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Mozambique

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1 Summary

Mozambique is enjoying its eleventh year of peace since the end of the civil war, and this essential improvement means that the overall quality of life of its population continues much better than it was. The country is one of the few that managed to stabilise peace through democratic process, and despite flaws in performance, its democracy is operating.
At present the country is increasingly turning its attention to the coming of the municipal elections in 2003 and the following national elections in 2004.

Mozambique retains a high growth rate, partly due to high levels of foreign investment and foreign assistance, but it remains the fifth poorest country in the world as measured by the human development index.
Its GDP per capita is around USD 200 per year, which translates into about 90% of the population earning below the $1 poverty line and 70% falling below the $0,50 absolute poverty line. The country is also highly dependent, over half its public expenditure being supported by donors and its aid income amounting to over USD 50 per capita.

The country has been subject to both widespread flooding and persistent drought, which has eroded the capacity of the rural poor to improve their living standards. Human rights observance is weak.
Administrative inefficiency and widespread corruption reduce and misallocate available resources, and combine with unfavourable climatic and health conditions – including rapidly spreading HIV/AIDS – to retain people in poverty. Substantial poverty reduction has apparently not occurred over the past five years, and the performance so far of the country's first PRSP looks a bit disappointing.

The country is however beginning to implement ambitious and much-needed reform plans which have been years on the drawing board; the next few years may be administratively tumultuous as a result.

Swedish assistance to Mozambique, which has been held at a consistently high level since 1975, continues to be focused in the most relevant areas for poverty reduction. As with most donors, it is increasingly provided in the form of a coordinated budget support contribution to the PRSP or to the sector budgets. Last year SEK 440 million was disbursed, and the prognosis this year is 540 million.

Part I

2 Strategic Country Development Trends

2.1 Poverty Reduction : Overall Trends and Perspectives

2.1.1. Poverty and the Impact of the PRSP

Mozambique's PARPA has been used as a good example of local ownership of a PRSP. It was officially adopted by Government in 2001 as part of the HIPC-II conclusion process, and the Government released the first annual report on its implementation in June 2003.

The PARPA can be regarded as a broad development plan for the country with poverty-relevant issues its focus. This is unsurprising, as the 1997 National Household Survey reported that just under 70% of the population should be regarded as "absolutely poor", using a measure which then corresponded to an "absolute poverty line" of 47 US cents – so that around 90% of the population actually fell under the standard $1 poverty line. In unadjusted US dollar terms – using the average annual Metical-Dollar exchange rate – GDP per capita has fluctuated in the range 190–220 USD since 1997, and preliminary data from the first half of the 2002/03 Household Survey, interpreted on the same exchange rate basis, indicate that the described poverty situation measured in USD terms has not changed substantially since 1997. The 2003 Human Development Report also retains Mozambique near the bottom of its list of poor countries, "slipping" from 169/174 to 170/175. The impact of floods in 2000, 2001 and 2002 especially affected the rural poor, and the drought in the South of Mozambique since Christmas 2001 (see 2.1.2 below) has also had damaging effects.

The PARPA identified six "areas" of development as being especially relevant for poverty reduction, namely, education, health, agriculture, infrastructure (roads, energy, water and sanitation), good governance including (community) security, and macroeconomic stability. The Government pledged that two thirds of its annual public expenditure would be made in these areas. All these areas except health are principal components of the Swedish development cooperation programme.

It must be noted that despite improvements in statistical and accounting systems, a great deal of caution has always to be applied to interpreting the data presented by Mozambique. Nonetheless, the report shows improvements in enrollment in education and access to health facilities. The school enrollment improvements have however not been accompanied by quality and pass-rate improvements. It takes 14 years on average

for a pupil to finish 7 years of schooling, and while the gross enrollment rate now exceeds 100%, about 1 million primary-age children are out of school. In health, the impact of HIV/AIDS – with around 14% of the population HIV-infected – is to steadily increase pressure on weak health services so that the improvements in the latter are not that visible.
The Health Ministry estimates that the health network covers today about 40% of the demand.

The production of rural infrastructure and access to clean water is also demonstrated to have increased. However, expansion in both has been less than planned, according to some sources because the flow of funds through the government has been erratic and below budget.

In the agriculture area, results have been disappointing. Food production per capita has just kept up with population growth. The impact of floods and drought already mentioned is of course an important cause of this.

The more solid sector expenditure reviews (SERs) that have been going on in 2002/03 in Education, Health, Agriculture, Roads and Water, with donor and World Bank participation, have thus far produced draft reports which often do not correspond to the PARPA report. It is true that the SER reports are being rediscussed and re-revised, but their picture is nevertheless that the level of success of the first year of the Mozambican PRSP is not very high. To cite the World Bank's SER Green Cover report (dated June 3, 2003):

"… the [SER] review is unified by the following issues common to all the sectors [being reviewed here, i.e. education, health, roads and water][1]:

– a problematic policy process, leading to poor monitoring and serious informational gaps;
– inadequate allocations and/or chronically low execution rates of poverty-oriented expenditures;
– an urgent need for civil service reform;
– the need for progress with decentralization; and
– the devastating impact of HIV/AIDS." (p. 3–4)

The basic PARPA commitment target of two-thirds of expenditure to go on priority sectors has not been attained in 2002. There is some concern that the target was too ambitious; but the situation is somewhat more complex. Counting in the debt service payments, the target was missed in both 2001 and 2002 (64,3% and 61,4%, respectively). A large part of the debt service payments is made on the domestic debt, which mostly arose through the banking crisis of the early 2000's. In this case, debt was incurred – and budget resources were subsequently used – to shore up half-privatised banks that were failing largely due to fraud and corruption.
It was essential for the Government to save the country's banking system, but the outcome is in any case a reduction of poverty spending.

The PARPA report openly reports a worrysome inequality in recurrent spending per capita across the provinces and undertakes a deal of self-criticism for this. Basically, the largest provinces are getting less

[1] The agriculture SER is somewhat delayed.

resources per capita than the small ones. On the statistics, recurrent expenditure in all the provinces is rising in real terms and as a percentage of total expenditure. But Cabo Delgado, Nampula and Zambezia, accounting for about 50% of the population, are consistently below the per capita mean, with Zambezia consistently worst off (at only 40–60% of seven other provinces). (The data provided on investment spending only cover 1998–2000, where the same pattern is evident). This patent inequality needs to be rectified.

The first PARPA report does not present incontrovertible evidence that poverty reduction is occurring as a result of Government efforts; mostly, one can say that access to services is being expanded. There is a lot of work to be done on making government spending effective in terms of service delivery, results and positive poverty reduction effects. The report does not present incontrovertible evidence that government is fully committed on all fronts to reducing poverty; the expenditure is somewhat lower than promised and questions can be raised as to the extent to which the poorest are being benefitted, especially in the area of agriculture. However, on balance the PARPA has brought about greater awareness of and attention to the problems and needs of poverty reduction. We judge that it is worth continuing to finance the PARPA, but the results of its first year and-a-bit are perhaps less than could be expected.

