

3.5.2021

Department for Africa
and the Middle East



Finland's country strategy for Mozambique

2021–2024

Ministry for Foreign Affairs of Finland

EXECUTIVE SUMMARY

Mozambique, a country of over 30 million inhabitants and an area over twice the size of Finland, has a geostrategically important location in Southern Africa. It has a long coast line along the Indian Ocean and several neighbours along its inland borders. Historically, since its independence in 1975, the country has undergone many upheavals and transitions, including a civil war, and the related, still ongoing peace process. More recently, since 2017, the country has been witnessing a violent insurgency in its North. Throughout its independence, Mozambique has been ruled by one party.

Mozambique is a Least Developed Country with significant natural resources, including the still unutilized reserves of natural gas. The rate of the country's economic growth has been relatively high over the past two decades, and progress has been made in many fields, such as education and health. But in spite of this, the majority of Mozambique's population still has a very low standard of living and inequality in the country has, in fact, increased. Mozambique remains a major recipient of international development aid. The rapid population growth, the raising urban-rural, geographical and gender disparities, as well as the lack of decent jobs especially for the youth pose a challenge for the future development of the country. The equal and transparent distribution of the possible new wealth emanating from the country's natural resources will be crucial for the future of Mozambique and Mozambicans. The peaceful development of Mozambique, for its part, will be important also regionally, both in terms of security and economy. Due to its geography, Mozambique is very vulnerable to natural disasters, and this is only amplified by the impact of climate change.

For the international community, including the EU, building a future partnership with Mozambique calls for strengthening the triple nexus of development aid, humanitarian support, and peace building. But beyond that, it also calls for redefining the political and economic partnership with Mozambique.

For Finland, Mozambique is one of the long-term development cooperation partner countries. Building on this history and the good relations between the two countries, Finland is now seeking to update and widen the base of its relations with Mozambique, as with all of its partners on the African continent, both bilaterally and multilaterally. But while doing this, Finland also continues to underline the importance of strengthening the foundations of development and growth: peace, stability, human development, education, good governance as well as societal resilience and equity.

Finland's work in Mozambique is rooted in the value base of Finnish foreign and security policy, outlined in the Government Programme: the promotion of human rights, rule of law, democracy, peace, freedom, tolerance and equality. Furthermore, the promotion of gender equality and girls' and women's rights guides Finland's work as a major cross-cutting theme. Finland's Country Strategy for Mozambique is aligned both with Finland's and the EU's Africa Strategy processes.

During the Country Strategy term 2021-2024 Finland will work towards reaching the following strategic goals in Mozambique:

1. Finland contributes to peace building and conflict prevention
2. Finland invests in youth and gender equality
3. Finland contributes to building stronger institutions to foster resilience and equity
4. Finland promotes economic partnerships

1 COUNTRY CONTEXT

Long road to peace. The years of Mozambique's independence have been marked by the armed conflict between the two main parties – Frelimo, at the helm of the country's government – and Renamo. The conflict has continued at varying levels of intensity throughout the decades. A civil war broke out in 1977 and ended with the peace agreement of 1992, but erupted again in 2014. A new peace agreement was signed in August 2019. The implementation of a crucial element of the peace agreement, the disarmament, demobilization and reintegration of the Renamo fighters back to civilian life, started in June 2020. Decentralization reforms transferring more responsibilities to the provincial, and later, district levels of administration form another main component of the peace agreement. They are meant to bring decision-making closer to the citizens, and to improve the efficiency of governance, including service delivery. These reforms are vital, as Mozambique is still a very centralized state, which contributes to the strong sense of inequality in the country. Building a lasting foundation for peace is a precondition for Mozambique's sustainable development, and will require continued efforts both from the Mozambicans and the international community also in the years to come.

Challenge of insurgency. Since October 2017, the northern province of Cabo Delgado has been a scene for a violent insurgency with linkages to islamistic ideologies. The insurgent groups include both Mozambican and international, including cross-border, radicalized elements. These have found a breeding ground in an area which has long suffered from widespread poverty, high unemployment and a sense of marginalization, coupled with the high expectations related to the off-shore gas resources of the country, located in Cabo Delgado. International drug trafficking and smuggling along the coast, with transit routes through the province, are also contributing to the problem. Besides a factor for instability, the insurgency has also become a major humanitarian issue by causing massive internal displacement. Furthermore, the insurgency, and the government's response to it, have raised concerns of serious human rights violations. The insurgency in Cabo Delgado will be a major challenge for Mozambique in the years to come. It is also a question for regional politics as it concerns many of Mozambique's neighbours.

