

Courtesy translation

Letter of 6 September 2016 from the Minister for Foreign Trade and Development Cooperation to the House of Representatives on the definitive deployment in 2016 of Dutch aid programmes in Mozambique

A letter of 16 June 2016 (ref. DAF-2016Z11030/ 2016D22987) informed you of the government's decision of 30 May 2016 to provisionally suspend direct aid to the Mozambican central government. That decision was taken after it was revealed that the Mozambican government had failed to disclose two loans totalling \$1.4 billion. This letter informs you of the government's definitive decision on the deployment in 2016 of Dutch aid programmes in Mozambique.

In the letter of 16 June the government expressed the hope that the Mozambican government would show readiness to take concrete steps towards restoring financial order. The Dutch government's decision on whether or not to resume payment to the Mozambican central government of the frozen contributions to the common funds [Pro-Saude & Water] was made conditional on a package of measures to be taken by the Mozambican government.

Since 16 June the Mozambican government has taken several positive steps. For example, government spending has been reduced by 10%, and several tax measures have been adopted. On 31 August the Governor of the Central Bank was replaced by former IMF official Rogerio Zandamela. In addition, the previously announced investigations by the Mozambican parliament and Public Prosecution Service are continuing. Nonetheless, the Mozambican government has not yet agreed to an international forensic audit. Not only the IMF and the Netherlands but also Mozambique's other international partners are continuing to insist on an independent external investigation as an essential precondition for the restoration of trust. Mozambican President Filipe Nyusi will hold discussions with the IMF during a visit to the United States within the next two weeks.

The Dutch government decided on 22 August to convert its provisional decision of 30 May – to withhold €10.2 million in aid to the Mozambican central government – into a definitive measure for the whole of 2016. However, the government would like to minimise the impact of this decision on the Mozambican people. Consequently, €5.2 million of those funds will be spent through alternative channels. The remaining €5 million will not be spent in Mozambique. Additional measures must be taken to restore trust and a normal aid relationship.

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The €5.2 million to be spent through alternative channels will be used for healthcare and to promote food security as follows. PSI will receive €4 million to support 120 family planning clinics serving 192,000 women and girls. The other €1.2 million will be invested by the Zambezi Valley Development Agency in climate-smart agriculture, seed improvement and strengthening business skills and land rights.