2.1.2. Humanitarian situation

The forecast released by the Food Security and Nutrition Assessment[2], carried out in May–June 2003 by the Mozambique Vulnerability Assessment Committee (VAC), indicates that 659,000 people, or 3.8% of the total population (and 22% of the population in the 50 affected districts) require immediate and continuous food assistance until the next main harvest, which will begin in January in the southern region and February/ March in the central region.

In addition, the VAC identified around 255,000 people who are considered at risk and need to be closely monitored until the next harvest. These people may be particularly susceptible to food and income losses in the third quarter of the year, when food stocks tend to run out, and prices rise, leaving fewer options for obtaining food.

The previous VAC assessment in November 2002 identified 587,000 people in need of help, indicating that there has been a slight overall increase in the number of people in need. In Gaza Province the number increased considerably; in Tete Province it increased moderately, and in Maputo and Inhambane it increased slightly. In Sofala, Manica and Zambézia Provinces the predicted number of people in need declined.

The impact of HIV/AIDS posed a serious threat to limited human capacity and compounded the crisis. Rates of sero-prevalence among adults are still rising and were estimated in November at 13% in Mozambique. The HIV/AIDS pandemic is threatening an entire generation of working-age adults and leaving in its wake thousands of orphans.

In general, the cropping season 2002/03 has been characterized by above normal rainfall in the north, normal to below normal rains in the centre and below normal rains in the south. The first half of the season

[2] The assessment covered six drought-affected provinces (Maputo, Gaza, Inhambane, Sofala, Manica, Tete), and also included nineteen food economy zones.

was fairly normal in most of the country, but for the season as a whole, two major features emerged:

– Insufficient rains since December in the southern region and some of the central region led to severe drought and negative impacts on agricultural production;
– two tropical depressions also brought excessive rains during the season: In January 2003, tropical depression Delfina swept away roads and bridges and destroyed crops and homes in Northern Mozambique, especially Nampula and Zambézia, affecting over 100,000 people; and in March cyclone Japhet created severe damage along the central and southern coast.

Apart from the government, various other actors are involved in humanitarian response, such as local and international NGO´s. The UN response is co-ordinated by UNDP through OCHA.

2.2 Macro-economic Development

Mozambique continues to record far above average annual growth rates. The "final" level for 2002 has been given as 8,3% and the target this year is 7%. The country's growth is however at present heavily influenced by the execution of two gigantic capital-intensive foreign investment projects, whose statistics inflate GDP, growth rates, import-export etc, and hide the (often alarming) developments in the indigenous and "propoor" productive sectors. Nonetheless, since the disastrous year 2001 of runaway inflation and rapid collapse of the Metical against foreign currencies (also to a large extent due to the banking sector collapse), Mozambique has managed to bring these variables back into a more stable framework. The year inflation 2002 was just over 9% and the Metical held itself almost constant against the (somewhat declining) dollar. However, the sudden rapid recovery of the SA Rand against the dollar from the end of 2002 drove prices up, especially in the south of the country, and for a while it looked as if the target of single-figure inflation for 2003 would be missed. However, prices stabilised in May and the cumulative level to end-July is 6%.

Interest rates have shown themselves to be stubbornly sticky. On IMF advice the country has reined in excess money supply and inflation by repeated issuance of bonds at a high interest rate (around 25%) which has meant that banks have little pressure to reduce their lending rates below this, even though the inter-bank lending rate has fallen consecutively from over 35% in mid 2002 to about 17% at present. This had savage effects on some smaller and older companies (and on individual borrowers). However, there are signs of Mozambique entering a positive business cycle, with business volume up by 13,5% in quarter II 2003 as against quarter II in 2002. Over the same time period, wages have risen nearly 16% but employment has fallen by 2%.

In the public sector, an extensive "real" minimum wage rise of nearly 18% was granted in September 2002 retrospective to April, while a further "false" wage rise was introduced in January 2003 – this time, to compensate for civil servants having to pay income tax for the first time. This along with rising pension pressures has reduced the amount of indigenous resources available for investment and made Mozambique still more dependent on foreign assistance to finance its plans.

The coming public financial sector reform, SISTAFE, is to be introduced first in the Finance and Education sectors in October. MPF is managing to get more information on off-budget revenues, but claims that donor disbursements in the first half of 2003 have fallen short of promises. At the same time, a worrisome trend is becoming still more noticeable. While the budget execution reports claim an annual budget expenditure level per priority sector and in total of over 95%, in 2001 and 2002, sector ministries and expenditure reviews frequently claim a real expenditure pattern of between 75 and 90%. MPF attributes this to low donor disbursements, low absorption capacity or accounting problems in the sectors (without explanation of where the balance has gone); while the sectors maintain that they receive their resources partially and late and thus cannot meet their targets (as well as alleging that the MPF uses their resources for other purposes). For the first half year 2003, the levels of spending on the PARPA priority sectors are even lower, in particular in health and agriculture. There remains a pressing need for the system of financial management to be improved in both its accounting and payment systems.

2.3 Political Development, Good Governance and Human Rights

2.3.1. General trends in domestic politics and foreign policy

On the international scene, Mozambique became second chair of the African Union at a conference held in Maputo in July 2003. Both before and since, President Chissano has been very active internationally in promoting the programmes of the AU, and Mozambique has even provided some troops for peace-keeping operations in Burundi.

Mozambique has thus far kept its head down as regards the international controversies surrounding the performance of its neighbour Zimbabwe. The crisis there has had a mostly negative impact on Mozambique's economy, but a souring of relations would probably carry even worse consequences.

Relations between Mozambique and South Africa remain good at the political level, but a mini-border-struggle has being going on for the past year, started by South Africa plainly trying to stem the tide of immigrating Mozambicans by making the border crossing administratively more difficult and visas much more expensive. Mozambique has replied by tightening its customs controls and allowances on imports of goods, raising visa prices, increasing its confiscations of illegally imported goods, and hardening its preventive legislation on employment of foreigners. This has all to a large extent rebounded negatively on Mozambique, with enormous border queues and import delays and corresponding price rises in Maputo shops. Mozambican shopping in South Africa has fallen, and South African tourists, retailers, exporters and investment businesses have also been complaining loudly. The two countries' presidents discussed this issue in Pemba in August and agreed to take steps to improve the situation.

Domestically, the government, the parliament and the country have been gearing themselves up for the municipal elections to be held on 28th

November 2003 and for the succeeding Presidential and Parliamentary elections programmed for end-2004. It is generally accepted that little new legislation, new programmes etc are likely to be taken to – or to get through – Parliament over the coming 1½ years. The election preparation process started with the government and opposition parties finally managing to agree on reformed electoral legislation, which has fortunately meant that all parties remain on board to contest the elections. This was followed over the past five months by a now closed process of supplementary registration of voters on a national level, for both sets of elections. There have been reports of inefficiencies, delays, short-falls, mix-ups and difficulties in this process, and the opposition has registered its intention to contest the validity of the voters' rolls should the results of the municipal elections "seem" uncredible. It looks however more like muddle than plot!

Frelimo and Renamo have now named their candidates to mayors of the municipalities and there has been some travelling of prominent figures to the provinces to campaign. A little surprisingly, Frelimo's already chosen successor candidate for the presidential seat in 2004, Armando Guebuza, has thus far been rather invisible in the campaigning process.

