

# AFD IN MOZAMBIQUE

A long-standing and far-reaching partnership



Quirimbas National Park - installation of traps coated with hot-pepper to save elephants' lives

# Supporting development and growth strategies



Quirimbas National Park – community activities (a well)

After over 15 years of civil war which came to an end in 1992, Mozambique, with the support of the international community, engaged upon a far-reaching reconstruction and reform programme. Its efforts have led to strong growth with an annual average of around 8% for the last ten years. The government's development strategy is defined in the PARPA (Action Plan for the Reduction of Absolute Poverty). Following the positive outcomes of PARPA 1 (2001-2005) which brought down the percentage of the population living below the poverty line from 69% in 1997 to 54% in 2003, PARPA 2 (2006-2009) aims to reduce poverty to 45% by 2009 and maintain a strong growth (7% per annum) in particular thanks to private sector development. PARPA 2 is based on three main pillars for reform: governance, human development and economic development.

## MOZAMBIQUE: A PILOT COUNTRY FOR AID HARMONISATION

Mozambique receives considerable support from the international community, which is a strong incentive for Mozambique's government and its partners to engage upon a harmonisation and aid effectiveness process. Since 2000 Mozambique has been benefiting from a general budget support programme, which in 2007 gathered as many as 19 partners (the "G19").

This programme is based on a structured dialogue between the government and the G19 and is aligned on Mozambique's budget cycle. Government performance is evaluated via a mechanism of thematic and sector working groups gathering donors, ministries and civil society. Performance monitoring is based on planning instruments and national implementation. It includes a matrix with a series of indicators for macroeconomic and public finance management, governance and sector policy.

The harmonisation process has been successful thanks to government ownership of the poverty reduction and growth strategy and its determination to carry out the necessary reforms. AFD has been implementing France's participation in the global budget support since 2002 and contributes to all actions aiming to enhance aid effectiveness in compliance with the March 2005 Paris Declaration.

## HEALTH: A CORE SECTOR FOR THE POPULATION

As for the health sector in which France has long been involved, AFD contributes to reaching the Millennium Development Goals to reduce infant and maternal mortality, combat AIDS and communicable diseases and enable wider access to essential drugs.

AFD financing, together with other development partners' contributions, is integrated into the Ministry of Health's sector program.

Specific support is provided to Cabo Delgado Province, one of the country's poorest provinces. Aid is implemented according to different instruments:

- health sector budget support: €213M, 2002-2010,
- Cabo Delgado Intersectoral Health Programme: €1.5M, 2002-2003; €14.5M, 2004-2009,
- health technical assistance in the Northern region: €1.4M, 2007-2009,
- support to NGOs providing healthcare to AIDS patients (MSF Switzerland, Sant'Egidio).



## ENVIRONMENT AND BIODIVERSITY PROTECTION: A PROMISING SECTOR

Mozambique, with 3.3 million hectares of protected areas, aims to develop ecotourism as a cornerstone for economic development and has numerous advantages: biodiversity, unique diving sites, historical heritage, closeness to South Africa. AFD supports the promotion of sustainable development by combining protected areas conservation and economic development with a concern for social cohesion in rural areas where poverty is particularly acute. This strategy is based on several types of intervention:

- support to the development of Limpopo National Park: €11M, 2007-2010
- support to the development of Quirimbas National Park (AFD and FFEM): €4.2M, 2005-2009
- technical assistance for wild fauna protection and management in hunting areas: €0.8M, 2008-2010
- support to strategy development and preparation of sustainable financing mechanisms for conservation areas
- FFEM projects under preparation in the biodiversity protection sector



