

Country Analysis Mozambique

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Executive summary

Mozambique is regarded as one of the world's poorest countries, but conditions for reducing poverty have improved during the 1990s. The declaration of peace in 1992, democratic elections and the change to a market economy have contributed to high economic growth and stability. Per capita income increased by about eight per cent on average every year between 1996 and 1999. Vulnerability to natural disasters, however, entailed that the growth rate slowed during 2000, after disastrous floods occurred.

The government has recently presented a poverty strategy which is based on the country's first national household survey and on consultations. The strategy has the support of the government and society as a whole. Extensive debt relief is part of an HIPC-initiative to release official resources instead to be used for inputs in, for example, education and health.

The government's poverty strategy PARPA/PRSP is based on the assumption of continued high economic growth. The prognosis is ambitious, but it may be possible to realise it in the long term. There is potential to increase productivity in agriculture and unutilised land resources are available. The situation today is that productivity in agriculture is low because subsistence farming operates on the basis of slash-and-burn, and manual labour generally carried out by women. Incentives to produce a surplus are often missing, since the opportunities to sell produce are limited. The infrastructure is poor, which makes it difficult to find markets. Furthermore, there is no single functioning trading system for agricultural produce. It is fundamental to achieving sustainable growth that such a system should be re-introduced to assist poor people.

There are sources of energy and minerals. An increased utilisation of natural resources must also, however, be motivated and tested in ecological terms so that development becomes sustainable in the long term. The possibility of growth also exists in employment opportunities and opportunities to trade around the country's transit corridors. The low level of knowledge and lack of capacity in all sectors plus HIV/Aids, corruption, regional imbalance and gender inequality are some of the most important obstacles to economic development.

The overall goal of the poverty strategy is to reduce the proportion of absolutely poor people by 10 percentage points up to 2005, and after that by a further 10 percentage points up to 2010. To achieve this, Mozambique is putting priority on six sectors, namely, education, health, rural development, infrastructure, good governance and macro-economic stability. Swedish development co-operation exists in five of these six main sectors. The present country analysis points to serious flaws in capacity and education in all sectors.

The country faces great challenges and risks. Despite the generally positive economic and democratic developments during the 1990s, many problems exist which threaten to develop into serious conflicts. The peace accord did not include any long-term strategy for development and no real reconciliation

process, which has preserved a state of distrust between the government and the opposition. A fruitful dialogue about the country's future and development has thereby been prevented. Frelimo, the party in government after the first democratic elections in 1994, had a relatively successful mandate period. After the 1999 elections, however, the opposition accused Frelimo of election rigging. Since then, Renamo has refused to accept the results. During 2001, however, better co-operation between Frelimo and Renamo has been resurrected, but the political situation is unstable.

Development is also threatened by HIV/Aids. For Mozambique as a whole, it is estimated that 15 per cent of the working age population is infected by HIV. The trend has hitherto continued to increase, and all prognoses indicate that the percentage of HIV-positive people will rise during the next ten years. In addition to the human cost, HIV/Aids also affects the production capacity of the economy negatively, particularly in the medium to long term. There is a risk that Mozambique will be more badly affected than other countries, because of the extremely widespread poverty.

Although they are recurrent phenomena, Mozambique continues to be vulnerable to natural disasters in the form of periodic floods and droughts. They entail personal catastrophes, at while they put a damper on the growth rate of the economy and historically have involved growing indebtedness. There are still no reliable systems nor preparedness, in either this country or in most of the neighbouring countries, to prevent and to deal with natural disasters.

Dependence on development co-operation is heavy. About half the expenses in the national budget are financed by foreign development co-operation. In the medium term, development co-operation is still needed to develop Mozambique's social sector. If welfare increases, dependence on development co-operation should lessen, as a result of both increased economic growth and a better tax quotient. The government is working on a tax reform intended to broaden the tax base, make income tax more effective and improve tax collection.

1. Mozambique – one of the World's Poorest Countries

Poverty in Mozambique, like in all countries, has many faces and is not simply expressed in material terms. Poverty is relative, and is variously experienced because of differing social surroundings. It varies from province to province in Mozambique and also within each province. Poverty is multi-dimensional and reflects both a lack of opportunities to change one's life situation and flaws in the social system and in human rights. To be poor in Mozambique, in addition to material deprivation, often means powerlessness and limited opportunities to affect one's situation in life.

When the UNDP ranks Mozambique as one of the world's ten poorest countries¹, it includes aspects like the educational level, buying power and life expectancy. For example, it is estimated that 60 per cent of Mozambique's adult population cannot read or write, the GNP per capita was estimated as 230 US dollars² in 1999, and average life expectancy as about 43 years. In countries south of the Sahara, on average 42 per cent are illiterate, the GNP per capita is 480 US dollars, and life expectancy is 51 years.

Poverty in Mozambique is influenced by many factors. Portuguese colonialism involved many years of subjugation for the Mozambicans. At independence in 1974, only a handful of people in the country had a university education. The centrally planned form of governance that was introduced after independence was unable to generate a sustainable economic growth of resources. Recurring periods of floods and droughts also contributed to the negative development, as did the long war of destabilisation in which sabotage was the ultimate goal. The peace accord of 1992, the transformation to a market economy and democratic elections have considerably improved conditions, but the majority of the population still has limited opportunities to influence and improve their situation. High vulnerability to natural disasters and economic shocks contribute to reducing the scope for action.

1.1 Increased knowledge about poverty

In April 1999 the country's first national poverty study was published, based on a household survey from 1997³. About 70 per cent of Mozambique's population is so poor that they cannot supply their daily needs for energy and nutrition, housing, clothing and other personal expenses. Thus they fall below the so-called poverty line⁴ and live in absolute poverty. The vast majority, or about 85 per cent of the poor, are living in rural areas. Women in rural areas

¹ See UNDP's "National Human Development Report 1999" for Mozambique. The measure "Human Development Index" (HDI) is a combination of material and non-material aspects on poverty.

² See UNDP's "National Human Development Report 1999" for Mozambique.

³ It discusses poverty from a technical and consumption perspective which also includes consumption of official services, i.e. access primarily to education and health.

are acknowledged to be those who have the most difficult position. In Sofala, which is the poorest province, 90 per cent of population is estimated to live in absolute poverty. In Maputo City, which is in the richest province, about 48 per cent fall under the poverty line.

An important conclusion from the national household survey is that the gap is enormous between women and men, and between rural areas and Maputo City. From a poverty perspective, women in rural areas thus form an important target group. UNDP's indicators for human development reveal that women in Mozambique are generally discriminated against and have poorer access to and control over productive resources, education and health services. They also have lower status than men do.

Over half of the inhabitants in country are made up of children and youths of less than 18 years. At least a million children live under difficult circumstances and need special care and protection. This group, which is also an important target group from a poverty perspective, includes street children, handicapped children, children in prison, child workers, orphaned children and children with HIV/Aids. Child mortality⁵ in Mozambique is estimated to be over 20 per cent. Children's other rights can hardly be regarded as safeguarded.

On the basis of poverty studies and of Mozambique's turbulent history, the conclusion may be drawn that the country's population can hardly have their human rights respected and addressed. The right to life and political and civil rights have nevertheless improved, at least formally. Their economic, social and cultural rights are, however, far from a reality to the majority of the population. Mozambique has ratified the most central UN conventions; the International Covenant for Civil and Political Rights (ICCPR), the Convention against Torture (CAT, including the protocol against the death penalty), the Convention for the Elimination of Racial Discrimination (CERD), the Convention for the Elimination of all forms of Discrimination against Women (CEDAW), the Convention on the Rights of the Child (CRC) and the African Human Rights Covenant, but not the Covenant on Economic, Social and Cultural Rights (ICESCR), on the basis of the position that the country cannot afford to live up to such an undertaking. Ratification is, however, included in the government's plans for the current five-year period.

1.2. Parpa – Mozambique's poverty strategy

During 1999 the government adopted a five-year plan of action to combat poverty. The plan, PARPA (Action Plan for the Reduction of Absolute Poverty) is based on the results of the national household survey. The country's former poverty strategy was from 1995, but it was not based on any comprehensive study of the social conditions. PARPA forms the basis for Mozambique's PRSP⁶

⁴ The poverty line measures and adapts consumption needs for different household members in different regions with the help of imputed and real prices. On average it is estimated that every person needs means that correspond to about 0,40 US dollars every day to be able to satisfy basic needs like calories, clothing and housing.

⁵ <http://www.unicef.org/programme/countryprog/esaro/mozambique/mainmenu.htm>

process, and was used by the country's interim PRSP as the foundation for the decisions made by the International Monetary Fund's and the World Bank's boards in April 2000 when deciding whether to extend the HIPC initiative (HIPC-II). One year later, in April 2001, the government adopted a more extensive and up-dated version of PARPA for the complete PRSP. When the decision about HIPC-II was taken, the parties came to an agreement about presenting a complete PRSP before the implementation of HIPC-II. A further condition for the implementation of HIPC-II is that the IMF's board has approved the credits of the "Poverty Reduction Growth Facility" (PRGF). The Fund's board approved the PRGF credits in September and after that HIPC-II was completed.

The latest version of PARPA, which corresponds to the full PRSP, includes national consultations and in-depth analyses of the political and economic conditions. It follows an on-going timetable, and forms the central document in co-operation agreements with multilateral and bilateral donors. The strategy should thus be concurrently developed and followed up. In this work, it is important to institutionalise the consultation process and make it more effective. In the present PARPA/PRSP the Mozambican parliament and representatives of the political parties have not participated. Sweden and other donors have, however, actively taken part in the consultations. More consultations could have been held with groups in civil society and the poor themselves. The work of absorbing the information acquired during the consultations also remains. A description and analysis of the process of consultation is included in the complete PARPA/PRSP, where it is stipulated that representatives for the political parties ought to be consulted in the future.

