

Sida Country Report 2003

Mozambique



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1. Summary

The high point of 2003 was the holding of the second set of municipal elections, and the first contested by the main opposition alliance, for the mayors and councillors of 33 city and town councils. The process was far from being consensual and fault-free, but took place free of violence and with reasonable administrative quality. Frelimo won 28 of the municipalities, mostly with a broad margin, and Renamo 4, with one municipality split evenly. Turnout at 28% was low, however.

The results of the second national household survey 2002–2003 show that absolute poverty has gone down appreciably since the first one in 1996–97, though over 90% of the population still lives below 1 current US dollar per day. Several other poverty-related indicators are also improving.

The macro-economy remained reasonably stable, showing 7% growth over the year, though the inflation target was missed due to a sudden jump at the end of the year. The humanitarian situation remained somewhat gloomy, with drought in the south entering its third year.

Swedish disbursements for the year, at about 450 million SEK, fell short of expectations, mostly due to large amounts being retained because of administrative deficiencies and project delays. Highest expenditure went to infrastructure projects and the Niassa provincial programme.

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 is 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. During 2003, in lengthy discussions between the Government and the donors, it was agreed that PARPA updating and reporting should be done using existing instruments, in particular the Annual State Budget and the Annual Economic and Social Plan (PES). The 2004 PES is thus the first one specifically to include (most of) the PARPA targets, and the Government's March 2004 report to Parliament on the execution of the PES 2003 also covers more thoroughly the targets and commitments of the PARPA for 2003.

The PARPA can be regarded as a broad development plan for the country with poverty-relevant issues its focus. It 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, where Norway focuses) are principal components of the Swedish development cooperation programme.

The 1996–97 National Household Survey (HHS) 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 over 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. The 2003 Human Development Report 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 specially affected the rural poor, and the drought in the South of Mozambique since end-2001 (see 2.1.2 below) has also had damaging effects. Nonetheless, the reporting just coming out on the results of the 2002–2003 National Household Survey purports to show that the level of "absolute poverty" has gone down from 70% to

54%, which overtakes the planned rate of absolute poverty reduction contemplated by the PARPA and has inspired the Government to optimism on the possibilities of achieving the principal MDG's by 2015. It is necessary however to bear in mind that, using an unadjusted poverty line of 1 USD/capita/day, the percentage of the population falling below it is still over 90%.

The data coming out for 2003 do present a number of heartening improvements. It seems from the HHS 2002–2003 that in relative terms the poverty situation improved most in the countryside in the North and, reckoning backwards from that data, that the country must have been experiencing an agricultural output growth of on average 7% per year since 1996, which would be a substantial step towards the MDG of halving hunger. This has however not been captured in previous statistics, and it is still unclear how and why this growth has occurred (and, as always, such “computed” data have to be treated with caution).

Education enrollment is improving slowly, the gross ratio now nearly 130% and the net at about 60%, still leaving about 1 million primary-age children out of school. The gender ratio in lower primary is not too bad, over 45% girls. However, the completion rates, specially for girls, are still abysmal – on average it takes 14 years for a pupil to finish 7 years of schooling. Present growth could take the country to full enrollment by 2015, but to the MDG of full completion is much less likely.

HIV/AIDS continues to spread, all pointers indicating an infection rate of over 14%. The malaria programme is not achieving its targets, the hospital death rate among those admitted remaining around 6%, presumably because the strains are more resistant and the disease's impact on people with HIV is much more deadly. However, in 2003 it seems the population growth rate rose for the first time for years, to over 3%, largely because the infant mortality rate, after years of stagnation, suddenly dropped quite sharply. This provides more hope of progress towards reaching this MDG.

Access to potable water has been improved quite strongly since 1992, from about 15% to 38,5% in 2003. The rate of improvement seems to have fallen somewhat, however. The reporting on the goals related to sustainable development is otherwise scanty.

On a regional basis, the City of Maputo registered the biggest increase in consumption on average, but the gaps there widened most and there was an increase in the percentage living in absolute poverty. The three southern provinces registered lowest growth, partly due to floods and drought (see below), while the politically uneasy province of Sofala in the centre shot ahead most. Among the provinces improving their indicators most is that of Niassa, where Sweden and Ireland together are focusing a substantial amount of resources.