Multi-party rule with single-party power. Mozambique has a multi-party democratic system, but power has *de facto* concentrated around one party. Frelimo, the former liberation movement, has emerged as the winner in all elections and has consolidated its dominance in all political and economic spheres of the society. The first multiparty elections, held in 1994, did pave the way for the transition from a single-party to multi-party rule and, since then, presidential and parliamentary elections have been held every five years. But, elections, including the latest presidential, parliamentary and

provincial elections in 2019, have been marked by irregularities and malpractices. Beyond this, the human rights situation in the country remains challenging. The operational environment of the civil society is marked by uncertainties; that of the media, while retaining a certain freedom of expression, has been deteriorating. The current political situation poses major risks for Mozambique's development as a pluralistic society, based on the rule of law and democratic principles. It has also enabled widespread corruption in the country.

From a developing country to an energy giant? Economically, Mozambique could be at a turning point, having the prospect of transforming from an aid-dependent developing country to a major energy producer and exporter over the next decades. The country has large offshore gas reserves, and if the planned production takes off in the mid-2020s, it could become one of the biggest LNG exporters globally. Furthermore, Mozambique has untapped reserves of other extractive and non-extractive resources. The country's annual GDP growth had been fairly solid for several years until COVID-19. Due to the pandemic, the GDP growth would be negative in 2020 for the first time in 28 years. It is expected to resume to approximately 3-4 % in 2021 and 2022.

The development of extractive industries holds a lot of promise but includes also a lot of uncertainties. If realized and implemented responsibly, the utilization of these resources could contribute to economic diversification and social development in the country by increasing the government's financial independence and increasing its ability to invest in the country's future. For international investors and trading partners, the development of a predictable business environment remains a key question. Upholding the principles and practices of good governance and transparency will be of crucial importance for Mozambique's economic future and its inclusive growth.

Human development and resilience. Mozambique remains among the ten poorest countries in the world as per the Human Development Index (180/189 in 2019). Due to COVID-19, the poverty rate is expected to rise from 62.5 % in 2019 to 63.7 % in 2020. Because of the rapid population growth (2.9 % annually) the absolute number of poor people has been increasing over the years. This goes hand in hand with the high rates of unemployment: 85 % of the labour force is employed in the informal sector, which is also most affected by the pandemic. One of the worrying trends is the growing geographical inequality, both between rural and urban populations, and between provinces: absolute poverty levels have decreased substantially in the more developed southern parts, but have been relatively stagnant or even increased in the poorer northern and central provinces. These increasing inequalities are undermining trust in the government and governance. This is a long-term challenge for the country's stability. Beyond this, the single most important factor impacting Mozambique's future human development is demography – the growing population

which is young, and will need more opportunities for quality education and employment in the years to come. The low level of human development also makes Mozambique more vulnerable to external shocks, such as climate change and related natural disasters, as well as pandemics, such as COVID-19. The repercussions of COVID-19 are likely to overshadow Mozambique's human, social and economic development in the medium and long term.

Gender inequality is a major challenge despite the existing legal framework and women's relatively strong representation in national politics. Gender-based violence, including against the sexual and reproductive health rights of girls and women, remains a serious problem, early marriages being one reason behind this. In the field of education, girls are less likely to complete their schooling than boys. In the peace process, women are not sufficiently represented around the decision-making tables. The economic prospects of women are limited.

International context. Mozambique is a strong proponent of the multilateral system. Regional political and economic cooperation is one of the key pillars of Mozambique's foreign policy. The most important forum for Mozambique is the Southern Africa Development Community (SADC). Also the African Union, with its political and economic agenda including the development of the African Continental Free Trade Area, forms an important framework for Mozambique's foreign and security policy. South Africa is Mozambique's overall most important political and trading partner. The EU collectively, and several of its member states individually, are important development, trade and political partners for Mozambique, and Mozambique is party to the Economic Partnership Agreement between the EU and the SADC. China is a major lender, and both China and India are Mozambique's important trading partners.