Analyses of the country's potential for mobilising resources and calculations of the costs of the proposed measures ought to be further developed. It is important to be able to assess whether the conditions for the strategy are reasonable and consistent, and to be able to make priorities and pose activities against one another. The capacity to make effective prognoses and macro-economic assessments must also be improved. The complete PARPA/PRSP probably overestimates the short-term increase in GNP. During the current year, a 12 per cent real growth rate is predicted, which, in the light of floods and problems in the banking sector, appears less probable. In the longer term, the PARPA/PRSP makes the prognosis of a real growth rate of an average of 8 per cent per year. Although a relatively positive picture of the country's opportunities for growth is painted, however, no strategy is presented for how this growth is to be achieved. A discussion about how this growth will assist the poorest is also missing. Such a discussion would add insight and knowledge, particularly as a significant part of the growth is assumed to come from large foreign direct investments.

⁶ PRSP means "Poverty Reduction Strategy Paper", and forms the cornerstone of Mozambique's co-operation with the International Monetary Fund and the World Bank. The PRSP replaces PFP, and is one condition both for writing off debt in line with the HIPC-initiative and for continued loans. On the basis of an interim PRSP, the World Bank's executive took the decision to grant further debt relief according to the extended HIPC-initiative in April 2000. A complete PRSP will be used as a basis for decision-making for the implementation of HIPC-II.

The overall goal in PARPA/PRSP is to reduce the proportion of the absolutely poor from 70 per cent to less than 60 per cent up to 2005. After a further five years, the proportion of absolutely poor should be less than half of the population.

PARPA/PRSP identifies six main causes of the widespread poverty:

- low economic growth up to the beginning of the 1990s,
- low educational level, above all among women,
- large households with many children and older people who are dependent on support from other members of the household,
- low productivity in subsistence farming,
- lack of opportunities for employment both in and outside agriculture,
- inadequate infrastructure, particularly in rural areas.

High vulnerability to natural disasters and external economic shocks complicate combating poverty. The low world market price for agricultural produce is also mentioned as an example of factors that keep people fettered to the chains of poverty.

For reducing poverty, PARPA/PRSP proposes taking a number of measures and actions. The vision is to create conditions to reduce poverty through a sustainable high economic growth rate and through inputs in the social sector. The sectors given priority are education, health, rural development, infrastructure, good governance and macro-economic stability.

It is proposed that most of the resources in the *education sector* be devoted to primary education. A rapid expansion of secondary education is also proposed, as well as inputs in vocational training and university education. The programme includes information about and combating HIV/Aids.

In the *health sector* a focus on the extension of primary health care through special programmes for different target groups is proposed, above all women and children. A campaign to combat HIV/Aids is on the agenda, as well as programmes for combating malaria, diarrhoea, TB and leprosy.

The main aim of *rural development* according PARPA is to increase the income of subsistence farmers. Increased accessibility to markets through *inter alia* inputs in infrastructure and increased productivity in agriculture are key factors. Extension services to agriculture through programmes for sowing, seeds and improved agricultural methods are proposed, and the opportunity to apply for credit. A programme of support to the sector, PROAGRI, has been formed to create conditions for sustainable growth and to combat poverty in agriculture and silviculture. PROAGRI's main goal in the first five year perspective is to create improved institutional mechanisms for financing and supplying the family sector with agricultural and silvicultural services, and to increase the capacity for effectively supplying the country with the public goods are part of the area of accountability of the ministry of agriculture.

Where *infrastructure* is concerned, the government proposes putting priority on the building up and rehabilitation of roads, electricity and water supplies in those parts of the country which both have the densest population and the greatest poverty, i.e. Zambezia and Nampula.

Good governance is identified as a key condition if one is to succeed in reducing poverty. Official institutions must be developed which are able to deliver social services to the poor. Good governance is furthermore regarded as a prerequisite for the creation of rapid and sustainable growth in the country. The government will work for a reduced bureaucracy and less corruption through *inter alia* introducing simpler administrative procedures and by reforming the system of justice. Decentralisation and delegation will also be given priority.

PARPA/PRSP emphasises that a well-balanced *financial and monetary policy* is a basic condition for success in poverty reduction. The government intends to continue with policies designed to keep the rate of inflation low. Furthermore, the government wants to work for increasing the national income and making expenditure more efficient. International trade will be promoted, the country's debt strategy up-dated and the possibility of directing financial services to small and medium-sized businesses in rural areas will be examined.

In addition to these six main sectors, complementary actions are suggested to increase income and employment opportunities, e.g. promotion of tourism and private sector development. Special programmes for reducing vulnerability to natural disasters are suggested, as well as ecological measures.

PARPA is generally based on the line ministries' sectoral policies. Thus strategy plans, which donors participated in working out, are included for sectoral support. Sweden, which has taken part in policy consultations in most of the sectors to be given priority, is generally giving support that is in line with PARPA. Swedish development co-operation already exists in five of the six main sectors to receive priority. PARPA's analysis and plans, however, do not encompass areas like cultural support and parts of the support to democracy.

1.3. Institutional capacity for combating poverty

A major problem when implementing PARPA's plans is the weak state and public sector, not least on the provincial and district level. Building up capacity is thus an important prerequisite for succeeding in reducing poverty. It is also important to follow up the actions proposed in PARPA/PRSP systematically and regularly. Since PARPA/PRSP is an ongoing plan, it ought to be possible to institutionalise its main constituents. For example, one should be able to develop stable methods and systems for planning, implementation, follow up and consultations.

A large part of the financing and implementation of PARPA/PRSP's actions is not subject to parliamentary review, since all development co-operation, with the exception of support to the budget, is channelled outside the national budget. The state's system of economic control is too weak to be able to receive a substantial increase in the financial flow. Mozambique's planning

system would also not be able to cope with such a strain. This has been noted in the agricultural and educational sectors, which are in the front line when it comes to sector programme support. In the agricultural sector, however, a pilot project is beginning to channel PROAGRI sector support via the state's disbursement system, but, however, outside the central current account. Purely formally, this support will thus not be included in the national budget during the next few years. PROAGRI, however, is one important step in the right direction. In the education sector advanced plans exist on co-financing the government's sector strategy via a joint fund in expectation of improvements in the state's system of disbursement, so that financing via the national budget will become possible.

To achieve increased equality between men and women is a prerequisite for and an important part of combating poverty. A special women's ministry has been formed to work for equality in all sectors. The *Grupo Operativo*, which since 1995 has worked on co-ordination between sectors, gained increased importance through the women's minister becoming its chairperson. The umbrella non-governmental organisation *Forum Mulher* has been invited to participate in the state's work on equality.

Mozambique's weak public sector is a limiting factor for both the country's development endeavours and for development co-operation. The public sector is suffering from a lack of well-educated civil servants, and has difficulty in competing with the private sector and also with donors, which the result that key people leave the public sector for better paid work. The public sector's efficiency is further weakened by its political link to Frelimo, the party in government, and by its economic links to the private sector. Political power in Mozambique is to a great extent intertwined with economic power and economic advantage. The domestic private sector in Mozambique is thus tightly interwoven with the political establishment and follows its priorities.

1.4. Structural reforms

There is desire for better governance and, as part of its response, the government has taken the initiative to introduce comprehensive reforms of the official bureaucracy. Since the late 1980s Sida has supported this work of transformation, above all with respect to the state's budget, accounting and personnel systems, and decentralisation. For many years Sida has also supported the creation of an economic analysis department which is directly answerable to the Minister of Finance. In addition, Sida finances co-operation between Statistics Sweden (SCB) and its Mozambican counterpart. Support to create an independent national auditing agency is now being added to Sweden's support for these key institutions. The work of reform includes both structural changes to the system and changes in the attitudes of civil servants, to improve performance and introduce a sense of service. The quality of the official range of services must be markedly improved.

One serious political problem is the relatively weak constitutional position of the popularly elected national assembly. Instead the power of the president is strong. A proposal for a new constitution, entailing *inter alia* decentralisa-

tion of the state's power, is on the parliamentary agenda. Although the public sector encompasses government bodies on in principle three different levels, as well as 33 more independent municipalities, the system is nevertheless strongly centralised and bureaucratic. Women are under-represented on all levels and only make up 15% of all official employees.

A major and complicated reform, based on an early political agreement between the government and the opposition, is municipalisation. According to the letter of the law, the 33 municipalities should become self-governing and self-financing, but in practice it is very weak. Resources, competence and know-how are problems that become worse the lower down one goes in the hierarchy. Conditions for decentralisation in a real sense, like carrying out decisions and transferring resources to district level, thus do not exist. A genuine decentralisation, which presupposes the existence of resources, systems, decision-making powers and competence will take a long time to implement.

1.5. Debt relief releases resources for combating poverty

Mozambique's heavy external burden of debt has been reduced through the implementation of substantial debt relief. In addition, several more debts will be written off via the extended HIPC-initiative⁷ for the most heavily indebted poor countries. There has been a long process of negotiations between Mozambique and its creditors, in the first place, members of the Paris Club. Mozambique's actual compound interest payments were about 115 million US dollars on average for 1996–98⁸. After the extended HIPC-initiative and further bilateral debt negotiations, Mozambique will, in practice, pay 20–30 million US dollars in interest per year at the beginning. This means there is a significant reduction in expenditure on interest and repayment. These released resources will be used to combat poverty, in accordance with PARPA/PRSP. The government has estimated that 2,5–3 per cent of GNP is made up of HIPC savings, which is reflected in PARPA/PRSP as additional expenditure to combat poverty.

To avoid landing in the debt trap again, and to optimise the use of new loans, a new post-HIPC debt strategy is required. This new post-HIPC debt strategy must be based on analyses of both external and internal indebtedness, taking into account that, after considerable problems in Mozambique's banking sector, the state's internal debt increased during the past two years.