Expenditure on the PARPA priorities has not fully reached the 67% target set in the plan. Counting out the debt service payments, the level reached has been around 65% in the years 2001–2003; counting them in, it falls closer to 61%. The PARPA is a five-year plan 2001–2005, based on the present government's political programme for its five-year mandate 2000–2004. After the general elections at end-2004, the new Government will be responsible for setting in motion the process for creating a new PRSP.

2.1.2 Situation of drought and famine

In July 2003, the Mozambican Vulnerability Assessment Committee (VAC) released the results of the May–June 2003 Food Security and Nutrition Assessment conducted in twenty-nine districts in the six drought-affected provinces (Maputo, Gaza, Inhambane, Manica, Sofala, and Tete). The VAC assessment identified 659,000 people (or 4% of Mozambique’s population) as extremely food insecure and needing emergency food assistance through to the next harvest, and an additional 256,000 people “at risk” during the lean season from October to March 2004. Further analysis carried out on the VAC data revealed that over 900,000 people in the affected areas were living in extremely vulnerable households, and also highlighted the particular vulnerability of specific groups like children orphaned or made vulnerable by HIV/AIDS.

In November–December 2003, four VAC teams conducted a field monitoring exercise in drought-affected districts in Gaza, Tete, Inhambane and Maputo provinces, to re-examine the situation. The exercise indicated that the food security situation of the affected populations in the districts visited is stable. Slight improvements have occurred in some areas because of the effectiveness of the on-going emergency response and mitigation programs, and as a result of second season production and off-season production following unseasonable rains.

The teams concluded that the 256,000 people found at risk of food insecurity will not require assistance for the time being and the 659,000 people in the “extremely food insecure” category will be able to maintain their food security level with the help of on-going support programs, assuming a normal main harvest in February–April 2004.

Despite a good start to the rainy season, cumulative rainfall totals for October through December were well below average. Famine Early Warning System Networks (FEWS-NET) reports that a district-by-district rainfall analysis shows that rainfall totals in much of the central and southern region are below 50% of normal for the period. Concern has been rising about the possibility of a third year of drought, due to the well below normal rainfall in much of central and southern Mozambique this season. In addition, temperatures have been above normal, thus increasing evaporation rates and reducing soil moisture.

The Government’s response to food security amounted to a total budget of 4 million US dollars, which was partially funded through Proagri. This has led to the planting of about 4 million hectares across the country, and, thanks to the fertile northern provinces, the grain harvest reached 1.8 million tonnes. Over 6.1 million tonnes of cassava were also produced.

In 2003, the Government set plans for better management of water in order to increase food security. This strategy rested on building or rehabilitation of small and medium-sized irrigation schemes, expanding areas under cultivation, and investing in drought-resistant varieties.

The UN launched a regional appeal¹ of over 300² million dollars last year, to purchase food to be distributed among hungry people in six southern African countries³, including Mozambique. Sweden responded

¹ Source: Southern Africa Regional Consolidated Appeal July 2003–June 2004, page 109

² A large amount of this money is channelled to Zimbabwe with 113,828,857 USD, while Mozambique is 21,549,761 USD.

³ Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe.

to this appeal with an amount of SEK 45 m for WFP operations, to avoid pipeline breaks in food distribution in Zimbabwe and Mozambique.

The priorities for WFP were children at school, pregnant women and breastfeeding mothers, and “vulnerable groups”(including people who are HIV-positive). People who do not fall into these categories acquired food through the WFP’s “Food for Work” programmes. Currently WFP is covering the needs of 523,000 people, about 80% of the number of people identified by the VAC to be in a situation of extreme food insecurity.

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 of 7% for 2003 appears to have been reached. The country’s growth is however at present heavily influenced by the execution of two gigantic capital-intensive foreign investment projects (MOZAL aluminium and SASOL gas), whose statistics inflate GDP, growth rates, import-export etc, and hide the (often alarming) developments in the indigenous and “pro-poor” productive sectors. For 2004, a growth rate of 8% is expected, the rise from 2003 to a large extent due to these two projects.

