enterprises that process agricultural production. The Danish Private Sector Development Programme will strengthen the capacity of a number of business and labour organisations to enable them to
constructively advocate the interests of their members.

The Danida Business Partnerships (DBP) will continue to support socially responsible and innovative investments of Danish enterprises in Mozambique. In addition to aid-financed cooperation, Denmark will make soft loans with a grant element of 50 per cent available for financing of infrastructure and private sector development. These loans will finance productivity enhancing private investments to promote the creation of sustainable jobs and public investments in infrastructure to enhance the enabling environment for business development.

**TO IMPROVE PRODUCTIVITY AND SUPPORT MORE PRODUCTIVE EMPLOYMENT OPPORTUNITIES, DENMARK WILL**

- Support small and medium-sized enterprises with the aim of creating productive and sustainable jobs;
- Provide business development support and promote credit access for farmers and small and medium-sized enterprises in order to enhance productivity;
- Support membership-based organisations, including business associations and labour market organizations, in their efforts to promote the interests of their members;
- Support knowledge-based public-private dialogue;
- Finance district roads to improve market access in rural areas.

**INDICATORS AND TARGETS**

- Expansion of the district road network that is open to traffic all year round: 4,000 km after five years.
- Number of guaranteed loans to agricultural producers and/or small and medium-sized enterprises in the food industry: 750 after five years.
- Number of regular meetings held between the Government, business associations and trade unions: Three annually.
Cooperation within the health sector will target the poor and most vulnerable sections of the population. Denmark will assist Mozambique in providing quality health services to the many millions of children, women and men who currently have no or limited access to such services. The programme aims to provide comprehensive support to strengthen the capacity of the health sector in priority areas. This applies especially to children and young mothers, including support for prevention, care and treatment for HIV/AIDS, and thereby assists Mozambique to reach the Millennium Development Goals health targets.

High levels of malnutrition continue to be widespread. A significant part of the Mozambican children will be hampered in the development of their cognitive abilities, which will jeopardise the very core of Mozambique’s development effort. The government of Mozambique recognises this challenge and has formulated policies to target mothers and children with health care. It is also planning to expand health services to rural areas, with emphasis on pregnant women and primary health care. Moreover, local communities are increasingly being involved in efforts to tackle the health problems of poor people.

Denmark will assist Mozambique in this endeavour primarily with sector support towards implementing the national plans in cooperation with the health authorities and other partners. The bulk of the support will be provided as sector budget support channelled via a common fund through the Government’s own treasury system. In addition, Denmark will make a concerted effort to strengthen national systems and enhance the institutional capacity within health as well as earmark funds for this purpose, including providing technical advisory support.

A core element of the support within health will focus on rights-based development, with the aim of promoting user involvement in planning, exit interviews, performance measurements public display of criteria for quality of services, revenues and expenses of health centres, and establishment of health committees with equal access for women and men.
TO IMPROVE HEALTH OUTCOMES, DENMARK WILL

- Finance education and training of health sector workers;
- Promote a rights-based approach to improve health outcomes;
- Support strong efforts to fight malnutrition and expand primary health interventions;
- Support the national health and HIV/AIDS strategies through common funds.

INDICATORS AND TARGETS

- Reduction of maternal mortality by ensuring that more children are born in health centres. The target is to reduce maternal mortality from the present figure of 500 to 250 per 100,000 live births.
- Reduce malnutrition through support to implementing nutrition plans at national and provincial level. The target is to reduce malnutrition from the present figure of 44 per cent of all children to 35 per cent.
- Reduce the number of people infected with HIV through support to the national health system and civil society. The target is to reduce HIV prevalence from the present figure of 11 per cent to 8 per cent within five years.
- Reduce the number of children per woman and the number of teenage births through support to implementing the national strategy for sexual and reproductive health and rights, including access to family planning. The target is to reduce the number of children born per woman from the present figure of 6 to 4 and also reduce teenage pregnancy from 40 per cent to 35 per cent of women.
Mozambique is highly exposed to risks associated with climate change. Mozambique has a long coastline and some of Africa’s major rivers find their outlet to the sea through Mozambique. As a consequence, there are complex challenges associated with sustainable management of regional natural resources such as water. Similarly, there is an urgent need to understand more precisely the nature of the challenges which climate change will impose on the Mozambican economy and people with a view to developing, for example, effective investment strategies for the future. Mozambique is undoubtedly among the most vulnerable countries in the world with respect to climate change.

Environmental and climate change have serious impacts on agricultural production and smallholder farmers, where families constitute one of the poorest population groups in society. The accelerating urbanisation of Mozambique raises demands for factoring in the environmental aspects in connection with urban planning. It is fundamental to build up the capacity of the Ministry of Environment and the National Disaster Management Institute. Denmark will assist Mozambique in creating the capacity to deal with the challenges related to environmental degradation and climate change, at both central and local level.

Denmark will strengthen Mozambican capacity in the environmental sector to improve environmental management and its effect on poverty reduction. A programmatic approach will gradually be phased in, with greater emphasis on sector budget support and with a view to supporting national strategies through the country’s own financial management systems. One part of the programme consists of rights-based support to civil society organisations involved in monitoring and promoting environmental accountability.

TO HELP MOZAMBIQUE ADDRESS ENVIRONMENTAL AND CLIMATIC CHALLENGES, DENMARK WILL

- Support the establishment of a national response mechanism to climate change impacts in order to reduce Mozambique’s vulnerability;
- Support capacity-building in the Ministry for Environment and the National Disaster Management Institute and support concrete measures to prevent national disasters;
- Support 13 municipalities in their environmental management;
- Empower civil society organizations to better monitor the actions and policies of the authorities to promote environmental accountability.

INDICATORS AND TARGETS

- Number of sectors/institutions and provinces which integrate climate change adaptation interventions in their planning. The target is to reach eight sectors and six provinces (from the present figure of three sectors and zero provinces) within three years.
- Number of plans for land use drafted and approved at district level and the number of districts that have mapped disaster risks. The target is for 128 plans to be drawn up for land use and 25 districts to have mapped disaster risks within three years.
- Number of environmental impact assessments, environmental measurements and inspection visits conducted at provincial and district level.
- Number of units in the Ministry for the Environment that use the national finance system as a basis for efficient planning and reporting.