As to the results, little reliable polling-type activities take place and it is not evident how the parties stand with the electorate. Most of the opposition boycotted the first municipal elections in 1998, often leaving only Frelimo candidates, and the turnout was very low, which gives little indication for this round. It looks as if about 2,4 million voters are eligible this time to place a municipal vote (i.e. maybe 30% of the total electorate). Frelimo declared recently that it would win all 33 municipalities being contested; the opposition is making claims on winning at least half. The discussions around the performance of the first municipal councils has been heated and often the sitting councils are handicapped by the lack of results they can demonstrate, inevitably, given the lack of funds they had available to pay for their election promises. It would be surprising if Renamo in coalition with smaller parties did not win a substantial number of municipalities, perhaps including some of the bigger cities.

Beyond the elections, the country has been mostly held in thrall by the unfolding drama of the investigations and trials related to the Carlos Cardoso murder, committed in 2000, and the Siba-Siba Macuacua murder committed in 2001. The Cardoso case came to court in November 2002 and was projected live on TV and radio to the whole country for the full two months of its course. The Mozambican court system managed to show itself off at its best and there has been general satisfaction over the transparency and competence shown. Revelations succeeded each other daily. One shadow was that at least prima facie evidence emerged to indicate that not all those involved were sitting in the dock. Here the court also proved itself, ordering the public prosecutor to follow up on a number of the allegations and accusations made against people not being tried.

At the end, the six men on trial, one – as he had been aided to escape from the maximum security prison – in absentia, were all condemned to prison sentences of over 20 years. The court considered it proved that the accused had organised or carried out the murder because Cardoso was investigating their involvement in major fraud and theft in the banking system. (The trial on that matter, whose docket was opened in 1996, has still to appear in court). On the day after the sentencing, the escaped accused was miraculously returned from South Africa and put back in jail for a 28-year term. Many consider he had been removed to avoid having him testify before the court. At the present time, a similarly public but unfortunately very dissimilarily incompetent case is running, against the guards accused of letting him out. The general feeling is that the case is a whitewash and that all the actors are participating in various cover-ups to hide those in more powerful positions who actually gave the orders.

As for the Siba-Siba case, nothing happened above the surface for over a year, and allegations were made that nothing was being done at all. Inspired by the results of the Cardoso case, further pressure was put on the various government agencies and in April one man – who had also "disappeared" from prison while serving a life sentence for murder, just before Macuacua was killed – was suddenly arrested. He sang for a while, claiming that he only drove the car containing the assassins. Thereafter, it is alleged he was persuaded to shut up and no more has been heard. Several demonstrations took place in mid-August to commemorate the second anniversary of the murder and to demand action.

2.3.2. Governance reforms

After years of planning and preparation accompanied by a certain donor frustration with lack of concrete action, Mozambique is now travelling on paths that are rapidly converging on the simultaneous implementation of a large number of sweeping reforms. During the coming three years it is the government's declared intention to carry out the major activities of a public service reform, a judicial system reform, a state financial management reform, and a decentralisation reform. All the Ministries are to be restructured, the financial management system is to be totally converted, the currently almost paralysed court system is to be rejuvenated, the problem of red tape and bureaucracy is to be reduced, the issue of corruption is to be tackled on a national scale, and considerable powers are to be devolved to the districts. All of these reforms are indubitably necessary. Seen through a Sida lens, however, the ability of government to manage all this at once would seem small, and there is some risk of disruption arising during the process. Some aspects of the reforms are further discussed below (p.13, UTRESP, and p.14, UTRAFE).

Mozambique has joined the NEPAD peer review system, which when introduced will mean an African appraisal of governance performance.

2.3.3. Human rights situation

In the area of human rights the main concerns remain especially in the area of the legal sector and the police. The prisons are still overcrowded, with prisoners detained in precarious hygienic and other conditions.
In some prisons sleeping in shift is necessary, many succumb to illnesses or die because of the conditions or lack of medical treatment. In March 2003 three prisoners were beaten to death in Nampula, when they complained about the lack of space and air. The Attorney General said in his annual speech to Parliament that the conditions in the prisons are a national disgrace. Violent treatment is reported to be meted out by police

and in police-cells. The majority of prisoners are detained without trial for periods much longer than the law prescribes, and some are not released when their sentence period has run out. The majority of prisoners are being held for minor crimes or accusations of vagrancy. This situation contributes to prison overcrowding, which recently the authorities have started to try to resolve by speeding up trials and by releasing prisoners unlawfully held.

Corruption in the legal and police sector is another major problem, which contributes to protection of criminals, impunity before the law and facilitated escapes of the more serious criminals from prison. The Cardoso case was surrounded by such issues. Another example among many is the bank manager and inspector Siba-Siba Macuacua, discussed above.

In addition, the police often harass common people in the streets. They often use violence and require illegal payments for invented offences. Street vendors and street children are especially victimised.

The UN has reported that national and international criminal networks have developed, especially around trafficking of drugs, cars, hardwoods and precious stones etc, and often also involving money laundering.

OIM has reported that they estimate that around 1000 children are annually trafficked from Mozambique to South Africa. They are mostly sold as domestic slaves or to brothels.

A new Family Law has been proposed to Parliament and will be adjusted in the coming session. This law replaces the antiquated and very discriminatory colonial legislation on the family. It will essentially improve the situation for women and children and eliminate the existing legal discrimination as regards marriage, divorce, status, inheritance, corporal violence, etc. The law has been widely debated, but when introduced it will need a thorough and persistent presentation in all segments of the society.

In August, the League for Human Rights presented its first report on the state of rights observance since 1996. It made a thorough coverage of some areas, especially economic and social rights. It was most noticed in the media for containing an allegation that some of the police run a death squad, but it gave no indication of the dimension of such activities.

Maputo has seen a healthy development of the independent and alternative press over the past year. Apart from continuing fax papers issued daily, around five tabloid weeklies now appear. These have led to the government-owned Domingo also becoming more assertive and investigative, but the daily Notícias is still not very enterprising. Some media are developing in the provinces; TV has spread to all provincial capitals and independent weeklies are appearing there too – even two in Lichinga. However, the reach of media to the rural areas is still very small.

2.4 Development Co-operation and Partnership

Mozambique is one of the most aid-dependent countries in Africa. Official development aid accounts for more than half of government expenditure. Mozambique receives more than USD 50 per capita in aid flows, which is much higher than the African average of USD 21.

Total aid volumes amount to approximately USD 800 million per year. The European Commission is the largest single donor to Mozambique, with 14% of all grant aid. Including the member states, the EU as a whole accounts for more than 70% of aid flows. Other large non-EU donors include USA, Norway, and Switzerland.

Mozambique is one of the pilot countries for reinforced EU coordination in development co-operation. Both Heads of Mission and Heads of Cooper-ation meet on a monthly basis for information sharing and coordination.