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. Since 2002 the Metical has held itself almost constant against the (somewhat declining) dollar. The year inflation 2002 was just over 9%, but the large appreciation of the SA Rand against the dollar from the end of 2002 drove prices up, especially in the south of the country, and contributed to a year inflation of 13,8% for 2003, as against the original single-figure target. The target for 2004 is 11%, though by end-February there had been 5% inflation already.

Interest rates have been stubbornly sticky. On IMF advice the country 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 20–25% at present. This had savage effects on some smaller and older companies (and on individual borrowers). Measurement shows 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 rose nearly 16% but employment fell by 2%. However, the higher than programmed inflation is likely to result in a continued tight monetary policy and high interest rates, which may curb the business upswing.

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 IMF

is thus especially insistent that wage increases in 2004 must be held down to no more than inflation compensation.

Domestic revenue collection in 2003 fell slightly below the target (95%) at about 14,3% of GDP. This still continues the programmed upward growth trend, and the target for 2004 is set at 14,6% of GDP. MPF is managing to get more information on off-budget revenues, and donor disbursements in 2003, after an under-target performance in the first three quarters, finally lived up to the promises made. In consequence, during the year, the MPF reduced disbursements to the donor-dense areas (i.e. to the PARPA priorities), loaned money domestically by sale of bonds, and was finally permitted by the IMF to sell off some of its foreign exchange reserves (standing at over 650 mUSD, an amount equivalent to half of the 2003 budget). In the fourth quarter, in response to inpouring “late” aid, the Government accelerated spending to meet its budget targets, which according to IMF increased the money supply and pushed inflation over target in December, January and February. The strength of the Rand and the higher than expected inflation in South Africa also pushed up prices.

For the first three quarters of 2003, the levels of spending on the PARPA priority sectors were thus very low, in particular in health and agriculture, and these sectors did not fully catch up to their allocated ceilings by the end of the year. One problem is the annual cash management system being applied, which does not adjust to irregularities in revenue flows. There remains a pressing need for the system of financial management to be improved in its planning, accounting and payment systems.

The on-going public financial sector reform, SISTAFE, is implementing the new payment system in the banking sector and in the MPE. Further roll-out is however still delayed. SISTAFE should contribute signally to reducing misuse of funds, but the level of fiduciary risk remains high, the current period where one system is supplanting another being of special concern.

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, and lifted its international profile. 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, with a negative growth in 2003 of 11%, 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-struggle has been going on for the past year, started by South Africa plainly trying to stem the tide of migrants by making the border crossing administratively more difficult and visas

more expensive. Mozambique replied by tightening its customs controls and allowances on imports of goods, increasing confiscations of illegally imported goods, and hardening its legislation on employment of foreigners. This has mostly rebounded negatively on Mozambique. The two countries' presidents discussed this issue in Pemba in August and agreed to take steps to improve the situation. In December a slight relaxation of the legislation on employment of foreigners was made.

Domestically, the major event in 2003 was the second municipal elections held on 19th November. The municipal elections elect mayors and councillors to the 33 cities and towns that have been declared municipalities, incorporating about one-quarter of voting-age citizens. The first elections in 1998 were characterised by an opposition boycott and a very low turnout, of 15%. The 2003 election preparation process started with the government and opposition parties finally managing to agree on reformed electoral legislation, which fortunately meant that all parties remained on board to contest the elections. This was followed by a process of supplementary registration of voters on a national level, for both sets of elections. There were reports of inefficiencies, delays, short-falls, mix-ups and difficulties in this process, and there is now fairly general consensus that the voters' rolls must be improved and consolidated for the Presidential and Parliamentary elections programmed for end-2004.

Despite a few small hiccoughs in the process of parties registering their candidates, they entered into the election process in good spirit and the polling process went off smoothly, professionally, fairly and with almost no disturbance. The counting process thereafter at local level was lengthy but sound, and only later, during the aggregation process, a couple of clumsy attempts were made in Sofala to slip in some fraudulent figures. This led to extensive tension and a Renamo denunciation of the whole process, including a threat to refuse to accept the results at all, but at last the problems were ironed out with the (reluctant) approval of all parties.