1.6. Demographic changes and HIV/Aids

Based on the current GNP per capita, on population growth and with PARPA/PRSP's optimistic prognoses for growth (8 per cent real growth per year) it would take about 50 years before Mozambique reaches US\$ 3 500 in

⁷ After consideration by the board of the Bretton Woods institutions, debt relief as part of the extended HIPC-initiative is permitted when making decisions about IMF's PRGF-credits.

⁸ Please note that by actual compound interest payments one is referring to Mozambique's real costs as reflected in the national budget, in contrast with those found in the plan.

per capita income, i.e. about the same level as the situation in South Africa today.

Rapid population growth⁹ makes major demands on Mozambique. The total number of inhabitants will be nearly 4 million more in the year 2005 than in 1997. Even if the government were to succeed in reaching the PARPA/PRSP target and reducing the proportion of the absolutely poor by 10 percentage points by the year 2005, nevertheless, half a million more Mozambicans will fall under the poverty line.

In the above estimates, no attention has been paid to an increase in Aids-related deaths. With an accelerating HIV/Aids pandemic, efforts to reduce poverty may be in vain. The central parts of the country have hitherto been most badly affected, and estimates indicate that about 22 per cent of the working population is HIV-positive. For Mozambique as a whole, it is estimated that 15 per cent of population of a fertile age is HIV-infected. Statistics of the number infected are very flawed, which may mean that there are substantial hidden figures. The trend has hitherto been increasing, and all prognoses indicate that the proportion of HIV-positive people will increase during the next five years. In 1987 only three per cent of the adult population was infected (15–49 years). By the year 2000 the figure rose to 15 per cent.

HIV/Aids increased dramatically after peace in 1992 because of increased population mobility. In Maputo City, HIV/Aids is less widespread than in the northern and central parts. In the country's central parts, over 20 per cent of the adult population is infected, and the under 20 year age group is the most badly affected. The government estimated that about 600–700 persons were infected by the HIV-virus every day during 1999. This involves substantial demographic changes. An increasing number of Aids-related deaths may entail that life expectancy falls by 15 years up to 2010, and that population growth is 3 million lower¹⁰. The number of orphaned children as a result of HIV/Aids is expected to rise to over a million to the year 2007. The population pyramid is likely to change shape, with a strong reduction of the number of people in the productive age of 15–40 years. Both of these factors point to increased obstacles to combating poverty. The ability of the household to provide for itself is reduced, and the number of households where a large proportion of family members are dependent on other members for their support is increasing. The poverty survey of 1996–97 showed a clear correlation between poverty and households with a large proportion of family members without their own incomes (i.e. children and the elderly).

Transmission of infection is to mostly through heterosexual contacts. Traditional norms and patterns of behaviour in relation to sexual habits make women and girls particularly vulnerable to the risks of HIV/Aids. Among

⁹ 2,3 per cent year according to the EU's CSS.

¹⁰ See the UNDP's "National Human Development Report 1999". According to estimates, life expectancy should reach 50 years in 2010 if current trends continue. When consideration is taken of the increased incidence of HIV/Aids, life expectancy is instead estimated at 35 years. The population is estimated to grow to 22 million in 2010, but if increased Aids cases are taken into account, it may only reach 19 million.

orphaned children, girls are more exposed. They normally take over the responsibility for the home, smaller brothers and sisters, and subsistence farming when their mother dies.

HIV/Aids can have a snowballing effect on the country's production capacity, which means that the negative influence accelerates with time. The health sector is directly affected through increased expenses for the care of HIV/Aids-related illnesses. The UNDP estimates that up to half of all sickbeds are already occupied by Aids-related patients. Absenteeism from work due to illness is increasing, which together with increased deaths involves great losses. The UNDP has not presented any specific estimates for Mozambique, but is generally assuming that HIV/Aids in Africa reduces the growth of the GNP by a percentage point per year over a 15 to 25 year period. The effects are most tangible in the medium to long term.

In September 1999, Mozambique's government adopted a national strategy to combat the spread of HIV/Aids. The plan adopts a multi-sectoral approach, which is a step forward, as the problem is raised to the level of a general development problem instead of assuming the narrower traditional health perspective.

1.7. Niassa Province – the most isolated province

The household survey of 1996–97 showed that Niassa is not one of Mozambique's poorest provinces, since agriculture produces relatively good harvests. The inferior array of official services contributed to Niassa nevertheless being regarded as the country's fourth poorest province. On the whole, the education and health status of the population is one of the country's worst. HIV/Aids is probably not so widespread as in other parts of the country, but is seen as a growing problem.

Conditions for agriculture are promising. Rainfall is regular and plentiful, and the soil is fertile in several districts. Subsistence farmers' productivity is, however, very low. They use slash and burn techniques. The incentive to increase production is often missing, since it is difficult to sell any surplus. Transport is made more difficult by non-existent or substandard roads. Many districts are isolated in the rainy season. There is no properly functioning system of traders who buy up the farmers' harvest and sell essential goods in exchange.

The public sector's resources and capacity are extremely limited. People's opportunities to participate in and affect political life is restricted.

The conclusion is that Niassa needs everything that a citizen has the right to expect of a society – a functioning market, a public sector that delivers high quality social services, roads and energy, as well as opportunities to participate in and influence social developments.

2. Political and Democratic Social Development

Mozambique gained its independence in 1975, after the liberation movement Frelimo (Frente para a Libertação de Moçambique) conducted a long struggle against the colonial power of Portugal. Portugal never succeeded in any successful exploitation of Mozambique because of flawed economic, personnel and political-administrative resources. From 1975 to the first democratic multi-party elections in 1994, the country functioned as a one-party state modelled on the eastern bloc, even if significant reforms primarily in the economy were undertaken up to the mid-1980s. From independence, the new the government had its social base mainly in the country's southern provinces, from which the majority of the members of the government and senior party functionaries were recruited. This imbalance remains today and is to some degree a regional and ethnic feature of Mozambican politics.

From the early 1980s an inhuman war between Renamo (Resistencia Nacional the Moçambique) and Frelimo took place. Renamo was originally initiated by the Rhodesian security services and during the major part of the 1980s it received support from the apartheid regime in South Africa, and in time the conflict developed into a nation-wide civil war. In broad terms Renamo fought against Frelimo; the north against the south; the rural areas against the towns; excluded elites against those in power, Muslims against Christians, macua/sena against makonde/nguni, the traditional against the modern. One should add that the cold war played a role, and many external actors became involved to exert an influence political and military developments. None of these opposite poles is completely consistent, both the major parties Frelimo and Renamo have voters from all parts of the country and all groups in Mozambique. Both can be regarded as elite parties, the active members come primarily from a very small middle class. These antithetic pictures nevertheless gave rise to a political polarisation that was accentuated during the latter part of the year 2000.

The civil war affected the country's population very badly. Infrastructure and opportunities for production were destroyed. The expansion of the war and the decay of the economy meant that Frelimo departed step-by-step from its socialisation programme and successively released the control of the country's resources by central planning. In 1990 the Frelimo government introduced an interim constitution. This was the first step towards the peace accord of 1992 that put an end to nearly thirty years of fighting in the country. In 1994 the first democratic elections were held to elect the president and parliament. In practice the country's form of governance took the step from a one-party state to a democratic parliament. Frelimo won both elections. A period of democratisation was begun which, despite the flaws which characterise Mozambican society, must be seen as successful, promoting peace and stabilising the country.

During the first democratic mandate period, the government, moving towards a market economy and a somewhat less centralised state apparatus more or

less willingly carried out economic and political reforms. The Frelimo government and the opposition, led by the former enemy Renamo, succeeded in working together to some degree, even if often with great difficulty.

No clear reconciliation process was started, however, and strong feelings remain from both the civil war and from the one-party period. The peace accord did not contain any joint vision, about either future development policies or how a reconciliation process might take place.

The presidential and parliamentary elections in 1999 entailed a break in the trend of relatively positive political developments on the macro-plane. The opposition coalition, Renamo-UE (Renamo União Eleitoral, RUE), did not accept the results from the general elections which President Chissano and Frelimo won by a narrow margin. The international election monitors, among them a group led by the EU, declared the elections to be free and fair. Technical problems and poor transparency in the counting of the votes however, negatively affected the reliability of the results. RUE appealed to the High Court which dismissed RUE's appeal on all counts and confirmed the results declared by the elections commission. RUE did not accept the High Court's judgement and continued to refuse to approve the election results, while, in its turn, the government did not publish the election results at the district level. RUE manifested its non-acceptance of the election results through boycotting parts of the parliamentary work in the year 2000. The parties found themselves locked in opposing positions, the dialogue between them came to an end and so did co-operation in parliament.

In November 2000 RUE held countrywide demonstrations in protest against the government, which led to violent clashes between police and demonstrators with about 40 deaths as a result. In Montepuez shortly afterwards about eighty of the imprisoned demonstrators were asphyxiated in an overcrowded cell and died. At the end of November Carlos Cardoso, the country's most prominent journalist, was shot to death on the open street in central Maputo. He was chief editor and owner of the critical and scrutinising fax newspaper *Metical*. The November events created something of a sense of crisis in the country. Feelings about regional and ethnic splits were heightened, as well as the picture of the Frelimo elite in the south discriminating against other parts of the country, the opposition and the rural areas, for their own gains.

In the crisis of confidence which followed, the government began discussions with the opposition, which demanded the governors' posts in the six provinces they had won in the elections; alternatively they wanted new elections. The government was not prepared to meet any of these demands. Renamo broke off the discussions in March 2001 and the political temperature was raised again in the country, even if both parties continued to talk about their positive approach to a continued dialogue.