All donors align themselves (at least officially) to Mozambique's PARPA (poverty reduction strategy), which was endorsed by the IMF and World Bank as a full PRSP in 2001. An increasing number of donors has decided that the PARPA is a sufficient base for them to reduce their project aid and instead disburse to sectoral or general budget support programmes aimed at poverty reduction. The sectoral and governance reform programmes are in the six priority areas (health, education, infrastructure – roads, energy, water – agriculture and rural development, good governance, and macro-economic and financial policies), and donors' general budget support is provided explicitly to finance the PRSP. As over 50% of state expenditure is financed by international development assistance, in rough arithmetical terms donors finance nearly 75% of the PARPA.

The World Bank is presently developing a new Country Assessment Strategy for the period October 2003–June 2007. Under the new CAS, the World Bank will shift in stages from a sectoral and project-driven perspective to a budget support perspective. Performance evaluation will focus on a few results based on the Government's emerging performance assessment framework (PAF) matrix, as discussed with G11 donors and the Bank (see 3.3.2:1 below).

The last CG meeting was held in Maputo in October 2001. The next CG meeting, originally scheduled for early 2003, has been postponed until October this year. The PAF and a new broader joint donor agreement on budget support will be the main topics of dialogue during this meeting.

Part II

3. Swedish Development Co-operation

3.1 Strategic Assessment and Considerations

The present Swedish country strategy for Mozambique covers the period 2002–2006. Almost all programmes of public sector support fall within the priority sectors as described in the PARPA, the exception being the support to culture, which is not explicitly mentioned in the PARPA. The country strategy monitoring exercise, which will be held in mid-September and will serve as an input to the country plan for 2004, will assess the relevance of the country strategy in the light of country development.

During the process leading up to the country plan for 2003, the following strategic issues were identified as being particularly important to follow closely during the coming years: (i) the political will and ability of govern-ment to implement the PARPA and produce tangible service delivery, (ii) the implementation of the reform agenda in the civil service, in public financial management and in the judicial sector, (iii) the election process and results in 2003 (municipal) and 2004 (parliamentary and presidential), and (iv) credible steps to combat corruption, including the legal aftermath of the banking crisis. These issues are touched on throughout this report.

3.2 Overall Country Programming Review and Follow-up

Overall disbursements 2002, including budget support, humanitarian assistance and cooperation with Swedish NGOs, amounted to SEK 440 million. Disbursements under the country allocation reached SEK 315 million. This was substantially lower than plan, which is primarilly explained by delays in some large infrastructure projects.

Forecast disbursements under the country allocation for 2003 are SEK 440 million. The Swedish government has still not taken a decision on the budget support to Mozambique for 2003 (SEK 100 million). With a positive decision on budget support, overall disbursements during 2003 are likely to exceed SEK 540 million.

Key actions foreseen in the 2003 Country Plan include the preparation of new agreements in public administration and education, assessment of new initiatives in the Niassa programme and in infrastructure, follow-up on alleged mis-use of funds and the recruitment of additional staff. Most key actions foreseen will be implemented during the year.

An assessment of the overall relevance, effectiveness and sustainability of the country programme against Sida's Strategic Priorities, the country strategy and Mozambican reality will be fed into the Country Plan for 2004.

3.3 Country Programme Performance

3.3.1 Democratisation and democratic development

1. Administrative capacity, transparency and decentralisation

Ministry of State Administration (MAE)

Due to problems in audits of the Sida support to MAE during 1999 and 2000 and a delayed audit for 2001, it was decided at the annual meeting in November 2002 to postpone decision on approval of plans and budgets for 2003, and payments of contributions for 2003 were stopped until the situation was clarified. The audit for 2001 was ready at the beginning of 2003, but, waiting for response by MAE, was not finalized until June 2003. This audit was clean as a whole. The outstanding problems related to earlier years are expected to be solved in September by some refunding to Sida. The project activities funded by Sida will then be resumed. The Agreement expires in December 2003 and will be prolonged by at least half a year. Planning for a possible new programme will start in late 2003.

The RRV monitoring team made a review of the results and performance of the programme hitherto and included recommendations for future action and areas of support. They found that in general MAE is implementing what has been planned, but they note that things go slowly and that there is some lack of dynamic and strategic operation. Financial management and programme coordination need specific attention in the future.

MAE is facing major challenges with the new law passed on local government, which will mean an essential deconcentration of planning and decision making to the provincial and district levels. It also requires rationalization of public administrative resources in the provinces.

Public Sector Reform – UTRESP

An implementation unit, UTRESP, was established to co-ordinate the public administration reforms. A donor group including Sweden was set up to accompany and advise its work. It has hitherto been concentrating on making studies of various kinds, as yet with few visible results. Some studies have been shelved due to lack of quality (as for instance the general functional analysis of the core ministries) or for other reasons.
A planned corruption study has been delayed a couple of years, but is to start shortly. Several functional analysis studies of key ministries are in progress, to prepare the ground for structural reforms. The only reforms which have been directly initiated by UTRESP so far are the so called quick wins. These are smaller reforms supposed to provide quick results.

Sweden also participates in donor groups on the judicial system reform and financial reform areas. Strategic plans for improvement of the legal sector and for the police have been elaborated and smaller attempts have been made to improve the performance of these two sectors. A special anti-corruption unit within the Attorney-General's office has been established. The new financial system, SISTAFE, is being introduced and is supposed to improve in essence the planning, management and control of the state budget (see further below).

Ministry of Planning and Finance (MPF)

Sida has had a 16-year relation of support to MPF, which to some extent made it easier for Sweden to provide Mozambique with budget support at a relatively early date. The main areas of cooperation have been macro-economic analysis and planning, financial system reform, development of internal audit, and personnel development. Some attention has also been given to debt recording, analysis and management.

In the area of macro-economic management, where Sweden co-financed a technical assistance contract together with Switzerland and Norway, the contract ended in some disarray in 2002 and since then discussions have been held at intervals on a possible new approach and equivalent contract. To date no definitive proposal has been received and Norway has indicated its intention to withdraw from the triumvirate. The donor community in general is nonetheless very eager for the Office of Studies to remain functional, as its operations have in the past been essential for guiding Mozambican policy-making in sensitive areas (e.g. HIPC, PRSP).

In the transition to a national financial system reform, co-financed by a number of large donors, IMF was voted in in mid-2002 as donor coordinator and in practice took over the reform agenda, unfortunately rejecting both the approach to financial management developed by Sweden with the MPF, and marginalising the Swedish bilateral team. This led to some hasty reorganisation of this part of the cooperation programme at the end of 2002. The team that worked on system reform has instead been phasing out since then, its talents now unused in the reform. Attempts to use its talents in other areas have been greeted by MPF with interest but in practice very little has happened. The investment made in broad personnel development across the Ministry has also largely lapsed.

In this process, the previously administratively integrated support programme involving institutional cooperation between the Swedish National Audit Office (RRV) and the General Inspectorate of Finance (IGF) – around the development of internal audit – was separated out and a new three-year agreement was signed to continue this project. The parties are generally satisfied with the progress being made through this cooperation. However, owing to the reform of the National Audit services in Sweden, this project will need to be revised at the end of 2003.

