



## EC Funding in Mozambique

### EC development cooperation

Taken alone, the European Community ranks as the world's fifth largest aid donor accounting for 9% of global Official Development Assistance (ODA). This equals net disbursements of € 7.5 billion in 2005. The objective of EC aid is the eradication of poverty in the context of sustainable development, in line with the Millennium Development Goals (MDGs).

EC aid is guided by the following policy documents:

- The European Consensus on Development.
- The revised Cotonou Agreement.
- The Development Cooperation Instrument.

These documents reveal several common trends:

- Increased budget support (target: 50% of EC aid).
- Decreased disbursement of aid through programs and projects.
- Commitment to involve Civil Society.

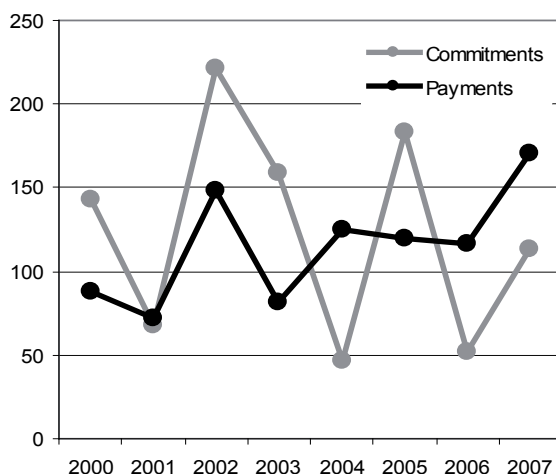
The largest share of EC aid goes to African, Caribbean and Pacific (ACP) countries. Country Strategy Papers (CSP) guide the implementation of the abovementioned policies. They are drafted for a period of seven years.

Aggregated information on how EC policies are implemented is scarce. These fast facts help to better understand the reality of EC ODA in the field and its implication for funding for Sexual and Reproductive Health and Rights (SRHR).

This case study is based on a meeting held with a representative of the European Commission's delegation to Mozambique in July 2008 and the EC's annual reports on external aid.

### EC development aid to Mozambique<sup>1</sup>

in million €



### Country Strategy Papers

The EC relies on CSPs to identify the priorities for its development assistance. They are proposed by the partner country's national government and negotiated with the EC. Each country is allowed two focal priority areas plus non-focal areas that can also receive some funding.

The current strategy paper will direct funding from 2008-2013 with a mid-term review in 2010. In principle, the CSPs can be readjusted during the mid-term review: new objectives can be introduced to reflect changing conditions in the country and funding can be re-allocated.

The Mozambique CSP has been signed in its official version in December 2007.



German Foundation for  
World Population (DSW)

# EC Funding in Mozambique

## Mozambique's CSP, 2008 to 2013<sup>2</sup>

Focal sectors:

- Support macro-economic reforms
- Transport infrastructure & regional integration
- Rural development & agriculture

Non-focal sectors:

- Health sector support and HIV/AIDS
- Governance (human rights, justice, anti-corruption, Parliament & Civil Society)
- Trade support

## EC Aid in Figures

Under the 10th European Development Fund (EDF), General and Sectoral Budget Support (GBS and SBS, respectively) will account for 80% of EC aid in Mozambique. The current CSP provides an indicative amount of €622 million, of which half (€310 million) is to be provided through GBS and the other through SBS and related programmes.

Of GBS, €303 million are allocated through fixed and variable payments, and an additional €7 million is to be given to capacity development of public finance management.<sup>3</sup> GBS for Mozambique has two tranches:

(1) A €240 million fixed tranche accounts for 80%, equaling €40 million per annum (2009-2014). The criteria for this disbursement are well-defined policy and strategy at country-level, macroeconomic stability, dedication towards improved public financial management, and continued progress towards poverty reduction.

(2) A €63 million variable tranche (20% of GBS) is paid in annual installments over 6 years, plus an extra €45 million spread evenly over the last three years (2012-2014). The variable tranche is based on Mozambique's performance according to 12 indicators, including 4 for health (weighted at 25%):<sup>4</sup>

- % HIV+ pregnant women receiving ARV treatment.
- vaccination coverage rate for hepatitis B and DPT3.
- medical consultation rate per person per year (how many times per year)
- % institutional deliveries expected

Of all General Budget Support, only the variable tranche is to be conditionally disbursed according to outcome-based poverty indicators, such as those relating to health and education. The vast majority of EC aid is thus provided through a fixed tranche without any performance assessment.

## Division of Labour

A total of 19 international donors currently operate within the country; a dramatic comparison to the 3-5 active donors called for by EU standards on a Division of Labour.<sup>5</sup> Moreover, some donors continue to supply their development cooperation through individual projects.<sup>6</sup>

Mozambique donors coordinate their budget support through the "G19". This group has grown over time, from 17 donors in 2004 to currently 19 donors, including the World Bank and the EC. The purpose of this group is to improve coordination and reduce transaction costs for the Mozambique government. As a side effect, however, it increases transaction costs for donors as they have to handle large amounts of additional administrative work.