2 FINLAND'S RELATIONS WITH MOZAMBIQUE

Finland and Mozambique have longstanding relations that have evolved over the decades into partnerships between the governments, the civil society, and the private sector. Building on the strong foundation of development cooperation, Finland is now aiming to further strengthen also its political and economic relationship with Mozambique.

Diplomatic relations between Finland and Mozambique were established in 1975 when Finland, among the first countries, recognized Mozambique's independence. Cooperation between Finnish civil society actors and the Mozambican liberation movement, Frelimo, dates back even further, to the late 1960s, when the first fund-raising campaigns in support of Mozambique's independence were organized in Finland.

Development cooperation has been the traditional foundation of the relations between the two countries, and also today, Mozambique remains one of Finland's long-term partners. Bilateral development cooperation was initiated in 1984, building on the joint Nordic cooperation which had started already in 1977. Over the decades, Finland's bilateral support to Mozambique has been directed to a number of sectors, including infrastructure, forestry, agriculture, and health. More recently, and also in Finland's previous Country Strategy for Mozambique (2016-2019), the focus has been on supporting education and good governance. As the latest step, Finland has also made a contribution to supporting the peace process in Mozambique.

Besides bilaterally, Finland operates in Mozambique through the EU's common efforts. Finland's contribution is channeled through the European Development Fund in the framework of the EU's Country Assistance Strategy for Mozambique. Finland has also been working very closely with a number of multilateral organizations, such as the World Bank, the African Development Bank and the IMF, as well as the UNDP, UNICEF, UNFPA and the WFP. The Nordic countries are an important reference group for Finland also in Mozambique.

Finland's cooperation with the Mozambican civil society is implemented through partnership arrangements between Finnish and Mozambican civil society organizations. Although the Finnish financial support to the Mozambican civil society has in recent years decreased, these partnerships remain an important part of promoting Finland's overall goals, including democracy, human rights and the rule of law, in Mozambique.

Finland follows the humanitarian situation in Southern Africa, including Mozambique, closely. Humanitarian assistance is not part of Finland's long-term cooperation programming, as these funding decisions are made on an annual basis. But, depending on the needs and the budgetary situation, Finland also has the possibility to lend support to an international humanitarian response.

Trade and economic relations between Finland and Mozambique have the potential to grow in importance and volume. Until now, Mozambique has accounted for a marginal proportion of Finland's total foreign trade. The half a dozen Finnish companies present in Mozambique operate mainly in the sectors of energy supply, ICT, construction and infrastructure development. Also Finnfund has made investments in Mozambique.

3 FINLAND'S STRATEGIC GOALS

Finland's targets in Mozambique are rooted in the value base of Finnish foreign and security policy, outlined in the Government Programme: promotion of human rights, rule of law, democracy, peace, freedom, tolerance and equality. Furthermore, the promotion of gender equality and girls' and women's rights guides Finland's work as a major cross-cutting theme. In this strategy period 2021-2024, Finland has the following strategic goals in Mozambique:

1. Finland contributes to peace building and conflict prevention
2. Finland invests in youth and gender equality
3. Finland contributes to building stronger institutions to foster resilience and equity
4. Finland promotes economic partnerships

3.1 Finland contributes to peace building and conflict prevention

Finland recognizes that peace, security and stability are a crucial prerequisite for the future development of Mozambique. In this respect, Mozambique is facing a dual challenge. On the one hand, it is still processing the aftermaths, as well as a number of unresolved questions, of the decades-long armed conflict between Frelimo and Renamo. On the other hand, it is facing a more recent conflict in the northern province of Cabo Delgado – a conflict which has become the most unpredictable variable in the country's development, with a potential of seriously challenging Mozambique's stability and prospects for economic development, and with a potential of having a destabilizing impact in the wider region as well.

Finland emphasises the importance of solving these conflicts, or any of their outstanding issues, through a peaceful, negotiated path. This entails inclusive peace building, taking into account different voices in the society, and especially, integrating women and youth in the building of peace, in line with the UN resolutions 1325 and 2250. It also entails paying special attention to the most vulnerable groups in the society, ensuring that no one is left behind.