Financial Sector Reform – UTRAFE

A reform coordination unit (UTRAFE) was set up by MPF in 2001 to facilitate cross-cutting reform work. The IMF on placing an adviser in UTRAFE changed its status to that of a project implementation unit and the responsibility for and operationalisation of the reform passed to it. The reform plans were entirely redesigned from scratch, bringing in a new system model, timetable and approach. After a series of delays, the first visible reform step is to be taken in October, with the new system (SISTAFE) to be implemented from central to local level in the structures of the MPF and the Ministry of Education. The remaining "roll-out" in the other sectors is to be done during 2004, if no severe problems have arisen with the first step.

The structure of the reform is quite different from what Sweden had envisaged, though the proposed new system is philosophically closer in design to the present Mozambican system. The reform is concentrated on an IT approach, and in fact modules of the existing system will be integrated using advanced programming technique into a single "new" system, which will be spread by network computerisation to a total of about 550 budget execution units. A significant innovation will be to change the payment system completely, introducing an overarching Single Government Account with daily balance verification, use of credit instead of cash payment, and articulation through the commercial banking system. Control over budget expenditure will be heavily centralised.

The financing of the reform was integrated into a common government-donor pool, to which Sweden, recognising the need for a system reform, even one not designed as it had contemplated, agreed to make a contribution for 2003. It remains to be seen if the government will want any further contribution in 2004 and beyond. The contributing donors have agreed to set up an external Quality Assessment Group to advise them on the strengths, weaknesses, risks and accomplishments of the reform.

The Administrative Tribunal

The Tribunal has continued to produce its annual audit of the General State Account, and has started with a few financial pre-audits and audits and with contract auditing. The RRV institutional co-operation has supplied the Tribunal with and installed a considerable amount of computers and software and has trained personnel in IT. The RRV team has during the period consisted of a team-leader, a financial audit expert, a contract audit expert and an IT expert. A functional study by the British consultant IPF was carried out during the month of July and a draft report delivered in August. The consultants are concerned about the very modest results of the programme. The main critical points are the working environment at the Tribunal and its old fashioned management, as well as the still unresolved question of the salary levels of auditors, which makes it impossible to recruit or maintain staff. But there are also serious concerns about the quality of the few audits hitherto carried out.

A prolongation of the programme is foreseen until June 2004, to give time for a thorough analysis on if and how support should continue to be provided to the Tribunal.

The National Statistics Institute (INE)

Denmark as lead donor, Sweden and Norway have combined to provide long-term large-scale financing and technical assistance to the Mozambican Statistics Institute INE. The period 2002–2003 served as a bridging and pilot phase for the trilateral approach, while INE was working out the five-year statistics plan 2003–2007, with which the common support agreements now coincide. The consultant, Scanstats, is a consortium of the three countries' statistics offices.

In the bridging year INE successfully carried out both a business census and the quinquennial National Household Survey, and has clearly reached a satisfactory absorbtion and implementation capacity. Much of the five-year cooperation programme consists in financing of large-scale surveys, some of them base line, which will be essential for evaluating the progress of poverty reduction efforts. This year a National Health Survey is just being launched.

2. Democratic culture and debate, conflict prevention, human rights

Ministry of Culture (MC)

The agreement on the programme of cultural cooperation, which expired in December 2001, and was after a stoppage prolonged in June 2002, was again extended in December 2002 to the end of this year.

As a result of prolongation of the agreement, Sweden made available to Mozambique the additional amount of three million Swedish kronor.

The Ministry of Culture is currently preparing a final programme proposal for Sida for a new three-year programme on culture. The Embassy has previously received a preliminary proposal, and based on it, an initial assessment memorandum was produced proposing that the Embassy should proceed with a full assessment of the MC's full programme proposal as soon as it is delivered to the Embassy.

The Embassy has also received half-year implementation report for the period from July 2002 to June 2003. After reviewing the report, Sida judged that the objectives described in it had been successfully achieved, although there was no reporting on the activities of the Culture Centre of Marrupa, the Beira National Museum of Art, or the Technical Unit for Cooperation and Capacity Building.

The Ministry of Culture has also launched a tender to recruit a new company to do the audits of 2001 and 2002.

The cooperation between the Västra Frölunda Culture Centre and Mozambique has been stimulated with the arrival of Linnea Ahlander to work with the Director of Casa de Cultura of Zambézia in order to outline the guidelines for future intervention of Västra Frölunda in a new programme 2003–2006.

Discussions continued on the legalisation of the culture-houses and on the special status of Ilha de Moçambique (Mozambique Island), which is a proclaimed world heritage site. The Ministry of Culture informed that draft regulations have been produced and submitted to the Council of Ministers for approval.

Democracy and Human Rights

Since Sida started its programme for Democracy and Human Rights in January 2001, decisions have been taken on a total of SEK 80 million. Thirty agreements have been signed, two of which include several partner organizations. The allocations hitherto agreed are divided by year as follows: SEK 13 million 2001, 17,8 million 2002, 21 million 2003, 14,2 million 2004 and 14 million 2005.

A report on 2002 was prepared and delivered to DESA during the period, and a manual on application procedures was finalized. An adviser was temporarily connected to the programme to assist with special assessments and to make a collection of data around human rights.

During 2003 the following organizations received support: LHD, Awepa, UNDP/media, LINK, Africa groups, Diakonia, Help Age, Redd

Barna, Uhuru, Amoproc, Rede da Crianca, SARDC, EU election assistance, UNDP election assistance, Santo Egidio/prison programme. Some organizations which received support in 2002 were still implementing activities during 2003, as e g UNDP/Agenda 2025, Etica and Acamo.

During 2003 support to the elections has been included as foreseen, and a prison programme and increased support to childrens' rights have also been added to the programme. In preparation are further support to LDH, to Etica and to the anti-corruption unit at the Attorney-General's office. In general the projects have been implemented as planned and have reported as they should, with one minor exception. The impact of the projects in the society at large has been noted through various lobbying and publicity campaigns, such as in the area of anti-corruption, the Agenda 2025, actions and publicity around women's, children's and elderly peoples' rights, around human rights, around the family law, around economic justice issues, around media ethics and laws, and in common actions and networking activities of the civil society. Actual improvements of democracy and human rights in the country may be slow, but an increased awareness, openness and debate about these questions can be noted both in the government and in the civil society.

3.3.2 Sustainable economic growth

1. Macroeconomic and budget support

The Swedish "macro-financial" contribution of SEK 100 million per year has been explicitly linked to financing the government's poverty reduction programme through the state budget, since the elaboration of the interim PRSP/PARPA in 2000. In 2000 a like-minded group of six budget support donors agreed to apply the same procedures for disbursing, following up and evaluating their budget support. Each member signed a common procedure agreement with Mozambique for the purpose. This group grew rapidly with the endorsement of the PARPA, and currently counts eleven signatories, two new signatory countries in process, three active observer countries, the IMF and UNDP as observer organisations, and the World Bank, which is now on its way to becoming a signatory also.