2.1. An undeveloped democracy and weak system of justice

Co-operation over party boundaries was made more difficult because of the country's history and the lack of a reconciliation process. Thus it also became

more difficult to develop a democratic political culture. Frelimo, which is used to governing the country alone, has difficulties in accepting the need for making compromises with the opposition, even if this attitude has softened somewhat after the events in November 2000 and the criticism of the international community. The long period of the one-party state, however, has left its land on the party's way of operating. Here, and in many other parts of Africa, the idea prevails that the winner takes all. RUE is struggling with poor organisation, an unclear party programme, internal problems and a lack of internal democratic structures. The political division of the country remains, where Frelimo has its strongholds in the south and Renamo dominates the central and northern parts. RUE won nearly half the votes in the latest elections, but the power is still concentrated in the hands of the government. RUE won the elections in six of the country's 11 provinces, and yet it is only on the national level, in parliament, where it has any representation and can exert an influence. Here it is in the minority and usually finds no support for its proposals.

Being so close to South Africa, Maputo City has traditionally attracted most of the resources, investments and inputs in infrastructure. During the many years of war and even afterwards, through their positions of power, the political elite – mainly Frelimo members, army chiefs and civil servants – have had both appropriate and inappropriate access to resources, and have taken decisions about their use. The political elite has often utilised available resources privately, in the form of productive investments and in consumption – mainly in the city and province of Maputo. The state and market are thus very intertwined in terms of personnel. A significant portion of the NGO circle also consists of organisations created by (in some cases, disillusioned) Frelimo supporters.

Politically and economically these advantages have only accrued to the election victors – the party in government. Renamo's victory in five provinces in 1994 did not give them any powerful positions. The bureaucracy of the one-party state did not come to an end, and even if services below the level of director are not formally reserved for Frelimo members, people who openly admit to belonging to the opposition find it difficult to get employment.

The state apparatus is politicised, corrupt and inefficient, and is characterised by poor service to the citizens. The weak and fragile legal system is one important hindrance to democratic development and stability. In addition to creating new gaps between urban and rural areas, both Frelimo's and Renamo's behaviour during the introduction of the new municipal law in 1995 eventually led to a boycott of the municipal elections by the opposition, with the result that it is not represented at that level.

In the first part of 2001, however, co-operation in parliament has improved somewhat. In the meantime, important information does not reach parliament which in that way is not able to influence and participate in important decisions. Donors play an important role in this. More than half of the state's resources consist of development co-operation and donors have thus a very clear position of power in relation to the government. Donors want to co-operate with the government in order to achieve their respective development

co-operation goals (and to contribute to the development of the private sector). Through this they also give indirect support to the sitting government.

The next presidential and parliamentary elections, which should take place during 2004, may very well lead to Frelimo losing power. The opposition, however, lacks experience of state administration. It is unclear what will happen, if Frelimo loses, in a situation where Frelimo still dominates the senior posts in the official administration, parastatals and private businesses, the military and police. Presumably it would be difficult for donors to identify with Renamo's values and visions in regard to society, citizenship, rights and governance. In any circumstances, a power shift will entail a certain uncertainty regarding development, which *may* come to be reflected in the investment climate, the desire to give foreign assistance and in the general economic developments.

The number of women who are members of parliament and the number of women ministers is relatively high, 28 and 16 per cent. This, however, is not reflected in government appointees to official posts. Among the provincial governors and district administrators there is only one woman, and of all the civil servants, only 15 per cent are women.

2.2. A dynamic civil society begins to develop

Growing social criticism has begun to make itself felt and Mozambicans' war weariness and genuine fear of new armed conflicts are perhaps what gives most hope for a continued democratisation and preservation of peace. An embryo of critical scrutiny of both the government and the opposition now exists through the press, and the self-censorship that was so common previously is lessening. For example, the media often report on police violations, which it formerly neither could nor dared to do. In civil society the number of actors and organisations working for democratic development is growing. Organisations have been established to defend human rights and increasingly voices are raised against crime and corruption.

The mass media today have, however, limited distribution and are heavily concentrated to Maputo City. The language of the mass media is mainly Portuguese. This is one apparent problem for the great majority, who have another mother tongue and do not know Portuguese. Of women in rural areas, 85 per cent are illiterate and thus the majority of the country's population has restricted access to what the mass media offer. An exception is the state radio. It covers the whole country, broadcasts in the local languages and has also become franker and more independent in its programming, despite its ties to the state powers.

Groups which do not feel at home with either of the major parties are joining organisations and communities in civil society or in commercial life. They feel excluded or disappointed in developments, but want to contribute to a change in society. For example, in development and democratic issues, they become involved in a growing number of religious organisations; workers have started organising themselves for better working conditions and higher pay, and have

taken the first steps towards the creation of an independent trade union movement; and non-governmental organisations are starting to give credits to small businesses.

Increased growth on a broad basis is a crucial factor to build up and enrich the democratic process. At the same time as the educational level and political consciousness of the population increases, more people become active in social development. It is important for a further democratisation that civil society is both strengthened and broadened so it can participate in social development.

2.3. A functioning system of justice is important to protect the poorest

Mozambique's legal system is on the whole an inheritance from colonial times. A major task is to change the legislation, but this takes a long time. The state's accountancy law is from the end of the nineteenth century. During 1997, however, a framework budget law was adopted which forms the point of departure for improvements to the national system of accounting. A new classification system based on the framework budget law was introduced in the 1999 budget and extended in 2001. Major reforms in the state financial sector and its legislation are under way and it is estimated that a completely new national accounting system will be introduced in the year 2004. One is also building up a national auditing agency, *Tribunal Administrativo*. One of its first tasks was to scrutinise the national accounts. This was the first time in 25 years that this occurred. These reforms contribute to increasing transparency and reducing corruption in the official systems.

Traditional laws and colonial norms and values dominate society. They often discriminate against women. Civil legislation from 1967 contains several sections that are directly discriminatory. For example, according to the law, the man is the head of the family, has sole right to make decisions affecting common property and has a higher permitted marrying age than women. Abuse of women is common, and there is a widespread understanding that the man as the head of the family has the right to exercise violence against other family members. The norms that exist in society stand in stark contrast to the 1990 constitution, which entrenches equality between women and men, and Mozambique's ratification of the Convention about the Elimination of all Forms of Discrimination against Women (CEDAW). The task of drafting new family legislation is under way, and there is a campaign to change the discriminatory parts. Values and social norms will, however, take a very long time to change.

An educational programme within the police force is underway with the aim of achieving a more egalitarian way of dealing with domestic violence.

There is a great deal to wish for in terms of respect for human rights, even if improvements are perceptible after the peace accord of 1992. Mozambique has ratified all the central UN conventions about human rights, in addition to the convention about economic and social rights. Major problems, however,

still remain that arise from a traditional view, out-dated legislation, an inferior system of justice, and widespread poverty. A national plan of action to follow the intentions in the Convention on the Rights of the Child has not yet been completed.

In the justice system there is a major lack of educated judges, lawyers and police. As a result of the war, poverty and developments in the region, crime has increased markedly in the country since the beginning of the 1980s. Many criminal acts are never properly investigated, which results in long detentions in overpopulated and disgusting prisons where conditions are dangerous to health. Accusations of violations by the police are common, but are seldom followed up by the authorities. The system of justice generally functions badly, which entails corruption in all parts of the system and increased lawlessness, particularly among the poor.

Improvements are difficult to carry out, not least because this sector is the most poorly supplied with competent personnel and appropriate infrastructure. It can even be extremely dangerous for staff to deal with certain sensitive cases. Even the legal sector's new and desirable independence from the state makes it difficult to reach an agreement about what should be done, how and by whom. A major input to support development of the system of justice is, however, under discussion and is essential for peace, democracy, human rights, governance and combating corruption as well as growth in the country.

3. Economic Development and Earning a Living

Mozambique's economic growth rate has developed very positively during the 1990s, at the same time as the rate of inflation has fallen appreciably. This improves conditions for reducing poverty in the country. The peace accord of 1992, market economy reforms, democratic elections, returning refugees and advantageous climatic conditions have played a major role. The GNP increased from a real growth rate of less than seven per cent on average during the years 1987–95 to ten per cent per year during 1996–99. At the same time the rate of inflation fell from about 50 per cent during 1995 to just under three per cent for 1999. Per capita income increased by about eight per cent on average every year between 1996 and 1999.

During 2000 the economic growth rate slowed down to about 2,1 per cent, which means a reduced per capita income. Growth was 6 percentage points lower than expected, mainly because one could not foresee the devastating floods that hit the country during the first half of 2000, nor the deteriorating situation in Zimbabwe. Both of these events affected Mozambique's economy negatively. The UN estimates that at least a third of the country's harvest and cattle were lost in the floodwaters during 2000. Inflation rose again after the floods, which created shortages when important transport routes were destroyed, and was measured at just over 11 per cent up to and including the month of December.

During 2001 the indicators point to a recovery, although floods recurred on a large scale in the country's central parts. The economic growth rate has been stimulated by all the reconstruction work after the floods of the previous year. In addition, it is expected that Africa's greatest direct foreign investment, the aluminium smelting plant *Mozal*, will produce and export aluminium on a large scale. Other production for export and import substitution may increase as a result of the increasingly weak currency. There is a risk that depreciation of the currency may lead to increased inflation. Additional factors leading to insecurity are the response of the economy to serious problems in Mozambique's financial sector as well as the weakened political stability.

The government's five-year plan for 2000–2004 assumes an economic growth rate of 7–9 per cent per year on average up to and including the year 2004. This is consistent with the growth rate that is foreseen in PARPA/PRSP. There is potential to increase productivity in agriculture and there are unutilised land resources to be farmed. There is increased capacity to exploit energy and minerals. Further opportunities for growth exist in employment opportunities and opportunities to trade along the transit corridors. A continued rapid economic growth rate assumes, however, that the political situation stabilises and that the economic reforms go further. A rapid economic growth rate can exact a toll of environmental and natural resources, which would entail that environmental problems may pose obstacles to further development. Mozambique's economy, which is largely based on natural resources,

will in the long term be dependent on sustainable solutions to avoid future environmental problems and overexploitation of its assets.

