



# FUNAE

FUNDO DE ENERGIA

## Strategic Plan Summary (2008-2010)



Maputo, November 2007



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## List of abbreviations

BA	– Board of Administration
DREPP	– External Relations, Research & Promotion Division
DPP	– Project & Programme Division
DAGF	– Administration & Financial Management Division
FUNAE	– Energy Fund
ME	– Ministry of Energy
DIPREME	– Provincial Directorate for Mineral Resources & Energy
SPFFB	– Provincial Services for Forests & Wildlife
GPL	– Liquefied Petroleum Gas
EDM	– Mozambique Electricity Company
MW	– Megawatt
GWh	– Gigawatt hour
ERAP	– Energy Reform and Access Project
NGOs	– Non-Government Organizations
CBO's	– Community Based Organizations
PARPA	– Action Plan for the Reduction of Absolute Poverty
SP	– Strategic Plan
IS/IT	– Information Systems/ Information Technology
RCE	– Energy Consulting Network
UTIC	– Information Technology & Communication Unity
UJ	– Judicial Unity
CENELEC	– National Electricity Board
UTIP	– Technical Unity for the Implementation of Hydro Projects

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## I. INTRODUCTION

The Strategic Plan -2008-2010 (SP 2008-2010) outlines FUNAE's strategic objectives for 2008-2010 period and will serve as a basis for the elaboration of activity plans and respective annual budgets in the triennial.

The SP 2008-2010 shall be reviewed whenever there are economic and structural changes in the energy sector that affect substantially the objectives and respective goals outlined for the period.

The elaboration of the present document was based on FUNAE's Vision and Mission, as well as on the Policy and Strategic for the Energy Sector, Government Programme and on the evaluation of SP 2004-2007.

## II. SECTOR OVERVIEW

### ***2.1. FUNAE: Vision, Mission and Values***

FUNAE is a public institution funded in 1997 by Decree 24/97 of 22 July, which operates at the national level with the aim to fund and provide financial guarantees for projects that contribute for the:

- Development, production and utilization of energy forms enabling the expansion of low cost energy services in the rural and urban areas;
- Promotion of energy resources conservation and rational and sustainable management.

FUNAE's Vision, Mission and Values are as follow:

**Vision:** Become an institution of reference in dissemination and promotion of alternative energy resources and on rural electrification.

**Mission:** Promote great access to energy in a sustainable and rational way that contributes for the country's economic and social development.

**Values:**

*Directed for the Customer* Focus on the customer and final beneficiaries' needs in order to secure access to energy in an inclusive way;

*Integrity* Funding and subsidies for projects managed on a basis of clear procedures;

*Efficiency* Impact maximization of applied resources;

*Effectiveness* Conducted in order to achieve the outlined objectives;

*Teamwork spirit* Teamwork and commitment with the objectives in order to achieve a common goal;

*Directed for change* Accept and promote changes to improve competences.

## **2.2. Sector Policies and Strategies and Government Programme**

Mozambique is one of the biggest energy producers in the Southern Africa, but the level of the population for the access to electricity is very low and the growth rate for the last years is below 1 point percentage/year. Likely, Mozambique enjoys a great potential of unexplored energy resources, namely: hydro energy and gas, yet statistical data shows that great part of energy produced and consumed comes from Biomass.

The energy sector plays a very important role in the national economy, not only for its potential as an important resource for the economy, but also in being a powerful resource in raising the national economy growth and in its contribution for the reduction of poverty and improvement of social well-being, as a result of its comparative advantage in relation to other countries in the region.

Policies and strategies guide principles for the sector have been outlined by the government in 1998 and 2000 respectively and were centre of the discussions in many government programme/plans, among which, the Government Five-Year Plan 2004-2009.