At the scheduled Joint Donor Review (JDR) of the common programme in May 2003, the eleven signatory donors and the World Bank agreed that, in accordance with the Rome protocol on donor harmonisation of February 2003, they would seek further to integrate their procedures, criteria and operations. For the purpose they would prepare with Mozambique a broader common agreement of more binding character, as well as a common Performance Assessment Framework (PAF), negotiated with Mozambique on the basis of its PARPA and related commitments. The PAF is to contain agreed benchmarks and indicators for the four years 2003–2006, of which the entries for 2005 and 2006 are indicative and will be revised annually at the JDR.

The Swedish disbursements have so far all been delayed until late in the year while Sweden (sometimes with other donors) has awaited clear evidence that the government is meeting its commitments and prioritising the combat against poverty. For 2003, the Swedish decision on budget support is still outstanding. One substantive issue has been to monitor the government's meeting of its commitments on cleaning up in the financial sector. It is intended in the future to transit to a two-tranche system, under which the first tranche is released early in the financial year, and the second is delivered wholly, partially or not at all, later in the year, depending on the level of government performance against PAF benchmarks. The country's suitability for budget support overall for the coming year would be evaluated against the PAF at the JDR and the resultant envelope be recommended to Sweden for decision. In this way it is hoped that Sweden can conform more exactly to the Rome declaration harmonisation principles, and become more predictable on a longer time axis. Short-term stop-go response to events in society can otherwise mean that government takes financial commitments upon itself which it suddenly has no way of meeting other than by incurring debt.

The government's anti-poverty work is discussed in §2.2, above.

2. Rural development through infrastructure development

Roads

The several times extended Feeder Roads Programme was replaced in January by a new 18 month (SEK 30m) programme. The programme support is directed towards the Directorate of Regional Roads (DER). The support comprises a works component, technical assistance, seminars and training activities, and consultancies. Tender invitations have been sent out for the technical assistance part of the programme.
The tender evaluation is in process carried out by ANE. An independent consultant contracted by the Embassy assists ANE in the tender evaluation. ANE is preparing a proposal for a new 3 year programme to take over after the ongoing 18 month programme. The 18 month programme will probably have to be prolonged in time to avoid a gap between the two programmes.

Heavy rains in 2001 caused serious damage to roads in the centre and north of Mozambique. Emergency repairs have been carried out in order to reopen priority roads. However, a substantial volume of work remains to provide a minimum level of access along the rural road network. Sweden promised in 2001 to participate with SEK 25 million for the repair of rural roads and bridges in Niassa and Zambezia provinces. A specific agreement on the Swedish contribution was signed in July 2002. After opening the tenders for the construction works, it was noted that the repair works in the Niassa province will cost more than the amount estimated in the beginning. To cover the total repair costs in the Niassa province, the Embassy has increased the Swedish contribution by SEK 7 million (which makes a total project budget of SEK 32 million).

Sweden has decided – on request from Mozambique – to support the emergency repair of the bridge to Ilha de Moçambique. The bridge is in urgent need of repair and can collapse any time. The Swedish contribution is SEK 10 million. The repair works have started. The constructor is ECMEP and Scott Wilson is the monitoring and supervising consultant.

Rural electrification and energy

Technical assistance is delivered to Electricidade de Moçambique (EDM) under a cost-sharing contract (Sida 80%, EDM 20%) valid from March 2003 until March 2006 (SEK 15 million). The emphasis is on policy support to strengthening EDM's capacity to fulfil the requirements set by the Southern African Power Pool for system planning and operation of interconnections to the Southern African electricity grid.

The rural electrification project in the Morrumbala area in the Zambézia province is under construction (SEK 43 m). Swedpower is the consultant and Eltel Networks AB is the contractor. There have been substantial additional costs due to badly working procedures for import of material.

Mozambique's international co-operation in the power sector is becoming more and more important for the country. Mozambique has at present power interconnections with South Africa, Zimbabwe and Swaziland. Sweden has decided – on request from Mozambique – to continue to support the Ministry of Mineral Resources and Energy with specialised advisory support (SEK 3.7 million). The advisers will support the Ministry over a two-year period in matters regarding power exchange within the Southern African Power Pool region.

Discussions are still going on between EDM, HCB and Malawi ESCOM regarding a planned transmission link between Cahora Bassa and Blantyre. If an agreement is reached, Sweden and Norway have indicated interest in co-financing this investment through credit schemes.

INEC has carried out – on request from the Embassy – an in-depth assessment on rural electrification projects in the Sofala, Tete and Manica provinces (estimated implementation budget SEK 131 million). A decision by the director general to support the project is awaited in September.

Link North-South

Even before the country's independence in 1975, plans were being implemented to build a bridge over the Zambezi River at Caia, which was abandoned in the early 1980's due to the war. New discussions started in 1999, and Sweden has financed a study looking into the costs and feasibility of various solutions.

Sweden has on request by Mozambique decided to finance a provisional ferry connection across the river, up to a maximum amount of SEK 45 million. The specific agreement for the ferry project was signed in May 2002. SWECO has the contract on the consultancy part of the project. Tender documents for the ferry and the civil works are under preparation.

Sweden has promised to finance preparations for the bridge. The specific agreement was signed in June 2003 (SEK 10 million). The preparations include the pre-design and a poverty impact analysis. The tenders for the pre-design are under evaluation.

Sweden has also indicated interest in co-financing the construction of the bridge, up to a maximum amount of SEK 250 million (which includes the costs for the above mentioned ferry and the project preparation). Italy and the European Union have also indicated their interest in co-financing the construction works up to an amount of about USD 25 million each.

3. Rural development through growth in agriculture

The agreement with Mozambique on support to Agriculture and Rural Development covers the years 2002–2004 through the mecha-nisms of the sector programme Proagri at the Ministry of Agriculture (SEK 14, 17 and15 million for the years 2002, 03 and 04 respectively). An evaluation of Proagri's first phase was presented in May 2003.

MADER, the Embassy and around 10 other donors continuously monitor performance on the Sector level through the regular Proagri policy meetings. The Proagri Working Group meets every week and the permanent monitoring groups make several field visits during the year. Some donors are planning to move from sector programme support to budget support during 2004, but will continue to be partners in the Proagri Working Group. Performance on the Provincial level is accompanied by the Embassy/Sida through the Malonda programme (see 3.3.4:1 below).

The evaluation showed that Proagri has been successful in institutional capacity development, setting up financial management systems and decentralisation. Transparency and coordination have also improved as a result of Proagri. However, the evaluation also states that:

- the promotion of policies to facilitate agricultural development has received too little attention
- the restructuring process for MADER has made little progress
- huge investments in vehicles and lack of proper fleet management poses a threat to long-term financial sustainability.

Proagri is very highly dependent on donor support. A sharp setback for progress in the programme and the performance of the sector this year has been the late and low disbursements from the MPF to MADER.

The programme document for phase 2 of Proagri will be developed by the end of 2003. During 2004 continued Swedish support to the sector will be prepared and decided upon. A new support to farmers associations is also indicated. Future Proagri dialogue will include issues like effective poverty reduction, institutional reform, natural resources management, development of commercial agriculture, gender and HIV/AIDS.

4. Private sector growth

CTA continues to be the major recipient of Swedish support to the private sector. The agreement signed in October 2002 is being implemented. The consultative mechanisms in the framework of the private-public initiative have been reinforced with the procurement and contracting of technical assistance. The VII PS Conference took place in March 2003, new priority areas for discussion between the parties were identified and a new matrix of progress established.