The turnout was better than in 1998, but at 28%, still disappointingly low. Many were surprised that the Opposition did not do better. In the end, the minor parties suffered an eclipse, Renamo won four municipalities in two provinces (Nampula and Sofala) including the country's third and fifth largest cities (Beira and Nacala), and a very tightly contested election in Marromeu (also Sofala) resulted in a Renamo mayor and a Frelimo majority of councillors, on the strength of just a couple of votes difference. Frelimo won majorities in the other 28, in most cases by a big margin.

Fortunately no violence took place, not even in the rather simmering city of Montepuez, where previously there have been demonstrations, fighting, repression, and human rights violations. It looks as if the elections were democratic and plausible enough to keep the peace secure. It will be interesting to monitor how RENAMO governs the third biggest city and if Government will provide resources. It is however obviously going to be of major importance to sustaining peace that the 2004 general elections be held transparently and fairly. President Chissano has indicated that he is not standing for re-election, and the selected FRELIMO candidate is Secretary-General Armando Guebuza.

Beyond the elections, the country was held in thrall by the unfolding drama of the investigations and trials related to the banks, 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 was general satisfaction at the transparency and competence shown. One shadow was that *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 allegations and accusations made against people not being tried. By end-2003 there is still little sign of this taking place, unfortunately.

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 BCM bank. 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 considered he had been removed to avoid having him testify before the court. A similarly public but unfortunately very dissimilarly incompetent case was later run against the guards accused of letting him out. All the accused were finally freed due to the very unconvincing case brought.

As for the Siba-Siba case, 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. Thereafter, no more has been heard. Several demonstrations took place in mid-August to commemorate the second anniversary of the murder and to demand action.

Towards the end of the year, the actual BCM bank fraud case covering a fraud of 14 mUSD in 1996 finally came to court and is still progressing. Three of the accused in the Cardoso case are the main defendants. The witnesses indicated how some business circles managed to siphon off millions of US dollars using cheques without cover, in collusion with a bank manager. The case illustrates a general malaise in the Mozambican society, one of corrupt practices in high places. The Attorney-General's Anti-Corruption Office has a mammoth task to take on the high level of corruption in Government institutions, with a very small staff. The privatization drive has offered additional opportunities to gain quick fortunes for a chosen few with connections and cover in high places. Swedish business representatives testify to very corrupt business ethics.

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. However, the ability of government to manage all this at once could seem small, and there is some risk of disruptions arising during the process. Some aspects of the reforms are further discussed below.

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

The decentralisation and deconcentration process is part of the current public sector reform in Mozambique. The new law on Local Organs of the State (LOLE)⁴ was passed in May 2003 and gives a legal framework for the functions, competencies and organisation of provinces, districts, administrative posts and localities, which will mean a deconcentration of planning and decision making to the local levels. It also requires rationalisation of public administrative resources in the provinces.

The translation of the new legal framework into local government is designed to be a gradual process, and the law will be piloted in 30 districts with the support of UNDP. However, before this can be done a set of regulations and by-laws needs to be elaborated and approved. These regulations, to be produced by MAE, were in draft form in February 2004.

Some challenges facing the implementation of the LOLE are the double subordination that exists at local levels, with a conflict between sectors and local administrative bodies, and that it may be difficult to reconcile with the SISTAFE (see §3.3.1(1) below).

2.3.3 Corruption and measures taken by government

Corruption in Mozambique is still widespread and is found at all levels of the society. Among higher state officials misuse of funds, bribery in connection with services, commissions on purchases etc are common. Lower level officials in the public administration, police officers, nurses and teachers, consider the taking of bribes as a right to compensate for their low salaries. A climate of impunity reigns, as very few cases of corruption or fraud in the state have been pursued and when so, have seldom involved persons at a higher level.

In December it surfaced that in 1995 a previous Minister of Planning and Finance authorised Tender Board members to share part of commissions received on purchases abroad, and it is apparent that the practice spread to many locally organised procurements and that sometimes commissions have been solicited in tender documents. On complaint by the donors, the MPF immediately revoked the decision. The World Bank CPAR study, and proposals for the introduction of new laws and rules for procurement in the country, have been lying around idle for a couple of years, despite donor frustration. One effect of the commissions case has been to dynamise more action on procurement reform from the Government.