Mozambique's market economy is still young and vulnerable. Many of the factors which explained the positive developments during the 1990s were one-off events which contributed to short-term upward shifts in the growth rate. For example, the peace accord facilitated an increased production capacity and the return of refugees led to increased agricultural production. Deregulating prices led to new conditions for production and trade. This is a well-known pattern in poor countries that have moved from war to peace, and from central planning to economic liberalisation. The economy responds directly and positively to liberated capacity, but to achieve long-term sustainable development, it demands what are usually called "second generation reforms". This means in the first place, institutional reforms that *inter alia* aim to improve the investment climate so the private sector is able to grow.

3.1. Economic growth must be sustainable

In a country as poor as Mozambique it is absolutely necessary to have strong and sustainable economic growth. Not a single example from another country indicates that deep and widespread poverty can be eliminated without the help of a substantial growth of resources. Above all, it is through creating more employment opportunities and improving subsistence farmers' possibilities of making a living, that growth can reduce poverty. Major foreign direct investments also help to create welfare, particularly if there is a functioning system for income distribution. Economic growth is thus not a sufficient prerequisite. There must be long-term, sustainable and economically sound growth to benefit the poor.

The most important economic sectors where the most people work are farming, fishing and forestry. That work in these sectors should be done in an ecologically sustainable way is important not only for people today, but also for future generations. Poor people are particularly exposed to environmental deterioration and are dependent on good environmental conditions for earning a living. Environmental problems can also create and reinforce poverty. Conversely, a good environment favours poor groups and provides conditions for long-term survival and self-sufficiency.

3.2. Bureaucracy and corruption hinder development

For a number of years Mozambique has followed a well-balanced economic policy that has resulted in stability and high growth. The successes have been achieved through consistent policies to combat inflation via *inter alia* extensive deregulation and through privatisation of parastatals. Extensive development co-operation has contributed to the successes through the government being enabled to conduct restrictive financial policies that have reduced the budget deficit at the same time as social expenses have not been affected by cut-backs.

Institutional reforms and building up a system for good governance, not least a functioning legal system, do, however, trail behind. This has *inter alia* paved

the way for increased bureaucratisation and corruption. In a study of the regulations for starting new businesses¹¹ in 75 different countries, Mozambique's bureaucracy was the second largest. It took on average 174 working days during 1997 to get a new business registered and approved. The study also demonstrated a clear link between the number of rules and corruption. Mozambique was mentioned as being one of the most corrupt countries.

In Transparency International's¹² study about corruption in 90 countries, Mozambique was rated as one of the ten most corrupt countries. According to a study jointly financed by NORAD and Sida, corruption in Mozambique increased during the past 10–15 years. The study concludes that the political decision-makers have not demonstrated any political will to end corruption. Although corruption could be shown to be part of a development co-operation project¹³, for example, no official judicial measures were taken. In the World Bank's latest study about administrative obstacles to entrepreneurship¹⁴, however, it is pointed out that the government has passed about 50 laws and decrees that aim at reducing the bureaucracy. Since it is not adhered to in a consistent way by decision-makers, the situation for investors has not in practice changed since 1997. On the contrary, areas are identified where conditions have deteriorated, e.g. when comes to the possibility of obtaining land and employing foreign workers.

Mozambique's growth is governed by both domestic and external factors. Of the internal factors, agricultural production and domestic consumption are decisive. Growth has hitherto primarily been explained by increased production in agriculture and in the industries that produce for the domestic market. This trend is, however, in the process of turning, and external factors are becoming more important for growth. Mozambique lies second on the list of countries in Africa where major foreign direct investment is planned. Investments totalling over six billion US dollars are planned in the coming years, of which two billion US dollars are already invested.

Southern Africa's greatest industrial investment in a long time has for example been located in Maputo City. The recently constructed aluminium smelting plant *Mozal* is a so-called mega-investment of 1,3 billion US dollars. The machinery and equipment for the smelting plant is imported and the finished product is exported. The work is capital intensive, and offers only a few permanent posts. Mozal contributes to a great degree to the country's growth, but a growth which the country itself has difficulty in planning and controlling. This is a typical example of transnational companies' global strategies in relation to which poor countries' negotiating position is weak. Mozal would doubtless have been able to contribute more to increase welfare for the poor, had not the government granted total tax exemption.

¹¹ NBER Working Paper 7892, September 2000, "The Regulation of Entry".

¹² According to Transparency International's "Corruption Perception Index", September 2000.

¹³ Corruption was noted during the mid-1990s in a Sida/NORAD-project "PESU" in Mozambique's agricultural ministry and in a USAID-project about food supply.

¹⁴ Foreign Investment Advisory Service, IFC and the World Bank, "Mozambique: Continuing to Remove Barriers to Investment", March 2001. NB This is a follow-up study of the World Bank's "Red Tape Study" of 1997.

The example of Mozal reveals the government's ambivalence when it comes to how growth is to be created. On the one hand, Mozal has been able to negotiate improved conditions with a number of exceptions from current regulations and routines, for example, environmental demands, labour legislation and taxation. The government is afterwards able to use Mozal as an inducement to attract more major private investors. On the other hand, the government is adopting measures that complicate the establishment of businesses. For example, legislation for work permits has recently changed, making it more difficult and expensive to employ foreign citizens. This, together with the corruption already mentioned, are reasons for investor optimism and confidence falling again¹⁵.

3.3. Growth occurs primarily in Maputo

Despite the foreign direct investments of recent years, the degree of industrialisation is still relatively low. The industrial and transport sectors together make up about a fourth of GNP, and it is the most rapidly growing sector. During the past fifteen years, three out of every four new industries were registered in Maputo/Matola. The industrial sector is also concentrated to a few major producers, active above all in drinks, tobacco and electricity production. Nearly all former parastatals are now privatised, which doubtless has increased productivity generally, but at the expense of major losses of employment opportunities, because of the closure of unprofitable units. Since the most profitable companies were located in Maputo City, the employment cut-backs have in the first place affected other parts of the country.

The main part of the service sector is also located in or around Maputo City, which contributes to the regional imbalance. Another contributory factor is that development co-operation primarily targets the southernmost part of the country¹⁶. Development co-operation also gives rise to "circles within circles" in the form of related activities that are not directly dependent on development co-operation. Over a third of the country's GNP is produced in the Maputo area, which is also favoured by a more rapid rate of growth than other parts of the country¹⁷.

Proximity to South Africa and the relatively well developed infrastructure in the so-called Maputo corridor is probably the main explanation for why the establishment of nearly all new business occurs in Maputo City. Another explanation is that the consumers with the greatest spending power are in Maputo. To achieve a more balanced and sustainable development and growth in the whole country, active and effective regional policies are re-

¹⁵ According to KPMG's latest "business confidence index", which is based on interviews of about 100 investors in Mozambique during September 2000.

¹⁶ Nearly 30 per cent of member countries' total development co-operation has gone to Maputo City, "European Union Member States and the Commission on Official Development Aid to Mozambique", September 1997.

¹⁷ One attempt to break up the country's GNP into regions is made in UNDP's "National Human Development Report, 1999". Here it is shown that 36% of GNP comes from production in Maputo City, 12% from the country's southern provinces, 31% from the central parts and 21% from the north.

quired. Mozambique's experiences of regional politics hitherto have unfortunately not been particularly encouraging. Major state investments in textile factories in rural areas did not lead to positive outcomes. The out-of-date cashew industry rapidly ground to a halt with the loss of thousands of jobs for women, for instance, when the World Bank and the IMF demanded fewer state subsidies at the same time as the industry was exposed to foreign competition.

To spread private investments to other parts of the country demands *inter alia* a powerful modernisation of the infrastructure and also investments in education and health care. Since the private sector is not capable of financing these investments alone, the government, supported by international financing institutions, must steer official investments to the country's different regions. A complementary alternative is to utilise the comparative advantages of the Maputo area to attract more investors, and, via the tax system, to distribute this income to the whole country.

3.4. Inferior infrastructure and lack of trading systems hinder growth in agriculture

About 85 per cent of the population lives in rural areas and primarily makes a living from agriculture. Despite this, agriculture contributes only about 30 per cent of GNP. Yields and productivity are low on the small subsistence farms which are primarily used by women for their own households. Women's control over the land and access to credits, "extension services" and modern technology is limited. This often leads to lower productivity. Often there is also no motive to increase productivity. It is difficult to store or sell the surplus, and the infrastructure is poor, which makes it difficult to find produce markets. The use of improved seed, artificial fertiliser and chemicals in agriculture is thus low. One of the most important incentives to increase agricultural production is the existence of a functioning trading system. To recreate such a system in Mozambique is fundamental to promoting sustainable growth, which can be to the advantage of poor people.

3.5. Importance of alternative occupations for the rural population

Finding an opportunity for an occupation outside agriculture is a important part of people's survival strategy. To a greater extent than women, men look to towns and other countries to try to find an alternative occupation. The country's southern provinces in particular are still characterised by a migration economy, which entails that more women than men live in rural areas. The households headed by women, where men are migrant workers, have on average a higher level of consumption than other households.

Women look to the informal sector, which is characterised by easy access and labour-intensive, cheap and simple technology. More than 60 per cent of the economically active women are occupied in the informal sector. This is a very high figure in international comparisons, which may depend on the formal labour market's slow development and the fact that women have more diffi-

culty than men in gaining access to the formal labour market. Women are certainly discriminated against by employers, but they also have a considerably lower educational level compared to men. As long as employers continue to discriminate against women, and as long as women have lower educational levels than men, the informal small-scale sector will continue to be women's first option when trying to earn a living.¹⁸

Inputs in education for above all women cannot be underestimated, since better education has a number of positive consequences for the possibility of reducing poverty. It would increase women's opportunities to enter the formal labour market. It would also lead to healthier children and higher household incomes. According to the poverty study of 1996–97, children in households where there is at least one woman who can read and write have a considerably better nutritional intake than children in households where there is no literate woman. In addition, it shows that the consumption level is 23 per cent higher in households where there is a woman who has completed her primary education.