In December 2002 the Council of Ministers approved the decree which transforms FFPI into an autonomous financial institution with Limited Liability Status. This new model is based on Sida's recommendation and is supported by the African Development Bank, which is providing a loan of 2 million dollars to FFPI. Sida agreed to transform its SEK 13 million loan into equity in support of the restructuring process.

A consultant has initiated the evaluation of the FFPI's assets allowing the identification of a strategic partner to take over Sida's share in this new institution

Innoq has completed the elaboration of the National Quality Policy and the document is waiting for its approval by the Council of Ministers. The National Conference is expected to take place in October 2003

3.3.3 Social and human development

1. Basic education

Support to education is directed to the Ministry of Education (MINED) and is concentrated on Institutional Development, Caixa Escolar (distribution of schoolbooks) and a common donor fund (FASE). A one year amendment of the agreement for 2000 –2002 (SEK150 m) with an additional SEK 45 million was sent to MINEC in March, but has not yet been signed.

In September 2002 the MoU for FASE was signed and the process of getting it operational started. MINED has made an Education For All – Fast Track Initiative plan and a first draft of the revised Education Sector Strategic Plan (ESSP II). The ministry has also worked further on its functional analysis as part of the public sector reform.

An evaluation undertaken of the Institutional Development Support to MINED showed limited achievement of strategic objectives.

There have been delays in getting FASE operational, due to problems in MPF as well as at MINED. It is urgent to get the conditions in place in the provinces. The bilateral annual consultation for 2002 delayed until May 2003 because of delays in audit reports.

The Embassy is preparing a new multi-year agreement with MINED to be signed at the beginning of next year. Most of the funds for the education sector/MINED are to be channelled through FASE for the implementation of the ESSP.

Preparation for education support to Niassa province is in progress; the part through the civil society is ready for decision but the part through the government needs a bit more preparation. The preparation for the support to Niassa has to analyse the relation between FASE and the forthcoming provincial support.

Through regular meetings and communication with MINED and donors the Embassy is continuously updated on developments within the sector. The donors have initiated a process to become more harmonised and efficient. A lot of processes are going on in the sector: EFA-FTI, revision of the ESSP, FASE, transformation of the book sector, public sector reform etc. This, added to the preparations for new agreements and/or extensions in all areas of the education support[3], means a heavy workload on the embassy. An assistant PO as well as a consultant will be contracted from September to December 2003 to help prepare the agreements.

The Joint Annual Review Meeting to be held at the end of September is to focus on the pre-appraisal of the Education Sector Strategic Plan, second phase (ESSP II). From October to November a Joint Appraisal of

[3] 1) Extension Mined-Asdi 2003 2) New Agreement Mined-Asdi 2004 3) New agreement Niassa education – civil society 2003 4) New agreement Niassa education – GoM 2003 4) Extension Agreement MESCT 2003 5)New Agreement MESCT 2004 6) New Agreement UEM 2004

the ESSP II will be made. Critical issues are: efficiency and quality problems in the whole education sector, transparency, decentralisation, financial management, monitoring and evaluation. Equally important is the need for rights-based and free of cost basic education, and a learner friendly, anti-discriminatory and gender-sensitive approach to teaching and learning.

2. Higher education and research

Support to higher education and research is mainly directed to UEM. The present agreement is for SEK 69 million for research during 2001–2003 and SEK 5 million for core support in 2003.

Swedish support to UEM was evaluated at the end of 2002 and received a lot of recommendations to take into account in the preparation of a new research agreement to enter into force in mid-2004.

Suspicion of corruption in UEM leading to an institutional assessment/audit has caused delays and deviation from plans.

The support to UEM is programmed and monitored by Sida/Sarec in Stockholm. The process with the evaluation and the institutional assessment/audit has however required quite some involvement from the Embassy and also more interaction with other donors in Maputo.
The assessment will hopefully lead to helpful recommendations on capacity development needs. Weak co-operation among funding agencies has led to fragmentation, with different financial systems making it difficult for UEM to get a coherent overview of the system.

An initial assessment has been made on support to the Higher Education Sub-sector/Ministry of Higher Education, Research and Technology (MESCT) that will focus on support to provincial scholarship programs to improve access to the system. A new agreement is planned as from January 2004. The Agreement on Policy Work needs to be amended with added funds during 2003.

A new agreement with UEM from mid 2004 will need to be prepared.

3. HIV/AIDS prevention and care

In December 2002 the Embassy adopted a Policy Paper on HIV/AIDS aimed at supporting the overall national strategy to combat the disease. The Paper sets out two strategic goals for reducing HIV transmission and mitigating the impact of HIV/AIDS. One is related to immediate effects, e.g. linking care and support with prevention, and the other is related to long term effects (impact mitigation).

Support continued to 4 NGOs in Niassa province and support was given to Monaso, a network of NGOs working with HIV/AIDS, to establish an office in Lichinga and start its activities. An agreement was signed with UNFPA to support a program on Adolescent Sexual and Reproductive Health in Inhambane Province and to initiate the needs analysis of a similar program in Niassa Province.

Apart from that, the Embassy decided to support the National Aids Council as well as a program implemented by Save the Children Alliance to mitigate the impact of HIV/AIDS on orphans and vulnerable children.

In April 2003 a group of donor countries established the HIV Partners Forum with the objective to exchange information, achieve synergies and coordinate activities related to HIV/AIDS. Mozambique has engaged in various initiatives to combat HIV/AIDS, and the Ministry of Health has started the elaboration and discussion of its Strategy on HIV/AIDS.

A proposal was submitted to the Global Fund to combat malaria, tubercu-losis and HIV/AIDS and funds of around USD 54 million were approved. The main objective is to reinforce both prevention and care activities. The World Bank also responded to the Mozambican request with an initiative (MAP) which will bring in over USD 55 million for prevention and infrastructure development. Mozambique was included in the group of four countries eligible for the TAP (Treatment Accelerated Program) which will make available a grant of USD 50 million. In 2002 the Clinton Foundation announced its support to Mozambique to provide care and treatment to as many Mozambicans as possible.

4. Landmine clearance

Since the end of the war, Sweden and other bilateral donors have been supporting landmine clearance programmes and awareness campaigns in Mozambique. The support has been channelled through UNDP to the INE (National Demining Institute), which co-ordinates activities, and to the ADP (Accelerated Demining Programme), focused on demining in southern Mozambique, as well as to NPA (Norwegian People's Aid) for demining in the central region.

Sweden decided, in accordance with its Country Strategy 2002–2006, to continue its support to the final stages of high priority mine clearance programmes in Mozambique, nonetheless phasing it out in steps over the period 2002–2004 and ending it as of 31st December 2004.

An agreement on a final period of support to the NPA Mine Action Programme covering 2002–2004 was signed last year between NPA and Sida Stockholm. The Swedish contribution is SEK 12 million (SEK 5 million 2002, SEK 4 million 2003 and SEK 3 million 2004).