## AFD GROUP COMMITMENTS IN MOZAMBIQUE

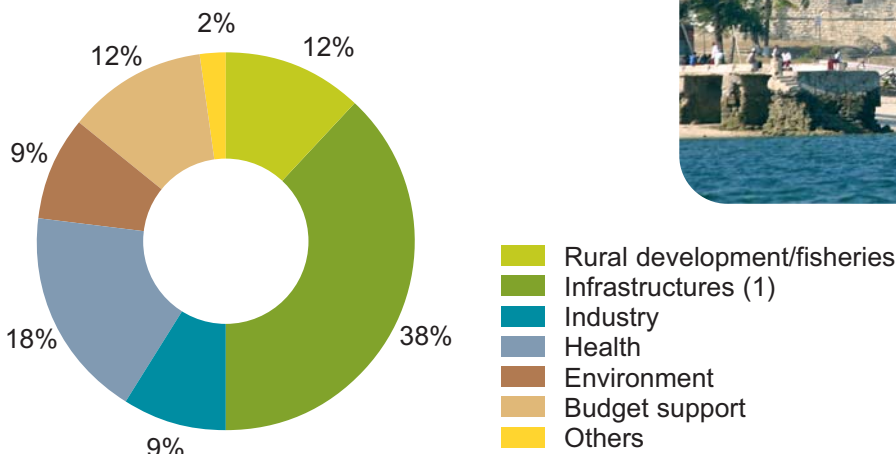
AFD has been operating in Mozambique since 1981. The Maputo office opened in 1985. Until recently, AFD interventions focused on rehabilitating basic infrastructures (telecommunications, energy, water) and rural sector support for livelihood sectors (livestock) or export (cotton, cashew nuts, copra).

Between 2001 and 2006, AFD Group's total commitments stood at €161.65M, i.e. an annual average of €27M comprising €15M in grants (including C2D) and €12M in loans. The sectoral breakdown of commitments is shown on the chart below.

AFD has a wide range of financial products in order to implement its activity ranging from grants to the State (project/programme financing including technical assistance by AFD, the French Global Environment Facility-FFEM and the Trade Capacity Building Programme-PRCC) to loans to public or private companies. Proparco, AFD's private sector financing arm provides loans at market conditions, equity investments and guarantees.

AFD also manages the Debt Reduction Contract (C2D) on behalf of the French State in the framework of France's additional effort in terms of debt treatment for Heavily Indebted Poor Countries (HIPC Initiative). C2D grants correspond to the refinancing of public development aid repayments. The amount refinanced for 2002-2009 stands at €60M.

### Sectoral breakdown of AFD Group commitments for 2001-2006



(1) energy, water, telecoms, roads



View of Ibo Island

## AFD STRATEGY FOR 2007-2010

### AFD interventions fall within a dual framework:

- Government strategy defined in the strategic Action Plan for the Reduction of Absolute Poverty 2006-2009 (PARPA 2),
- France's strategy in Mozambique (based on the PARPA 2) defined in the Partnership Framework Document (DCP) signed between France and Mozambique in July 2006. This document sets the orientations for the French cooperation for five years (2006-2010) and prioritizes health and the environment as concentration sectors and water as a sub-sector.

### Strategic objectives of AFD interventions:

- development and sustainable management of natural resources: sustainable management of protected biodiversity areas using community management and local development process,
- sustainable and equitable improvement of basic services: 1) health sector: support to the Ministry of Health policy in coordination with other donors; 2) water and sanitation sector more specifically in the suburbs,
- participation in the global financing of the National Poverty Reduction Strategy via general budget support,
- loans to public and private sector enterprises, in particular for infrastructures (energy, telecommunications, transportation, water, etc.).

AFD's operations in Mozambique also have a regional dimension via fundings that contribute to economic effectiveness and regional integration, such as transfrontier parks or energy sector infrastructures.



Quélimane - Aquapesca – shrimp farm



Quélimane - Aquapesca – shrimp farm

## AFD GROUP ACTIVITY IN SUPPORT OF ENTERPRISES, A DRIVING FORCE FOR DEVELOPMENT

### AFD Group interventions in favour of the private sector give priority to three strategic objectives:

- financing enterprises in high added value industrial sectors promoting local know-how,
- financing banking and financial establishments, in particular to support productive sectors,
- promoting public-private partnerships more specifically in the infrastructure sector (mainly energy).