3.6. Ownership is an important incentive for economic and democratic development

The right to use the land is important to increase farmers' opportunities and incentives to invest in new technology. The new land law passed in 1997 is a major step forward. Equal rights to land for women and men is stipulated, and the possibility for joint usage rights. Farmers are in practice owners of the land they use through long leases which can be inherited. Formally the state, however, owns all the land, which has proven to be a problem when trying to use plots of ground as security for credits. Another problem is the widespread illiteracy among women in rural areas which means that few women know their rights or how they should act to mobilise these rights.

3.7. Environment and development

In comparison with other countries, environmental problems in Mozambique are slight and very localised. To safeguard ecologically sustainable economic development it is, however, already necessary to adopt measures and increase environmental awareness to forestall future problems and damage. Adverse influence on the environment is now most tangible along the coast and in relatively densely populated towns. Slash-and-burn farming methods and the need for fuel, food and building materials involve a serious drain on natural resources and results in deforestation, which in turn leads to land degradation and erosion. Control over the behaviour of foreign businesses, particularly forestry companies, is almost non-existent. The lack of good water supplies and a functioning system for sanitation, in combination with increasing amounts of waste, increases the risk of the spread of infectious diseases and affects the quality of the water.

¹⁸ See the UN's "United Nations System in Mozambique Common Country Assessment (CCA)", August 2000.

The problems of erosion, fish depletion and the destruction of vegetation areas and ecological systems have been demonstrated along the coast. These areas are also exposed to pollution because of increased agricultural activities. It can be foreseen that increased utilisation of mineral resources, offshore oil and natural gas will have further negative effects. Increased tourism without proper physical planning and environmental impact assessment can put further strains on the coastal environment. The public's formal consciousness and knowledge about environmental issues is very low.

Access to water is an important issue for the future, nationally, regionally and locally. Mozambique's fresh water largely comes from rivers that flow through other countries before, often polluted, they run into the sea through Mozambique. In future, demand for water will rise as a result of the development of the agricultural and industrial sectors. This may lead to further deterioration of water quality and supplies, and increase the risk of conflicts on water issues. The shortage of potable water is and will continue to be a problem in both urban and rural areas.

Without knowledge and understanding of the importance of environmental issues and natural resources, it remains difficult to achieve sustainable development. The state's capacity to deal with environmental issues and natural resources is weak. A few non-governmental organisations are working with environmental issues, however, they focus on conservation rather than improved environmental quality. Mozambique needs thus to create a clear framework for sustainable development and a basic level of knowledge about the importance of these issues. Environmental legislation and strategies need to be worked out. Important public authorities, institutions, non-governmental organisations, and not least the media, need to be strengthened in different ways to be able to work towards sustainable development in the country.

An environmental ministry (MICOA) was established in 1994 and was followed by a national plan for environmental control in March 1995. A framework law for the environment was passed in 1997. It is not involved in regulating details, and an adaptation of the relevant sector ministries' legislation is still missing. The process for assessing environmental impact has been regulated since 1998. Even though there are still gaps in the legislation, the greatest problem is the application and enforcement of legislation, given MICOA's poor capacity.

3.8. Vulnerability to natural disasters

Mozambique is very vulnerable to changes in the weather and natural disasters of a climatic nature. Since independence the country has been hit by several periods of drought and by floods, and these have a strong correlation with low economic growth and high official debt. Flooding in 1977–78, the extended drought of 1980–83, floods in 1984–85, periods of drought in 1986–87 and 1991–92, as well as the latest floods in 2000–01 are contributory factors to Mozambique's per capita income today being generally at the same level as at independence in 1975¹⁹.

¹⁹ According to Alessandro Rebucci, "Why did Mozambique fall into debt? Mozambique's debt burden in historical perspective", IMF 2001, where GNP/capita in 1973 was about 200 US\$.

The floods of the past two years which led to loss of human life, personal property and great damage to harvests and infrastructure, are a reminder of Mozambique's vulnerability. What happened reveals the need for a system, resources and preparedness to forecast and as far as possible to avoid disasters and, when they nevertheless occur, to minimise the damage. In addition, it revealed the need for a carefully prepared and co-ordinated control over the dams along the major rivers. This is specially important bearing in mind the process of marginalisation, which entails that the poorest often are the most vulnerable to the effects of disasters. As the origin of the floods largely lies outside Mozambique, regional inputs are also required, see 5.4.

3.9. Poor domestic mobilisation of resources

The possibility of distributing income from the richer parts of the country to the poorer is one of the most important policy issues donors can raise with recipient governments. The other side of the coin is to attempt to reduce dependence on development co-operation through increased domestic mobilisation of resources. Mozambique's official income is about 12 per cent of GNP during a "normal year". The majority of taxes come from VAT, which means that consumers mainly carry the tax burden. The collection of taxes on business profits is to about one per cent of GNP. The government has offered generous tax exemptions to attract investors. The extent varies, but there are examples of investors who have been promised tax exemptions for 25–30 years.

The government has declared that its goal is to increase the state's income to 15 per cent of GNP up to and including 2005. This means floating a radical tax reform that includes making tax collection more efficient, reviewing tax remissions and reforming income tax. A new taxation law is being worked out. The government also has far-reaching plans to set up an independent tax collection agency.

The introduction of tax reform is also important in relation to SADC co-operation. The signing of SADC's trade protocol assumes both a phasing out of customs incomes and the harmonisation of taxes with a mobile base, in the first place company taxes, with other SADC member countries.

3.10. Problems in banking sector increase the budget deficit and internal debt

Two of Mozambique's 10 commercial banks have incurred major losses on loans. Although both banks were privatised in 1996 and 1997 the state retained major shareholdings. Together with private shareholders, the state has recapitalised Mozambique's largest commercial bank, Banco Comercial de Moçambique (BCM). This has involved great costs for the national budget, both in the form of one-off expenses to issue government bonds and in the form of annual interest payments. The state's internal debt has increased by over 80 million US dollars, or about 2 per cent of GNP. The cost of interest payments is estimated to be about 18 million US dollars per year in the coming decade.

In April 2001 the state took over ownership and responsibility for Mozambique's third largest bank, Banco Austral (BA). As shareholders, private shareholders and the state could not agree about making up for the capital deficiency. The government wants to sell the bank, and has approached an international financial company to do this. At the latest by September 2001 a contract should be signed by buyer and seller, otherwise BA will go into liquidity. Before the bank can be sold, however, the state must add capital. The bank's losses due to bad loans are, however, at least 90 million US dollars.

Problems in the country's banking sector led to an intensified dialogue between Mozambique and donors. After the annual review²⁰ (Joint Donor Review) of the macro-financial support several donors decided to wait with the year's disbursements until Mozambique could show how the bank question would be handled and what the implications bank losses would have on combating poverty. The IMF made the same assessment, and postponed treatment by the board of PRGF. Since PRGF is a prerequisite for decisions about HIPC-II, this also entails that the HIPC-II initiative was postponed.

Progress has subsequently been made in the bank problem and the government has shown determination to deal with the problems. It has given the undertaking that expenditure on the poverty programme will not be affected by cut-backs. The government has held discussions with the IMF and World Bank above all, and made attempts to recoup insecure bank loans. Together with the IMF, the government has also started supplying ongoing information in discussions with bilateral donors. It appears that a strategy exists for how to correct the problems. The financial system and the bank inspectorate will be improved, with assistance from the IMF. The legal system must also be improved. Determination to deal with the problems, and the improved transparency and dialogue, have led the IMF to say that the PRGF credit will probably be approved by the fund's board in September and that HIPC-II can be subsequently implemented. The nine bilateral donors reassessed the situation and disbursement of the budget support for 2001 has been resumed.

²⁰ It was recommended during the annual negotiations in May 2001 that Belgium, Denmark, Norway, the Netherlands, Ireland, the European Commission, Switzerland, Great Britain and Sweden should wait and see before making disbursements.

4. Social and Human Development

Social and human development is generally low, and is characterised by major gaps between men and women primarily, and between the city of Maputo and the rest of the country. In June 2001 the UNDP presented estimates of the country's Human Development Index (HDI) for all eleven provinces. The HDI of Maputo City appeared to be double as high as the national average. All components in the HDI were more positive for Maputo than for any of the other provinces. Life expectancy for example, is nearly 60 years in Maputo City, instead of 43 years which is the average for the whole country.

The range of social services is generally low, but it is still lower in rural areas than in towns. According to the national budget, however, education and health have been allocated increased resources. Yet resource allocation from the national budget to education as a proportion of GNP is low in comparison with other African HIPC countries. No development co-operation project or programme, with the exception of support to the budget, however, is mentioned in Mozambique's national budget.

Despite increased budget resources, the caring services continue to be of poor quality. Resources are unequally distributed, with per capita spending that is more than four times higher in Maputo City than in Zambézia and Nampula. The poorest are ill more often, but nevertheless seek care to a lesser degree than those who live above the poverty line. The lack of health care, hygiene and potable drinking water means that preventable illnesses are still very common. Malaria, measles, diarrhoea and illnesses of the respiratory tract continue to be the main causes of death in children. Child mortality remains high, on average one in five children die before the age of five years. The infant mortality rate is one of the highest in the world, with over 10 per cent of all children dying before they turn one year old. In Maputo City the infant mortality rate is somewhat lower, 6 per cent, while over 18 per cent of all infants die in Zambézia.

Poor food security contributes to malnourishment. Although the country is now virtually self-sufficient when it comes to basic foodstuffs, for several months before the harvest, the average rural family experiences a period of hunger, and up to a third of all children are malnourished.