An agreement was also signed between Sida Stockholm and the UNDP on final support to the Accelerated Demining Programme (ADP) in Mozambique, for the period 2002–2003, with the contribution of SEK 8 million, divided in SEK 4 million for each year.

3.3.4 The Niassa poverty reduction programme

1. Growth in the agricultural and private sectors

In January the governments of Mozambique and Sweden entered into an agreement regarding the so-called Malonda programme, covering three years 2003–2005. The Swedish contribution amounts to SEK 75 million. The purpose is to continue and expand the activities that had been started and tested during the three preceding pilot phase years.

The agreement states that an autonomous legal entity should be made responsible for the Programme and accountable for the fulfillment of the objectives and for the resources invested into the Programme. The Swedish Ministry for Foreign Affairs has however not given the green light to the proposed creation of the kind of legal entity (Foundation) proposed. Until the Malonda foundation is created and staffed, much of the daily work is being done by a joint executive committee consisting of two members appointed by the Government of Niassa and two by the Embassy. The creation of a legal entity to take responsibility for the Programme is urgent; without it Malonda will have difficulties in entering into long term legal obligations with its partners.

Malonda has passed into a pre-investment phase, which will be followed by the investment phase. Several activities have been started: micro finance, an agricultural outgrower scheme, a business meeting point and ombudsman for the private sector, support to a tourism association, contractual joint ventures with traders etc. The buying, transport, storing and marketing of agricultural outputs, mainly maize and beans, expanded further during the period. The introduction of new high value crops, such as paprika, sesame and lemon grass, for small-scale farmers, through World International/Sempre Verde, continued on a pilot scale and was extended to new districts in the province.

The programme has been implemented rather slowly, the main reason being that there were no well established organisations in the province ready to make use of a the kind of financial support it could offer. New organisations are however emerging, allowing faster implementation. Malonda is primarily motivated by the actual absence of institutional strengths in Niassa and it has the strengthening of private sector institutions as one of its principal tools for achieving its goals.

2. Sustainable infrastructure for rural development

The specific agreement for rehabilitation of the transversal main road EN 242 in the Niassa province was signed in October 2001. According to the agreement, Sweden originally provided a grant of SEK 210 million, but on request by Mozambique the agreed amount has been increased by SEK 35 million. A contract for the construction works was signed between the National Road Administration (ANE) and Rumdel (a South African construction company) in July 2002. The construction is estimated to take 30 months, starting in August 2002. ANE has decided to build the road narrower (7 m) than was planned from the beginning (11 m). It has also decided to change the surface material from gravel to asphalt. If the change of material will need additional funding is not fully investigated yet.

The specific agreement and the co-financing agreement for the transmission line Guruè – Cuamba – Lichinga, including distribution systems in Cuamba and Lichinga towns and related rural electrification schemes, were signed in August and October 2001. Sweden and Norway are grant-financing the project. The Swedish contribution is SEK 120 million and Norway's contribution is NOK 189,1 million. Norway administers the project. A contract has been signed between EDM and ABB for the construction work. The construction started in September 2002 and is estimated to take 28 months. The generator which is included in the project has still not arrived in Lichinga.

3. Increased administrative capacity

The Niassa poverty reduction programme, Proani, is gaining momentum. By the second semester of 2003 all planned sub-programs will be up and running. Sweden and Ireland are the major partners assisting the provincial government. A joint Irish-Swedish appraisal and planning mission took place in March in order to integrate Sida and Irish support into the budget of the Provincial government.

Though the capacity of the public sector has clearly improved during the last five years, it still constitutes a bottle-neck for all kinds of development endeavours in the Province. While the rehabilitation of the IFAPA Civil servant training institute has been delayed, the scholarship program is showing promising results.

The present agreement for Sida support to the Provincial government will be extended by one year, and the content of the support will be slightly modified.

During 2004 joint planning of the Irish-Swedish support to the Provincial government will take place, including the streamlining of budget support and the launching of district planning and financing linked to WB and UNDCF programs. An integrated audit of government, Irish and Swedish budget execution is presently being carried out by the IGF.

4. Democratisation, human rights and conflict prevention

Preparations for the launching of the program component Support to the Civil Society in Niassa have been delayed but are about to be concluded. An agreement will be signed with the Swedish Cooperative Center on implementing a three year program aimed at institutional and capacity strengthening of Civil Society Organisations, to start in September 2003. The linkages and the balancing between the support to the civil society and the support to the public and private sectors will be looked into.

3.4 Other Bilateral Co-operation

Sida's International Training Programmes

During the period January–August 2003 Mozambique was invited to nom-inate candidates to 45 International Training Programmes and Seminars.

Different Mozambican governmental and private institutions nominated 142 candidates to participate in the courses. Out of these only 43 candidates were finally invited to take part in the courses. The Embassy, upon request from various Ministries, also financed seven international travels to and from Sweden utilising the Consultancy Fund.

3.5 Sida Support to Regional Co-operation Programmes of Relevance for the Country

For many years the regional macro-economic and financial management institute MEFMI has kept its doors open for Mozambique to participate in its offer of courses, high-level seminars, and in-country consultancies, without Mozambique replying. Now, after it achieved HIPC-II completion in 2001, it has become evident that the country's systems for recording, analysing, projecting and managing its foreign and domestic debt require substantial upgrading and development. The multidonor HIPC debt strategy and analysis capacity building programme, executed in the region by Debt Relief International together with MEFMI, has now completed a survey of the debt data base and debt institutions, and with help of ComSec, improved and expanded the debt registry. On this base a ten-day debt strategy workshop was held in Maputo in July, with the participation of over thirty officials from the MPF and the Central Bank. Sida has offered to support the MPF in upgrading its hardware and software to improve its capacity to record and analyse domestic and foreign debt together, but has received no formal request from MPF as yet.

It is to be hoped that this positive experience will also result in Mozambique joining MEFMI and using its resources more actively.

There are several other regional programmes supported by Sida which also involve Mozambique (maternal health, SADCOSAI audit offices, regional water resources, human rights, early warning systems on humanitarian disasters, etc), but the Embassy is not very well informed about the details of their operation.

3.6 Office and administrative issues

The Embassy has being going through a succession of substantial staffing and administrative changes. On the staff level, the new Ambassador Maj-Inger Klingvall arrived to take up her post in February. Between mid-2002 and July 2003, the Embassy has acquired three national programme officers for the first time, and in August four of the sent-out staff were replaced by new officers, including a new Administrator and Secretary, as well as two new programme officers for Niassa, agriculture and public administration support. A new regional Foreign Ministry post is also to benefit the Embassy for the coming year. Space constraints are being felt!

Administratively, the direct satellite connection antenna came up in September 2002. Thereafter it was possible to introduce direct decentralised accounting routines in the Embassy. Seminars were provided to Embassy staff on procurement and on HIV/AIDS, and several staff were able to take courses in English and local computer "driving licences". A Quality Assurance team visited the Embassy early in the year to examine the conditions for greater delegation of authority to the Embassy, and elaborated a most encouraging report.

A step was made in improving the prospects for spouses accompanying sent-out staff, with the start of negotiations on a bilateral agreement to allow them automatic working permits in the country.

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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