⁴ Lei do Órgãos Locais do Estado

Reducing corruption is on the agenda of the Government. A law on money laundering was approved in 2001 and a special law on corruption was approved by Parliament in 2003. The corruption law seems however to have some inconsistencies with the Constitution as regards the mandate of the new anti-corruption unit within the Attorney-General's Office, and it has not been promulgated by the president yet. The anti-corruption unit has in the meantime started to work, although with limited resources and limited results. The unit apparently has difficulties in setting its priorities and at times takes up crimes which are not clearly corruption cases. No high level officials have yet been accused of corruption. The anti-corruption unit lacks proper investigative resources and has little support from the Criminal Investigation Police.

On the initiative and financing of the Netherlands, a group of like-minded donors, including Sida, has made a first assessment of the unit with the aim of supporting the unit in the near future. A special assessment has also been made of the financial management of the Attorney-General's office. The start-up assistance with training and some material support was given by USAID, which continues to support the unit.

Within the General Public Administration Reform a corruption survey on the World Bank model was started in mid-2003 and is planned to be finalized in August 2004. The NGO Etica is planning a national media campaign during 2004 with the support of a group of like-minded donors. Sida's support is under preparation. The USAID is planning to support the establishment of Etica's anti-corruption advisory offices, where corruption cases will be received, advised on and forwarded to the Attorney General's anti-corruption unit.

The future of corruption in Mozambique is not easily read. Government has taken some steps in the right direction to improve legislation and state financial management. However, even with a strong commitment, the challenges to enforce these measures are enormous, given the poor control environment, the weak administrative capacity and the non-functioning judicial system.

2.3.4 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. 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. Many 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. A report financed by Sida and produced by Save The Children Norway in 2003 revealed that around 25% of prison inmates are under the age of 18. Organisations have found a lot of children imprisoned under the age of 16, which is a flagrant breach of the law.

The court system continues clogged and accumulating a further backlog. The courts had a backlog of 103 thousand cases at the end of 2003, up by 7% on the previous year, and the situation is still getting

worse. This creates a *de facto* situation of impunity for some, and endless imprisonment for others, as cases will take decades to reach court.

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. Serious murder cases are left uninvestigated or unresolved. Accusations of torture by police and prison guards have not led to any investigation or trial. Killings by police in connection with demonstrations or worker strikes have occurred during the year.

OIM has estimated that around 1000 children are annually trafficked from Mozambique to South Africa. They are mostly sold as domestic slaves or to brothels. Several serious accusations of kidnapping and killing of children for extracting organs have been made by the Human Rights organisations LDH and by the Catholic church. One case was a child in Manica who survived and managed to escape after his organ had been cut off. LDH found the police in Manica very unwilling to investigate the case. In Nampula there are popular and church allegations of trafficking of organs and of disappearance of a large number of children, some of whom are said to have escaped from their kidnappers and borne witness. The Attorney General's Office made an investigation, but could not find any proof of extraction of organs. But they found that the police had neglected its investigative duties, and that the disappearance and death of children in Nampula needed further investigation.

In August 2003, the League for Human Rights presented a report on human rights for the years 2000–2002. It concentrated on the situation in prisons, the right to food and the food security system, and revealed some cases of torture and extrajudicial killings. Later in the year the organisation released a short report on cases of human rights abuses in 2003, where the police was accused of maltreatment and torture in prison cells and where the appalling prison conditions were once again raised.

A new Family Law was approved by Parliament just before the elections, but it has not been promulgated by the President yet. The intention is most likely to take it back to Parliament again for adjustments. Some parts of the law were very controversial when it was debated in the society and in Parliament, like the recognition of only one marriage and the marriage age being set at 18. The law would replace the antiquated and discriminatory colonial legislation on the family, essentially improve the situation for women and children and eliminate existing legal discrimination as regards marriage, divorce, status etc. Womens' organisations are at present working on improving the laws on inheritance and on family violence.

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. The national 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.