The health care system is poorly equipped to receive HIV/Aids patients and the disease also badly affects those families who, with small means, must care for a person who is ill for a long time. The patient is usually an adult who should have shared the burden of making a living with other economically active people in the household. The mortality of mothers has risen and is one of the highest in the world (one mother dies per hour). The increasing spread of HIV/Aids means that HIV-positive mothers generally have lower resistance and are more easily affected by different types of infections in connection with the birth.

4.1. Low educational level is one of the most serious problems

The low educational level is one of Mozambique's most serious problems and restricts development in all sectors. The poverty study pointed out that there is a clear and strong positive correlation between household welfare, particularly children's, and women's education. The education of girls and women was identified as one of the most effective measures for reducing poverty. In 1999 the proportion of girls was 42 per cent in grades 1–5 and 38 per cent in grades 11–12. The proportion of women teachers is about 20 per cent.

Only 15 per cent of women in rural areas can read and write in comparison with 44 per cent of men. In towns every other woman and four of five men can read and write. If the regional dimension is added, the figures reveal even greater inequality: 14 per cent of women in the northern region are literate in comparison with 93 per cent of men in Maputo City.

The degree of enrolment in grade 1 has increased markedly since the peace accord in 1992 and is now at 93 per cent. Many pupils, however, break off their schooling too early. Only 35 per cent continue to grade 5 and only 14 per cent continue in grade 7. The goal of primary education for all up to and including the year 2004 thus appears to be very difficult to achieve. The number of pupils who do not complete their education varies greatly both between urban and rural areas, and between girls and boys. One important reason for why pupils do not complete their studies is that many primary schools are not complete and that only the lower grades exist. Other reasons are that what is taught in school is not linked to the lives that people lead, that household work receives priority, that the cost of education is too high, and/or that early marriage and childbirth involve difficulties in participating in classes. The proportion of girls in the classes is generally lower than the proportion of boys, and many girls never complete their studies. The lowest proportion of girls are in schools in the provinces of Sofala, Zambézia and Nampula (40 per cent on average), while the highest proportion of girls are in Maputo City (49 per cent). At the secondary school level, the indicators are even more skewed.

The education ministry has adopted a plan for increased and less discriminatory participation for girls at school. Girls' attendance ought to increase by one percentage point per year till 50 per cent is reached. Pregnant girls are to be permitted to remain at school and more women teachers are to be recruited.

The unit cost for a pupil in primary school is low, while both the unit cost for a pupil in higher education and the administration costs are high in comparison with other African countries.

Several new universities have been built up in recent years, also outside the capital. A new Ministry for Higher Education, Science and Technology was formed in January 2000 to reinforce a more integrated view of education. During the year the ministry has compiled a strategic plan which emphasises the importance of spreading the opportunities for higher education. The ministry seeks both a geographic and social spread, at the same time as the content and level become better adapted to what Mozambique needs as a developing nation.

4.2. Culture is a building block for democratic and peaceful development

Participation in culture and access to cultural activities are part of social and human development and are also a human right. People take part and form a culture at the same time as they are formed by it. Mozambique's government emphasises culture's role in a democratic society and for the process of reconciliation. To unite a people is not simply done through material changes but also through creating understanding for the values and traditions that form part of people's existence.

Mozambique is one of the few countries in southern Africa which has a ministry for cultural issues; however, it has very limited resources. Artistic subjects do not exist in the curriculum today and opportunities for higher artistic education hardly exist. Despite this, Mozambique has a very extensive good quality musical and artistic life which has substantial development potential. The country has a certain modern infrastructure for cultural life, like museums and lesser cultural centres which could be developed into community centres, libraries or IT centres. An earlier cultural policy directed at controlling culture has been abandoned and replaced, in the framework of limited resources, by a very much more open and free attitude.

4.3. Mines hinder development

Mines and undetonated ammunition (UXO) from the days of the liberation and civil wars still claim victims, even if to a smaller extent. The problem is dealt with through conscientising campaigns and clearing of known minefields. Mines put obstacles in the way of rational maintenance of infrastructure, like bridges and electric lines, but also prevent people from using the land to settle on and for agriculture. Minefields in certain cases force people to make long detours to reach water, schools and social services. Mine-clearance will successively be nationalised and become like emergency services, but clearing of known minefields will have high priority and must surely continue for the next five years.

5. Regional and global perspective

5.1. Trade policies

Mozambique has implemented important trade reforms since 1987, with accelerating speed in later years. The reforms have resulted in a significantly more open trade policy mainly based on customs dues in contrast to less transparent trade barriers. Customs dues (an average charge of 14% in 2000) are among the lowest in southern Africa. Significant reforms have been carried out in the framework of Mozambique's membership of the WTO. In recent times, Mozambique has also started reforming trade policies in line with its membership in SADC.

From a trade perspective, WTO membership is in many aspects more important than the SADC agreement. In addition to direct trade policy reforms, the membership also covers a number of trade related areas like customs procedures, technical requirements, sanitary and phytosanitary regulations and questions of non-material rights. Having LDC status, Mozambique is granted exceptions or postponement of certain conditions and demands.

SADC members plan to implement a free trade area, but the protocol has not yet been signed by all the countries involved. For Mozambique, SADC's trade protocol and supplementary agreement came into force during 2001. More than 40% of Mozambique's trade is with South Africa, Zimbabwe and Malawi, countries which are also members of SADC. In addition to the advantages of more open trade, it is important to be aware that the economically strongest countries have an advantage, and that Mozambique's own manufacturing industry will be subject to tough competition. To belong to a free trade area makes great demands on the government's commercial policies. The level of costs is considerably lower in South Africa, while the level of knowledge is considerably higher than in Mozambique. Trade liberalisation in the framework for SADC will hopefully lead to more trade, yet the danger exists, as with all regional trade agreements, that trade with countries outside the free trade area will be negatively affected.

In the framework of several agreements, one finds offers of increased access for Mozambique's exports to a number of markets in industrialised countries. Examples of such agreements are the EU's Cotonou Treaty and the Everything But Arms (EBA) agreement, USA's African Growth and Opportunity Act (AGOA), the Generalised System of Preferences (GSP) which is offered by most industrialised countries, and the Indian Global System of Trade Preferences (GSTP). In these agreements, however, strict country of origin regulations are in force, which in themselves may be an obstacle to exports. An exception is export to the USA of certain textile and clothing goods which can be exported free of customs dues under AGOA, irrespective of where the product's raw materials originate.

Mozambique has removed most trade restrictions and simplified its customs procedures. A considerable amount still remains to be done so that a sound

trade policy can emerge. Customs and other trade restrictions on certain goods need to be reviewed. There is a complexity in relation to trade obstacles for certain goods, which is discussed in the next paragraph. In the framework of the WTO, Mozambique has pointed out that technical support is needed to be able to implement its trade reforms.

5.2. EU's agricultural policies affect Mozambique's opportunities to use its comparative advantages

One obstacle to development are the EU's agricultural subsidies, which in some cases mean that EU agricultural produce that is sold in countries outside the EU region enjoys subsidies. This in turn depresses world market prices, which is why countries that do not subsidise their agriculture cannot compete on the same conditions. One example is the EU's subsidies to sugar beet production in Europe. Although sugar production from sugar cane is considerably more efficient than from sugar beet, sugar cane production is hard hit as a result of skewed competition. This leads to many countries seeing themselves forced to introduce obstacles to free trade to protect their own production.

Mozambique has good conditions for sugar cane production with fertile soil, proximity to water and a low level of pay. Mozambique's sugar cane plantations were, however, destroyed during the war of destabilisation. In recent years re-establishment has begun. The country's policy is that Mozambique should make use of its comparative advantages. In addition, sugar cane cultivation offers many employment opportunities. To protect its own sugar industry the government has recently decided to introduce high import duties on sugar. The negative side of such a policy is that the domestic sugar production nevertheless runs the risk of being destroyed by sugar smuggled in from the highly effective sugar cane cultivation in South Africa and Swaziland. The cost of the enforced trade obstacles can thus be assumed to be high for the country in the long term.

Mozambique faces another policy dilemma which is partly a response to the EU's agricultural policies. In co-operation with the IMF, the World Bank, the WTO and SADC one is working to liberalise foreign trade, which *inter alia* includes import duties. Flawed coherence and unequal conditions concerning trade are central political issues affecting Mozambique's development opportunities.

5.3. Political and economic development in the region

The transformation to majority rule in South Africa meant that the economic and military destabilisation of neighbouring countries ended. Then the work of reconstruction could begin in Mozambique. Activity in harbours and transit corridors has increased and Mozambique is busy filling the role of "transit country" in the region. The altered conditions have also led to South African investors looking for new opportunities in Mozambique, above all in sectors like energy, transport, agriculture and tourism. Development of the so-called Maputo–Witbank corridor which links Maputo with the Johannesburg

area is far advanced. A new toll road is expected to be of great importance for economic exchange between these countries.

The economic deterioration in the region for two of Mozambique's most important neighbouring countries, South Africa and Zimbabwe, has also serious consequences for Mozambique. The falling price of gold, the exodus of important South African businesses and the weakened South African Rand has, for instance, meant that the number of Mozambican migrant workers has fallen. This in turn affects above all households in the southern provinces, where migrant workers' wages traditionally have been an important source of income. The weak Rand opens the way for cheap imports of all goods, which in principle is good for Mozambique, but also means that the competition threatens Mozambican production. The unstable situation in Zimbabwe affects Mozambique, particularly in its role as transit country and as exporter of electric power from Cahora Bassa. Trade in the Beira corridor has fallen drastically, which is especially marked in Beira's harbour. Zimbabwe has, in addition, a large debt to Mozambique for unpaid oil imports. Furthermore, the income from electric power exports to Zimbabwe has, on the whole, not materialised.