### **Energy Policy**

The Energy Plan approved in 1998 outlines, among others, the following guidelines for the sector:

- To assure warrantable supply of energy with the lowest costs in order to meet the current levels of consume and needs for the economic development;
- To increase the availability of energy for the household sector, in particular charcoal, kerosene, gas and electricity;
- To strengthen the institutional capacity of the main actors that supply energy in order to improve their performance;
- To promote the development of conversion and utilization of sound environment energy technologies (solar, eolic and biomass energy); and
- To promote the most efficient, dynamic and competitive business sector.

### **Energy Strategy**

In October 2000, it was approved the strategy for the energy sector, taking into consideration the policy set for the sector and three main objectives for the economic development, namely: – i) eradication of the absolute poverty; ii) reduction of development asymmetries between different regions; iii) development of country business sector – outlined guidelines for the elaboration of programmes/plans with focus to specific initiatives to:

- Improve the access to energy services in the urban and rural areas;
- Assure the sustainability of biomass resources;
- Promote the establishment of sustainable environment practices;
- Secure a good management for the energy sector.

### **Government Five-Year Plan 2004-2009**

The Government Five-Year Plan 2004-2009, among others, establishes the following objectives for the period between 2004 and 2009:

- To develop actions aimed at the implementation of projects for the generation of electric power, on a basis of the utilization of charcoal, biogas, biogases, and hydro energy in order to meet the demands in a medium and long term;
- To expand the access to energy for the population, in particular, from the rural areas on a basis of renewable energy, namely: solar, eolic and hydro energy;
- To endeavour efforts in order to promote the expansion of oil-fuel distribution network, in particular paraffin and liquefied petroleum gas.

### **2.3. FUNAE's Overview**

FUNAE's is institutionally set under the Ministry of Energy (ME), the Government Body responsible for the energy sector. The organization structure of the ME reflects a functional division in three levels:

- The Political Level (Ministry of Energy) where the policies for the energy sector are defined;
- The Political Execution Level, where the government agencies (National Directorates of Fuel, Electric Energy and Renewable Energy, Studies and Planning- CENELEC, UTIP, FUNAE, DIPREMEs ) undertake tasks assigned by the Government; and

- The Operational level, where the energy production, transmission and distribution and business companies interact with customers and other entities of the private sector.

FUNAE undertakes its activities taking into consideration the sector policies and strategies, government programmes/plans and directives issued by the ME related directly with its Mission, namely:

- To improve the energy access services in the urban and rural areas;
- To establish sustainable schemes for forestry resources community management for the production and supply of wood fuel in important urban areas;
- To promote the utilization of biomass substitutes, such as GPL, kerosene, natural gas and renewable energy resources, as well as the improvement of kerosene and paraffin handling systems and business,
- To promote the participation of private sector on remote energy systems and improved stoves and other schemes for fuel substitution;
- To carry out a low cost electrification programme, establishing required mechanisms for the determination of tariffs based on the costs and whenever possible for several social reasons, to allow a certain level of concession of crossed subsidies;

Special attention should also be given to three economic development vectors defined as fundamental in the sector strategy:

- Eradication of absolute poverty;
- Reduction of development asymmetries between different regions,
- Development of country business sector.

Based on the abovementioned principles, FUNAE has carried out its activities, fundamentally, on the expansion of renewable energy resources access and utilization and on the promotion of for the expansion of oil-fuel distribution network, in particular, paraffin. In the past years, FUNAE funded projects that are fundamentally directed on the:



- Electrification of administrative posts and localities from the rehabilitation and extension of isolated networks of energy;
- Electrification of administrative posts and localities on a basis of photovoltaic systems (PV);
- Electrification of basic infrastructures, on a basis of photovoltaic systems for localities and distribution networks – FUNAE through ERAP project has embarked on the electrification of 300 basic infrastructures out of 500 set in PARPA II;
- Promotion of fuel access, in particular paraffin on a basis of small and medium promoters funding.