AFD has implemented several financings for public companies in the energy sector like Electricidade de Moçambique (EDM), Hidroelectrica de Cahora Bassa (HCB), Motraco and Companhia Moçambicana de Hidrocarbonetos (CMH). The telecommunications companies TDM and mCel are long-standing AFD partners.

In terms of private sector financing, Proparco supported Mozal's aluminium smelter project and Sasol Group's natural gas production. Several agribusiness investors have also been supported including Aquapesca, the shrimp farm company. Proparco is participating in the development of financial services and supporting the establishment in Mozambique of one of the region's banking groups.

Between 1995 and 2006 the total amount of AFD's loans stood at €75M and Proparco's €80M.



Maputo market – microcredit beneficiary



### EXAMPLES OF AFD GROUP'S PARTNERSHIP IN MOZAMBIQUE



**AFD**, €8.5M grant for the health budget support to finance the government's health strategy, participation in the sector dialogue, direct support component to NGOs working on HIV/AIDS.

**AFD**, €1.4M grant for two health technical assistants in the country's northern region.

**AFD**, €11M grant for the development of Limpopo National Park: development of the inhabited buffer zone around the park, infrastructures, support to park administration and programmes. Cofinanced with KfW, GTZ, World Bank and the South-African Peace Parks Foundation.

**FFEM**, €0.7M grant to support the development of Quirimbas National Park: financing for the biodiversity, conservation and training component.

**AFD**, €7M grant to improve access to water in Maputo's suburbs.

**AFD**, €0.55M grant to the French NGO Inter Aide for water supply, sanitation and hygiene programme in rural areas in Nampula province.

**AFD**, €3M grant for the development of a microfinance institution, the Caixa Comunitária.

**AFD**, €20M loan to CMH, a public Mozambican company in the energy sector for its participation in the Pande and Temane gas extraction and treatment project with the subsidiary of South-African enterprise Sasol.

**Proparco**, Proparco, €8M loan to the shrimp farm Aquapesca for shrimp exports covering 300 hectares of basins with a factory in Quelimane, 600 employees.

**Proparco**, €10M loan to Sasol for a 700 km gas pipeline linking the Temane and Pande gasfields to South Africa.

**CEFEB** (Center for Financial, Economic and Banking Studies), AFD's Marseille-based training center: annual training sessions leading to diplomas, short-term seminars or seminars on demand.



Cover photo and above:  
Quirimbas National Park -  
installation of a rope coated with  
hot pepper to keep elephants away

Agence Française de Développement is a public establishment with a mission of general interest: to finance development. As a specialized financial institution, AFD supports projects with economic or social impacts in both public and private sectors: infrastructure and financial systems, urban and rural development, education and health.

AFD today operates in over sixty developing countries and in all France's Overseas Local Authorities via a wide range of financial instruments from grants to market condition loans. It also contributes, in collaboration with its supervisory authorities, to public policy design and France's influence in the development world.

AFD commits, in all its activities, to promote the Millennium Development Goals, at the crossroads of imperatives such as economic growth, poverty reduction and sustainable development which are priorities for France's official development assistance. AFD commitments in 2007 totalled 3.5 billion euros.

## AGENCE FRANÇAISE DE DÉVELOPPEMENT

5 rue Roland Barthes  
75598 Paris cedex 12  
France

Tél. : +33 1 53 44 31 31  
Fax : + 33 1 44 87 99 39  
[www.adf.fr](http://www.adf.fr)

### Agence de Maputo

Avenida 24 de Julho, n° 1500  
BP 2647  
Maputo  
Mozambique

Tel : +258 21 30 43 00  
Fax : +258 21 30 37 47  
[www.afd-mozambique.org](http://www.afd-mozambique.org)  
[afdmaputo@mz.groupe-afd.org](mailto:afdmaputo@mz.groupe-afd.org)

Director : **Bruno Leclerc**



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