5.4. Need for regional co-operation to deal with vulnerability to natural disasters

The floods of 2000 and 2001 were a reminder of the need for systems and preparedness to forecast, and if at all possible to prevent, disasters and, if they nevertheless happen, to contain the damage. Mozambique's rivers originate in neighbouring countries. When heavy rains affect the whole sub-continent, as happened in 2000, international co-operation is required in terms of meteorological and hydrological prognoses, warning systems, operation of dams in the entire river systems, and finally, resources for the evacuation and the supply of food to the affected population. Such systems were either not in place or functioned badly when cyclones hit southern Africa in the year 2000.

6. Development Co-operation and Dependence on Development Co-operation

Mozambique is extremely dependent on development co-operation for its development. Since 1986 the country has accepted close to 8 billion US\$ in development co-operation²¹. According to PARPA, the government is counting on continued comprehensive development co-operation, to be able to implement poverty strategies, on average 550 million US\$ annually up to 2010. Development co-operation currently finances about 50 per cent of the state's expenses, 75 per cent of official investments, and makes up 17 per cent of GNP. That a large part of development co-operation is channelled parallel to the national budget is unsatisfactory from the viewpoint of efficiency and democracy. It means that parliament's opportunities for insight in the planning and implementation of development co-operation are restricted. Exchange of information often occurs in an overall plan between donors, but co-ordination is not systematised when it concerns the production of development co-operation. Major advances have, however, been made in recent years.

To get a picture of which donors are to be found in different areas you are referred to Appendix 2. Most donors combine support to one of the social sectors with support to agriculture and/or infrastructure. Several donors combine support on a national level with support to single or several sectors in one or more chosen provinces. There are a number of provincial programmes, for example, Denmark is the largest donor in Tete and Holland in Nampula.

The provincial division has both advantages and disadvantages. Among the advantages are that resources are given to the provinces, opportunities to reach out to target groups with support increase and the capacity of the provincial administrations may increase. The disadvantages are that when different donors pursue their own programmes in the various provinces, the country runs the risk of landing in a situation with a different kind of administration in each of the provinces, which in the worst case perhaps have no links to the national bureaucracy. This may have unhappy political consequences, taking into account the already high degree of political splits and instability in the country, as well as the unequal division of electoral support between the political parties in each province.

6.1. EU's development co-operation

EU's²² development co-operation through EDF has during the latest five-year period gone to: infrastructure with focus on the transport sector, macro-financial support, health, democratic governance, rural development and water. EU is expected to propose to the EDF committee that the coming country programme should focus on macro-financial support, agriculture/rural development and infrastructure, and above all on the roads sector.

²¹ World Bank, 2000, Mozambique: Country Assistance Strategy.

²² Country Support Strategy for Mozambique, 2nd draft, 2001, European Commission.

Appendix 1: Key data for Mozambique²³

Number of inhabitants	17.3 millions (1999)
Area	801 600 000 km ²
Population growth	1.9% (1999)
Life expectancy	43 years (1999)
Infant mortality rate	131, per 1000 live births (1999)
Child mortality rate, under 5 years	203, per 1000 live births (1999)
Literacy rate, men	59% (1999)
Literacy rate, women	28% (1999)
% Population poor	70% of population less than 0.40 US\$ per day (1997)
HIV/Aids, adult	14,5 % of population is infected (1999)
GNP	4.0 billion US\$ (1999)
GNP/capita in current prices	230 US\$ (1999)
GNP growth	7.7% (average 1998–2000)
Inflation	12% (2000)
Foreign aid per capita	6.8 US\$ (1999)
Debt servicing/export completion point HIPC II)	2.8 % (2001, prognosis after (15, 3 % 1999)
Health, % of official budget expend.	14. 4% (2000)
Education,	— ” — 18. 4% (2000)
% of population with access to fresh water	24% (1999)
Proportion women in parliament	28% (after elections 1999)
Prop. women in ministerial posts	16% (after elections 1999)
HDI-index	0.341 (2000)
World ranking HDI	168 of 174, where position 174 means least developed country (LDC) (1998)
GDI (Gender Development Index)	0.326 (2000)
Freedom House Index ²⁴	3.4 Partly Free (2001)

²³ <http://www.world.bank.org>, UNDP, Human Development Report, <http://www.freedomhouse.org/>, <http://www.transparency.org/Mozambique> – Public Expenditure Review – first phase, Aggregate Fiscal Analysis and Fiscal Management Review, 2001.

²⁴ An evaluation of political and civil rights, 1–2.5 Free, 3–5.5 Partly Free, 5.5–7 Not Free.

Corruption Perception Index: corruption) (2000)	2,2 (1,2 most corruption, 10,0 least
World ranking: Corruption most corruption (2000)	81 of 90 countries, where no 90 is
Date In-PRSP	April 2000
Date PRSP	Estimated to September 2001
Date Decision point HIPC-II	April 2000
Date Completion Point HIPC-II	Estimated to September 2001

Appendix 2

COUNTRY DONOR MATRIX FOR MOZAMBIQUE (BY THE EC)

Annual Average Grant Disbursements By Donor And Sector (1998–2001 *; In Million Euro)

National Development Strategy – Key Areas of the PARPA																			
Declared Level of Focus	1. Macroeconomic, Financial and Trade Policies				2. Good Governance, Legality & Justice				3. Human Development				4. Productive sector activity						
	Macroecon. (incl. Budget Support)		Financial and Trade		Education		Health		HIV/AIDS (**)		Agriculture & Rural Dev.		Transport		Energy		Water		
High Focus	EC	(37,9)	Sweden	Sweden	(7,1)	Sweden	(6,1)	UK	(7,9)	UK	(7,4)	USA	(18,8)	EC	(11,9)	Norway	(7,2)	CH	(3,9)
	UK	(24,2)	IMF	Norway	(5,9)	Portugal	(5,7)	Norway	(7,4)	USA	(6,9)	USA	(9,0)	USA	(8,7)	DK	(6,8)	NL	(2,3)
	Sweden	(11,4)		EC	(5,6)	Finland	(4,0)	CH	(6,9)	EC		Germany	(6,6)	Sweden	[7,5]	Germany	(2,4)	France	(1,5)
	Norway	(9,4)		DK	(5,3)	NL	(3,8)	USA	(6,7)	Ireland		France	(3,8)	WB		WB		Austria	(0,6)
	DK	(8,4)		USA	(3,5)	Canada	(3,2)	NL	(4,8)	DK		Sweden	(3,9)					WB	
	NL	(5,4)		NL	(2,3)	Ireland	(2,3)	EC	(4,2)	France		DK	(3,4)						
	CH	(2,5)		CH	(1,3)	UK	(2,1)	Finland	(3,2)	Germany		UK	(3,1)						
	Ireland	(2,2)		Spain	(1,2)	DK	(2,0)	Spain	(2,7)	WB		Ireland	(3,0)						
	IMF			Austria	(1,0)	France	(1,9)	Ireland	(2,2)			Italy	(3,0)						
	WB			Ireland	(1,0)	Spain	(1,8)	Italy	(2,2)			Spain	(2,1)						
Medium Focus				Finland	(0,7)	Germany	(1,5)	France	(1,3)			Portugal	(2,0)						
				UK	(0,2)	WB		Germany	(1,0)			Austria	(0,7)						
				Italy	(0,1)			WB				WB							
				IMF															
				WB															
				Germany	(1,3)	Italy	(1,2)	DK	(2,1)			CH	(2,3)	Germany	(7,5)	Sweden	(2,1)	EC	(1,0)
	Canada	(0,4)	UK	Canada	(0,6)	EC	(0,4)			CH		Finland	(0,5)	France	(2,0)	France	(0,7)	Canada	(0,5)
	USA		USAID	France		IMF				NL		NL		UK	(1,7)			Ireland	(0,3)
										Italy		IMF		Canada	(1,1)			Portugal	(0,4)
										Sweden									
Less Focus												Norway (1,1)							
				Portugal	(0,6)			Canada	(0,6)	Finland				Portugal	(1,4)	Portugal		Italy	(2,2)
								Sweden		IMF			Ireland	(0,5)	IMF		Germany	(0,9)	
								IMF					IMF				UK	(0,7)	
																	DK	(0,4)	
																		Sweden	
																		IMF	
TOTAL		107,9		38,7		36,1		54,1			Portugal (0,9)			Norway	(0,7)		Spain	(0,1)	14,8

Source: Donors, in this version Swedish support is highlighted in bold and italics

Bold : no disbursements, but interest expressed

Italics : no interest expressed, but disbursements For 2001 : forecast expenditure

(**) Disbursements included under 'Health'

Appendix 3: Abbreviations

AGOA	African Growth and Opportunity Act
BA	Banco Austral
BCM	Banco Comercial de Moçambique
CAT	Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CERD	Convention on the Elimination of Racial Discrimination
COMESA	Common Market for Eastern and Southern Africa
CRC	Convention on the Rights of the Child
CSS	Country Support Strategy for Mozambique (EU)
EU	European Union
Frelimo	Frente de Libertação de Moçambique
GNP	Gross National Product
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
HIPC-II	The extended HIPC Initiative
HR	Human Rights
ICESCR	International Covenant on Economic, Social and Cultural Rights
ICCPR	International Covenant on Civil and Political Rights
IMF	International Monetary Fund
LDC	Least Developed Country
NGO	Non-Governmental Organisation
NORAD	The Norwegian aid agency
PARPA	Action Plan for the Reduction of Absolute Poverty
PARPA/PRSP	Mozambique's poverty reduction strategy
PRGF	Poverty Reduction Growth Facility
PROAGRI	Sector programme for agricultural support in Mozambique
PRSP	Poverty Reduction Strategy Paper
Renamo	Resistência Nacional de Moçambique
Renamo-UE	Renamo União Eleitoral
SACU	Southern Africa Customs Union

SADC	Southern Africa Development Community
SCB	Statistics Sweden (Statistiska centralbyrån)
UN	United Nations
UNDP	United Nations Development Programme
UXO	Unexploded Ordnance
WTO	World Trade Organisation



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