Finland emphasizes the crucial importance of resolving the underlying factors of these conflicts for their sustainable solution. This calls for a comprehensive approach from all parties, bringing political dialogue and peace building, the planning of development

interventions, and the addressing of long-term and emergency humanitarian needs closer to each other, in the spirit of the triple nexus.

To reach this goal, Finland will

- Continue its political dialogue on conflict prevention and peace building with Mozambique, both bilaterally, through the EU, and through the wider international community
- Take conflict sensitivity into account in its development co-operation programming
- Work together with Mozambique to strengthen the multilateral pillars of peace and security in the world, notably through the UN
- Continue its support to building lasting peace between Frelimo and Renamo, including through the concerted efforts of the international community
- Support the work and cooperation of selected Finnish and Mozambican civil society and research organizations, thereby contributing to a deeper understanding of the root causes of and possible solutions to conflicts in Mozambique

3.2 Finland invests in youth and gender equality

Mozambique's rapid population growth is one of the country's greatest challenges. Over 50 % of the population is under 17 years of age, and the total fertility rate is declining slowly. About half of teenage girls are married and have started childbearing. Hundreds of thousands of new jobseekers will enter the labour market every year over the next decade, and many of them will face the prospect of ending up in low-productivity jobs. The rapidly growing population puts enormous pressure on the government to build infrastructure and provide basic services.

The population growth can, in the long run, also be seen as an asset for Mozambique's future development. The demographic trend can be turned into dividends by expanding access to quality education and vocational training, as well as by improving employment opportunities for the young generation. The development of education is, primarily, a government responsibility, while the private sector should take the lead in the creation of new jobs.

The education sector is a priority for the Mozambican government. Significant progress has been made over the years particularly in expanding the school network, student enrollment at the right age in the 1st grade, teacher training, and improving the access to education for girls. Despite these major achievements, the sector continues

to face significant challenges, also due to the rapidly growing population. Regional disparities are a concern also in education. Learning outcomes are worse and the gender gap is wider in the northern and central parts of the country. The same applies for rural areas in relation to urban areas. The pressure to expand access to education has, to some extent, undermined the objective of providing high quality education. Implementation of the already existing education reforms will require more work both from the Mozambican authorities and the international partners.

Education is one of Finland's focus areas in development policy globally, and in Mozambique, Finland has been one of the principal supporters of the sector from the early years of the country's independence. Today, Finland puts particular emphasis on quality and equity in education, highlighting the importance of improving learning results through the better quality of the entire education system, including teacher training. Deeper dialogue on gender, as well as the sexual and reproductive health and rights of girls, is vital both for the development of the education system and the society as a whole.

To reach this goal, Finland will

- Continue its strong support to the implementation of the Education Strategic Plan 2020-2029, in collaboration and close dialogue with the Ministry of Education and Human Development as well as other stakeholders
- Put particular emphasis on the education of girls, teacher training, and an education governance which promotes equality at all levels
- Intensify policy dialogue with the Mozambican authorities on gender equality as well as girls' and women's rights, including their sexual and reproductive health and rights
- Further develop partnerships with relevant Mozambican institutions, civil society organizations and private sector actors
- Promote dialogue between Finnish and Mozambican education administrations on key reforms in the sector
- Continue close partnerships with multilateral agencies, in particular the World Bank, UNICEF, UNFPA, UNESCO and UN Women

3.3 Finland contributes to building stronger institutions to foster resilience and equity

During the years of its independence, Mozambique has built an institutional framework and governance structures that could form a solid base for the country's future development. However, these frameworks and structures are coming under

increasing pressure from several quarters: *de facto* one-party power, centralized governance structure, internal conflicts, increasing inequalities, challenge of exploiting natural resources responsibly, recurrent climate change related natural disasters, repercussions of COVID-19. The anticipated resource blessing can entail several political, socio-economic and environmental risks that must be addressed on time.