The G19 negotiates a Performance Assessment Framework (PAF), which establishes indicators by which the government's performance in utilizing donor aid will be measured.<sup>7</sup> In principle, negotiation of the PAF is made between donors and relevant ministries from Mozambique (such as the Ministry of Finance). The EC relies upon these indicators—published in Annual Reviews<sup>8</sup>—to determine the proportion of funds that will be disbursed from the variable tranche in the next year.<sup>9</sup>



EC Delegation in Mozambique



German Foundation for  
World Population (DSW)

# EC Funding in Mozambique

## Health and HIV/AIDS

Members of the EC delegation were in favour of having HIV/AIDS as a focal sector of the 2008-2013 CSP. However, EC staff in Mozambique report that the concept of hooking all other development issues to HIV/AIDS as a cross-cutting issue was perceived as too radical by EC officials in Brussels. Hence, in the 2008-2013 CSP, HIV/AIDS is not a priority sector, but it is included in the non-focal sector for health.

In this regard, health represents the largest non-focal sector, accounting for 8% of the total indicative envelope, to be supplied through SBS and other programmes: e.g. to fund Mozambique's Health Sector Strategic Plan, to increase access to sexual and reproductive health services, and to integrate these with pediatric health.<sup>10</sup>

## Monitoring of Development Aid

Two assessments are conducted each year:

1) Each year in April/May, a joint review assesses the performance of government and donors in meeting the targets of the PAF—which contains the main commitments laid down in the Paris Declaration—in the previous year. It is a two-way assessment, with both sides being scrutinized. Donors' financial disbursements are based on this assessment and determined within 4 weeks after the review.

2) A mid-year review in September identifies the priorities for the next 3 years. In order to remain consistent, there is a commitment to maintain the same indicators measuring donor and government performance. The targets are newly defined each year. The current Poverty Reduction Strategy Paper (PARPA II) is effective for the years 2006-2009.

## EC Funding and Civil Society

The increased provision of budget support measures has delegated spending negotiations between donors and the Mozambique government. The parliament is not involved in determining budget support, nor does civil society play any significant role in affecting spending decisions.<sup>11</sup>

A notable exception is the possibility for greater CSO involvement in Mozambique's Sector Wide Approach (SWAp) in health, due to the integration of the Global Fund since 2004.<sup>12</sup>

The monitoring of indicators more generally has been difficult in Mozambique, particularly for civil society. The joint donor reviews tend to lack global figures on access, quality and general health indicators. In addition, complementary reports by the Poverty Observatory<sup>13</sup> have not achieved the desired levels of civil society participation in monitoring and evaluating poverty reduction indicators and targets.<sup>14</sup>

In general, up to 15% of the EC's indicative programmable funds for a given country can be set-aside for civil society. This is negotiated on a country-specific basis. For Mozambique, €4 million was allocated under the last programming period (2002-2007) to build capacity of local NGOs. Under the 10th EDF (2008-2013), €4-8 million could be allocated.

The EC delegation understands that to decrease funding for civil society at the same time that budget support is increased is to reduce the ability of Mozambicans to hold their government accountable. The EC therefore continues to issue a thematic programme titled "Non-State Actors and Local Authorities in Development." In the past, this call has featured reproductive health as a priority issue.<sup>15</sup> In 2007, the overall indicative amount of this call was €3 million.

## Proposals to the EC delegation

A large number of proposals that the EC receives are refused due to administrative errors, while others do not follow the guidelines in terms of content matter. Specifically, proposals are often rejected because of poor monitoring and evaluation sections, a lack of innovation, significant doubts over a project's sustainability, or they are not tailored to the realities of local life.

EC calls for proposals tend to emphasize procedural and substantive discipline, and it is recommended that proposals remain specific in accordance to the requirements of the call.



German Foundation for  
World Population (DSW)

# EC Funding in Mozambique

## Endnotes

- 1 European Commission Annual Reports: <[http://ec.europa.eu/europeaid/multimedia/publications/index\\_en.htm](http://ec.europa.eu/europeaid/multimedia/publications/index_en.htm)>
- 2 Republic of Mozambique & the EC, "Country Strategy Paper and National Indicative Programme for the period of 2008-2013 (CSP)," p. 38.
- 3 CSP, p.44.
- 4 EEPA, "Administering aid differently: A review of the European Commission's general budget support," p.94.
- 5 EU code of Conduct on Complementarity and Division of Labour in Development Policy, at: <<http://register.consilium.europa.eu/pdf/en/07/st09/st09558.en07.pdf>>
- 6 Action for Global Health, "Healthy Aid," p.21.
- 7 To access the Performance Assessment Framework, visit <<http://www.pap.org.mz/performance%20assessment%20fr.htm>>
- 8 Available from <<http://www.pap.org.mz>>
- 9 EEPA, p.45.
- 10 CSP, p.44.
- 11 Eurodad, "Outcome-based conditionality: Too good to be true?" p.25.
- 12 HLSP Institute, "The Global Fund operating in a SWAp through a common fund: issues and lessons from Mozambique," p.4.
- 13 The Poverty Observatory is a forum of government and non-state actors to jointly monitor and evaluate the progress towards implementing Mozambique's PARPA.
- 14 Eurodad, p.27
- 15 For information on this Call see DSW's Fast Fact titled "Reproductive Health and the EC's Non-State Actors Programme," available from <[http://www.weltbevoelkerung.de/en/news\\_and\\_publications/factsheets.shtml](http://www.weltbevoelkerung.de/en/news_and_publications/factsheets.shtml)>



German Foundation for  
World Population (DSW)