Technical and financial feasibility of the projects serves as a requirement for the funding of the projects. Funding project has assumed the reimbursable funding or credit, funding to a lost fund, mixed funding and subsidies and it has been directed for private promoters (natural people and legal entities) and for the communities;

### **III. STRATEGIC PLAN 2008-2010**

#### ***3.1. Expected outputs and critical success factors***

For the triennial 2008-2010, FUNAE has outlined as its activity main objective, the significant increase of the number of energy services beneficiaries in relation to the triennial 2004-2007. Therefore, the objectives for the triennial 2008-2010 have been outlined taking into consideration expected outputs and factors regarded as critical for success, in accordance with the following:

- Intervention model based on the development and consolidation of a partner's network;
- Supply development and promotion, in a suitable way to the markets and target groups;
- Existence of funds

- Institutional capacity for the Human Resources level, process, procedures and information systems.

### **3.2. Macro-strategic Objectives**

The elaboration of SP 2008-2010 was based on the abovementioned guidelines and aims to enable a great objectivity for the monitoring and evaluation for the implementation and evaluation of the fulfilment level of the outlined objectives.

Hence, strategic objectives outlined for the triennial 2008-2010, were grouped into 5 macro-strategic objectives namely:

<b>I. Access to Energy Services and its Sustainability</b>	To increase the number of beneficiaries for energy services and secure its sustainability.
<b>II. Supply of Services and respective impact</b>	To implement projects predominantly based on low costs solutions, with great impact on socioeconomic development for the communities and environmental balance.
<b>III. Mobilization of Funds</b>	To secure the mobilization of funds and respective management to achieve the outlined objectives for the triennial.
<b>IV. Development of partnerships</b>	To continue to develop and consolidate the RCE and partnerships with the private sector, public institutions, social and community organizations, microfinance institutions and others to meet the market and target groups.
<b>V. Institutional Capacity</b>	To build capacity for the human resources and the institution for greater inclusive intervention, efficiency and effectiveness.

For each macro-objective, it was identified strategic objectives for the PE 2008-2010 and for each objective, it was outlined the goals, indicators and expected outputs. In addition, critical activities for the achievement of expected results were also identified.

### 3.3. Strategic Objectives

<b>I. Access to Energy Services and its Sustainability</b>	<ol style="list-style-type: none"> <li>1. To increase the number of beneficiary population for the access to the energy services for 400.000 people;</li> <li>2. To secure the economic-financial sustainability/continuity of implemented solutions by projects in 100% of the projects;</li> <li>3. To secure that 100% of the implemented projects are in line with the objectives, costs and time set (on time and on budget);</li> </ol>
<b>II. Supply of Services and respective impact</b>	<ol style="list-style-type: none"> <li>4. To implement low costs projects in about 40% of the total implemented projects, taking into consideration as promoters the private sector, public institutions, social and community organizations;</li> <li>5. To provide 12 training courses about technology and operation and maintenance of the installed equipment or install in order to beneficiate 200 trainees;</li> <li>6. To raise social and economic and environment impact of the projects.</li> </ol>
<b>III. Mobilization of Funds</b>	<ol style="list-style-type: none"> <li>7. To guarantee the recovery of 100% of the granted and owned funding amounts (credits) for every year.</li> <li>8. To guarantee fundraising of <b>MT 570.717.697, 13</b> for the development of the projects.</li> </ol>

<p><b>IV. Development of partnerships</b></p>	<p>9. To increase the involvement of the Private sector as FUNAE's beneficiary and partner and establish 12 contracts for the implementation of 36 projects;</p> <p>10. To increase the participation of the Social &amp; community organizations (NGOs and CBOs and others) as FUNAE's beneficiaries and partners and establish 9 contracts for the implementation of 9 projects.</p> <p>11. To involve microfinance institutions as intermediaries on the allocation of FUNAE's funds and establish 6 contracts on the total amount of MT 75.000.000, 00 for the implementation of projects through its intermediate.</p> <p>12. To increase the involvement of the public institutions relevant for the development of FUNAE's activity and establish 12 contracts for the implementation of 12 projects.</p> <p>13. To increase the participation of the Energy Consulting Network (RCE) with accreditation up to 90 members and consolidate the development establishing 18 contracts with FUNAE.</p>
<p><b>V. Institutional Capacity</b></p>	<p>14. To increase efficiency on the allocation of funds (<i>Increase the number of beneficiaries per unity for the disbursed fund in 20% for the triennial in comparison with the previous triennial</i>)</p> <p>15. To increase efficiency on the allocation of funds (<i>Decrease the costs of operations per unit of disbursed fund in 10% for the triennial in comparison with the previous triennial</i>)</p> <p>16. To secure training for 1350 hours for the collaborators in order to increase the institutional capacity;</p> <p>17. To secure the implementations of internal procedures (make use of PHC system, implement the Quality Procedures' Manual, internal and regulations of professional careers).</p>