No Human Rights Commission exists in the country and the plans

the government had earlier in the year to start working towards one, do not seem to have advanced.

2.4 Development Co-operation and Partnership

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

Total aid volumes amount to approximately USD 700 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, Japan, Norway, and Switzerland.

In its mid-term review presently underway, the Commission judges Mozambique to be a good performer. The programming targets set in the Country Strategy paper for the period up to 2004 are being met. All funds to Mozambique under the 9th EDF will be fully committed by the end of 2004. It is likely that additional resources will be allocated to Mozambique during the mid-term review of the 9th EDF.

Mozambique is one of the pilot countries for reinforced EU coordination in development co-operation. Coordination takes place at the level of both Heads of Mission, who meet at least once a month and deal with issues of more political nature, and Heads of Cooperation, who have regular and ad hoc meetings.

Overall donor coordination takes place through the Development Partner Group (DPG), which meets at Head of Mission level once a month, chaired by the UNDP. Technical working groups meet at the sector level and include donors as well as representatives of relevant ministries. However, practical donor harmonisation and alignment to national systems are increasingly driven within the budget support donor group (presently G14). The Performance Assessment Framework (PAF), which each year is developed together with GoM, is based on PARPA and the Economic and Social Plan (PES) and sets targets for both the sectors and cross-cutting reforms, thus integrating the macro perspective with sectoral concerns.

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 14th Consultative Group meeting was held in Paris in October 2003 with the participation of 29 delegations representing donors and creditors to Mozambique, and a large Mozambican delegation headed by

the Prime Minister. In following up on GoM commitments made at the previous CG meeting (in October 2001), many delegations raised the need to speed up the pace of judicial and legal reform, in order to have a functional, timely and transparent justice system, to improve the human rights situation and to combat corruption. While recognising that substantial progress has been made in cleaning up the financial sector, partners still felt that GoM not fully had implemented its commitments at the 2001 CG.

At the CG, GoM made a review of progress in the PARPA priority areas. Results in terms of increased service delivery could be noted, especially in the areas of health and education. Partners agreed that the PARPA is basically sound, although still lacking a few key issues such as a growth strategy, the integration of the impact of HIV/AIDS and a gender analysis. International partners reaffirmed their on-going commitment of about 790 MUSD in external assistance for 2004. About 75% of this will be provided through grants, and 40% as budget support.

The World Bank's new Country Assessment Strategy for the period October 2003–June 2007 was approved by the Board in November 2003. Under the new CAS, the World Bank will shift in stages from a sectoral and project-driven perspective to a budget support perspective, although project lending will continue, particularly in the field of infrastructure. Performance evaluation will increasingly focus on a few results based on the Government's performance assessment framework (PAF) matrix, as developed with G14 donors and the Bank (see above).

In conclusion, one can say that donor harmonisation in Mozambique has come very far indeed, with the annual review of GoM progress in the budget support context now involving almost all donors and all priority poverty reduction sectors in a single review programme. Thus far the transaction costs of putting the new model on the road have been rather high, for donors as well as GoM, but it is to be expected that the donors' random bureaucratic pressure on GoM will decrease, at the same time as GoM will be faced with a much more integrated and united set of partners on issues of content.

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 exceptions being the support to culture, which is not explicitly mentioned in the PARPA, and parts of the Democracy/Human Rights programme. The conclusion is that the country strategy is still a useful guide, and the country plan a relevant and feasible instrument for placing resources well for poverty reduction.

In the Annual Review of the Country Programme, which was held in September 2003, it was concluded that four strategic issues will remain of critical concern to Sweden over the next couple of years: (i) the political will and ability of government 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.

The Review concluded that, although the picture is not easily read, Mozambique seems to be taking steady if modest steps forward in these areas. This is the base scenario on which the country programme, which foresees modest increases in total volumes, is based. A plus scenario would be one with clear and increased PARPA implementation and bolder steps regarding corruption. In that scenario increased budget and sector programme support, as well as larger increases in volumes of funding, could be argued for.

In a more negative scenario, with negative trends in PARPA implementation, corruption and reform implementation, present volumes could be sustained, but the share of the portfolio to programme support would need to be reduced and the share going to democracy and human rights and infrastructure increased. In the scenario of elections not being declared free and fair, a review of the country strategy and the country plan would be needed.