Over the years, Finland has developed a strong partnership with Mozambique, notably with the Ministry of Education, the Ministry of Finance and the Parliament, in supporting institution building, good governance, and the promotion of evidence-based policy-making. Finland continues to stress the importance of strengthening of Mozambique's democratic foundations, including through the implementation of the planned decentralization measures. Finland believes that building and defending stronger institutions is a key to building a more resilient and equitable society. It is also a key to increasing trust, transparency and accountability of the government vis-à-vis its citizens. And, it is also a way of ensuring that the human rights of all citizens are respected and no one is left behind. Finland in particular stresses the importance of introducing and implementing mechanisms integral to wealth distribution, such as taxation as well social security and protection. Finland also highlights the importance of good governance and a human rights based approach to development as cross-cutting themes.

To reach this goal, Finland will

- Conduct dialogue, including through the EU and multilateral partners, with the Mozambican authorities on ways to uphold and improve the accountability and transparency of economic planning and political decision-making
- Support institutional capacity building through its own development co-operation programming, seeking ways to foster resilience and increase equity in the society
- Continue its collaboration with selected institutions to build a knowledge base which supports evidence-based decision-making and public debate
- Contribute, through the EU and other platforms of international cooperation, to the strengthening of Mozambique's institutional capacity to respond to climate change and other external shocks, including pandemics
- Engage, also through Finnish civil society organizations, with the Mozambican civil society and private sector on matters related to good governance and transparency

3.4 Finland promotes economic partnerships

Mozambique stands at the verge of significant economic growth, if the exploitation of its off-shore gas resources moves ahead as planned by the mid-2020s, and if the accrued wealth is used responsibly. Also regional integration in Africa is moving ahead, and is bound to profit all parties involved. These could open up new business opportunities also for Finnish companies.

At the same time, Mozambique continues to be one of the poorest countries in the world. In the years ahead, it will face the major task of upgrading much of its basic infrastructure, increasing the productivity of its economy, offering basic and professional education to its growing young work force, and creating jobs for it. The COVID-19 pandemic and its repercussions will cast a shadow on the economic growth for a few years to come. The economy needs diversification, and particular attention needs to be paid to the private sector, which is critical for Mozambique's economic transformation, employment creation, trade and innovation. The business environment continues to be challenging. Mozambique ranked 138/190 in the *Doing Business* study of 2019. In the Transparency International Corruption Perception index of the same year, Mozambique's ranking was 146/180. Political risks are aggravated by the country's internal conflicts.

Increasing trade, both in scope and in volume, between Finland and Mozambique, is a shared goal of the two governments. The large-scale projects in Mozambique's extractive industries, infrastructure and energy sector, to name a few, offer also investment opportunities, both directly and through Finland's development policy investment instruments. The proximity to South Africa, which is a regional hub also for Finnish companies, could facilitate entry to the Mozambican markets. Finland's strong contribution to the education sector through development cooperation has created a base which could create synergies for promoting education export activities. Multilateralism and African economic integration are important for Mozambique, as they are for Finland, and the EU at large. The international community remains a key partner for the Mozambican economy.

To reach this goal, Finland will

- Emphasize the crucial importance of a predictable, transparent business environment for trade and investments in its policy dialogue with Mozambique
- Work together with Mozambique to support the rules-based multilateral trading system, both global and regional, which plays an important role for Mozambique and Finland, and the common future of Africa and Europe

- Intensify its dialogue with the private sector and the government in Mozambique to identify new business and investment opportunities for Finnish actors
- Further develop the work of Team Finland in the region, based on the annual Team Finland plans, notably through the cooperation between the Embassy of Finland in Maputo and the Business Finland hub in South Africa
- Promote the effective utilization of the Developing Markets Platform towards the Mozambican markets

4 IMPLEMENTATION AND MONITORING

The country team in the Regional Department of the MFA and the Embassy are in charge of the implementation of the Country Strategy. This is done in close collaboration with Departments/Units in charge of different instruments and activities identified under each strategic objective. While the country team is responsible for coordinating country level activities, other Departments/Units keep country teams informed and involve them in discussions as well as activities relevant to the strategic goals. Country teams hold dialogues with relevant Departments/Units within MFA and with stakeholders outside the MFA that are active in the country. Other stakeholders outside the MFA are encouraged to have dialogues with the country teams on the ways they can contribute to the strategic goals in each country.

The Embassy and the team as a whole are providing analysis on the implementation of the strategy as part of their regular reporting. The implementation of the Country Strategy is reviewed in the annual discussions with the Ambassador. Possible updates are agreed based on the annual discussions by the leadership of the Regional Department.