## IV. STRATEGIC ACTIVITIES AND RESPONSIBILITIES

The number of macro-activities regarded as strategic for the achievement of the objectives referred in the SP 2008-2010 were summarized for each defined responsible body by its development as follow:

<p><b>Market and target groups setup</b></p> <p>Setup the profile of FUNAE target groups, i.e., the general parameters characterizing direct and indirect beneficiaries for FUNAE funded projects.</p> <p>Setup the main target market, districts and respective localities geographically, taking into consideration the opportunities and constraints.</p>	<p><b>DREPP</b></p>
<p><b>Identification of inducing supply solutions</b></p> <p>Develop studies and implement mechanisms to obtain regular information about target market and project target groups in order to identify opportunities and constraints.</p> <p>Develop studies and promote research projects in order to develop the improvement of appropriate solutions under the context of its application.</p> <p>Promote context studies that enable collection of elements to check the adjustment between supply and demand of available/or to be developed solutions.</p>	
<p><b>Development of Supply</b></p> <p>Adjust the supply of products and available services in order to incorporate solutions providing answers to the groups and markets in an adjusted way.</p> <p>Develop supply of products under the renewable energy and services on the environmental training field and capacity building for the utilization of energy services.</p> <p>Accommodate promotion and divulgation techniques and means of supply for the market and target groups;</p>	<p><b>DPP &amp; DREPP &amp; UJ</b></p>
<p><b>Classification of intervention means</b></p> <p>Clarify FUNAE's role and responsibility with regards to:</p> <ul style="list-style-type: none"> <li>➤ Direct project funding;</li> </ul>	



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Improve collection process of outlined revenues on FUNAE's Organic Articles	
Improve reporting system for the utilization of funds and performance evaluation system.	
<b>Human and Financial Resources Strategy Setup</b>	
Setup fundraising strategy for required volume funds and intervention strategy for each fund category	
Setup FUNAE's staff training needs, identify the courses and means and the training plans	<b>DAGF</b>
Setup motivation policy for collaborators and retention of key-staff	
<b>SP implementation process and monitoring and evaluation information system setup</b>	
Setup institutional linkage in order to secure the development of plans and annual budgets in a harmonized way with the SP.	
Setup indicator system for SP monitoring and evaluation.	<b>DREPP &amp; UTIC &amp; UQ</b>

## **V. FINAL CONSIDERATIONS**

The SP 2008-2010 outlines, for the next three years, 5 detailed macro-objectives in 17 strategic objectives including its goals, indicators and expected outputs for the strategic objectives.

As a result of the lack of the experience on the elaboration of the strategic plan and on the fact that this is the second plan drafted by FUNAE, the SP 2008-2010 highlights points that need to be improved particularly on the quantification of goals. In light of this, this problem may be overcome along with the undertaking of the annual plans whereby the quantification exercise shall again be considered.

Likely, the SP outlines the macro-activities regarded as critical for achievement of the goals. On the exercise of the annual planning, decomposed activities shall be detailed and identified, as well as the necessary resources for its effectiveness.

The adjustment of the information system to the new request, which are being undertaken in order to produce required indicators with fidelity and on a timely manner is critical for the monitoring and evaluation of the SP 2008-2010 outputs.

**Maputo, November 2007**