The Review concluded that as long as the base scenario is followed, no mid-term review of the present country strategy is needed. Instead, the annual reviews will continuously highlight possible needs for changes and amendments.

3.2 Overall Country Programme Review and Follow-up

Overall disbursements 2003, including humanitarian assistance and cooperation with Swedish NGOs, amounted to SEK 500 million. Disbursements under the country allocation (to which budget support of SEK 100 m was added in November 2003) reached SEK 442 million. This is about SEK 100 m lower than was planned, which is primarily explained by the non-payment of some SEK 60 m to the education sector and SEK 15 m to the Ministry of State Administration, due to dissatisfaction with their use of funds, plus delays in some infrastructure programmes.

Infrastructure support was nonetheless dominant in 2003, largely because disbursement to social sectors and to governance was less than planned.

Programme support (in 2003, direct budget support plus Proagri) made up only 25% of country programme, due to non-payment to MINED and MAE. If basket funding arrangements in support of reform programmes, and disbursements to the Road Fund are included, the figure is rather higher.

Provincial orientation: Niassa's proportion of Swedish overall spending climbed to 32%. This programme, which includes a heavy infrastructure component as well as programmes in governance, private sector development and civil society strengthening, has been running on track, whereas other "central" programme areas faced problems.

Major tasks during 2003: The Embassy has to a large extent been focused on the transition from traditional project support to programme support modalities, requiring new agreements and instruments, as well as on ensuring that funds are properly followed up and corruption and misuse of funds is prevented or acted upon, within all the sectors supported. The number of separate project contributions is steadily falling, as pool and programme funding takes over, but the challenge of following up on the efficient and correct use of funds in these circumstances is much higher.

3.3 Country Programme Performance

3.3.1 Democratisation and democratic development

Administrative capacity, transparency and decentralisation

Ministry of State Administration (MAE)

Swedish support has been provided to the MAE for over a decade. The support has been keyed to the MAE's programmes of civil service reform, deconcentration and decentralisation

Due to recurrent problems in the 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 any decision on approval of plans and budgets for 2003. All payments to MAE have been stopped (since November 2002) awaiting for the situation to be clarified.

The audit for 2001 was only submitted to the Embassy at the beginning of 2003, and the MAE's response to the audit was received in June 2003. The audit was clean as a whole, with some problems, however, related to earlier years remaining. The expectation was that the outstanding issues would be solved in September that year through repayment to the Sida project by MAE, after which the project activities could then be resumed.

The audit for 2002 was submitted to the Embassy in September 2003. The audit showed that the problem with advances from Swedish funds to other projects within MAE remained. However, the main issue arising was MAE's procurement of five vehicles, outside of the programme activities, using Swedish funds without the approval or prior knowledge of Sida.

The cooperation with MAE thus remains at a standstill awaiting action from MAE to reimburse the cost of the vehicles, as well as the reimbursement of a number of other advance payments outside the programme activities. The Agreement with MAE expired in December 2003.

The RRV monitoring team to MAE made its last visit to the programme in October 2003 and has submitted a review of the results and performance of the programme, as well as recommendations for future action and areas of support. They found that in general MAE has been implementing what has been planned, although moving rather slowly, and that there is lack of dynamic and strategic operation. The weakness of financial management and programme coordination is regarded as the main killing factor and will require specific attention and support for any future cooperation.

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. Sweden signed the MoU of the support group at the end of 2003. UTRESP has hitherto been concentrating on supporting the Functional Analysis of the ministries, and making studies of various kinds. Some studies have been shelved due to lack of quality or for other reasons. A planned corruption study has been delayed a couple of years, but has now started.

Several functional analysis studies of key ministries are in progress, to prepare the ground for structural reforms. So far one Ministry has completed the functional analysis, while five are in the late stages⁵. 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 in sensitive or bureaucratically stifled areas.

