IN BRIEF...

Swedish Programme and Budget Support to Mozambique

Swedish programme support to Mozambique started already at Independence in 1975, one year ahead of the decision to designate Mozambique as a "Programme Country" in Swedish development co-operation. Initially the support took the form of Import Support, from which the countervalue financed the state budget. During the first 10 years this assistance was designed to be as flexible as possible and focused on raising the production capacity of the country.

Up to 1985, Import Support to the amount of more than SEK800m at current prices was disbursed, equal to nearly half the total aid disbursements from Sweden to Mozambique during the same period. About 50% of the Import Support was untied.

In 1985, Sweden introduced untied Balance of Payments Support to heavily indebted countries such as Mozambique. After 1987, both the Balance of Payments Support and the remaining Import Support to Mozambique were untied and aimed at assisting in the efforts to transform the economy into a well-functioning market economy. This was linked to the World Bank and International Monetary Fund's package of economic reforms as specified in their Policy Framework Papers.

The conditions for economic development in Mozambique improved after the Peace Agreement in 1992 and the general elections in 1994. Progress was made towards a stable macroeconomic framework, and consistently high economic growth rates have been achieved since then. The country has kept "on-track" with its economic reform package. Mozambique, however, is still one of the world's poorest countries, and additional measures to increase income to the poor were urgently needed. The country joined the Heavily Indebted Poor Country (HIPC) initiative in 1997 and achieved a reduction of over 75% of its foreign debt by its HIPC completion in 2001. In the process it developed a national Action Plan for the Reduction of Absolute Poverty (PARPA, 2001–2005).

Sweden actively contributed to financing Mozambique's HIPC process. Inter alia, in 1998 two agreements on Balance of Payments Support were signed amounting to SEK150m. One was a "traditional" agreement on Balance of Payments Support and the other was directed to the Debt Alleviation Fund.
The contributions to this fund were used for servicing multilateral debt and the budgetary savings were allocated to essential social sectors like health and education, as well as to other programmes designed to reduce poverty.

By the end of 1999, the total disbursement of Swedish Import and Balance of Payments Support amounted to about SEK3.3 billion (at current prices). Most of this (a good 80%) was untied support.
In 2000 Sweden joined other like-minded donors (at present 10) in providing direct support to the country's budget to finance the PARPA. Since then Sweden has disbursed SEK100m per year to Mozambique's budget for use in the country's poverty reduction efforts.

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.

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