Sweden also participates in the donor groups on the judicial system reform and financial reform areas. Strategic plans for improvement of the legal sector and 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 (see §2.3.3). The new financial management 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

⁵ MIC has presented its analysis to CIRESF while MINED, MAE, MADER, MPF and MISAU are in the late stages of completion

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 new contract. Meanwhile Norway indicated its intention to withdraw from the triumvirate. A new project document and technical assistance proposal were given the green light at the end of 2003 and final project preparation is awaiting the launching of the open tender for support services. The donor community in general is 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, with the team that worked on system reform having to be phased out during 2003. The investment made in broad personnel development across the Ministry has also largely lapsed. Attempts to use the team's talents in other areas were made and some studies and training were carried out in state assets management, results management, and the salary and pensions system. In December 2003 Sida held a seminar with the IMF in Stockholm to discuss approaches to large-scale reform and the conflicts that arose between Sweden and the IMF over the reform in Mozambique. The parties agreed to continue discussions on how to approach the continued long-term needs of Mozambique for support.

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, with a substantial number of audits now being carried out by the IGF. However, owing to the reform of the National Audit services in Sweden, and the creation of a unified and more independent Supreme Audit Institution, this project is in a process of revision.

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. This led to a series of delays in relation to the original reform plans.

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.

The first visible and significant reform step, to change the payment system completely, was taken in October. An agreement was reached with the central bank and the major commercial banks on a reform of the payment and bank reconciliation system, introducing an overarching Single Government Account with daily balance verification, use of credit instead of advance cash payment, and articulation through the commercial banking system. This should be a major step in improving efficiency, reducing transaction costs, increasing transparency, and reducing opportunities for corruption by doing away with hundreds of “passive” accounts spread through the banking system. The promised roll-out of the new system did not take place during 2003, but the MPF structures have now got the new system on-line internally and the budget execution and accounting functions are to be brought into operation within MPF from April 2004. Control over budget expenditure will thereby 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. In its first visit in October, the QAG essentially approved the design of the model but expressed severe concerns at the proposed rushed rate of roll-out.

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 was carried out by the British consultant IPF during the month of July and the final report delivered in September. The consultants were concerned about the very modest results of the programme. The main critical points are the working environment at the Tribunal and its vertical management, as well as the then unresolved question of the salary levels of auditors, which made it impossible to recruit or maintain staff. There are also concerns about the quality of the few audits hitherto carried out as well as their publishing.

During the second half of 2003, in addition to the functional study, the TA staged two LFA workshops with RRV to evaluate, draw lessons

and set a framework for a possible future project running from mid-2004 up to 2006.

The stage was also prepared for the new Swedish National Audit (RiR) to carry on the cooperation programme in its new role of fully independent Swedish SAI. This means that it provides institutional twinning support and finances it directly itself, leaving Sida the role of parallel financier for activities and costs incurred outside the strict twinning relationship.

A prolongation of the programme has been agreed until July 2004, to give time for a thorough analysis of if and how support should continue to be provided to the Tribunal. To this end, a planning workshop for the second phase was held in February 2004 to establish the objectives and the content of the activity plan for the period beyond June 2004, and an agreement on next steps for the elaboration of the project document.

The RiR team at the TA in Maputo has agreed for the present to continue its involvement in the planning and execution of procurements which are of support to the twinning programme. However, Sida must see to developing the necessary systems and capacity within TA for it to be able to take over such operations successfully at the level of competence demanded by international standards. A proposed replacement of Specific Agreement between Sweden and Mozambique covering the transition period in these terms has been drafted and delivered to the TA for comments. It has also been proposed that Sida engage a locally resident consultant, to work part-time over the indicated period with TA on developing its capacity and aligning its systems of financial management, to permit by end-June 2004 the implementation of a “local funds” account for use by the TA.

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 support gives continuity to the institutional cooperation provided through a Twinning Arrangement between INE and Statistics Sweden that started in 1998. The new consultant, Scanstats, is a consortium of the three countries’ statistics offices. The long-term objective of the Scandinavian support is to strengthen the National Statistics System through INE so that it will efficiently generate reliable, relevant and timely statistical information to support the planning, management, monitoring of Mozambique’s economic and social development.

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. The new programme (Scandinavian Assistance to Strengthen the Institutional Capacity of the INE, 2003–2007) which aims to strengthen INE and its provincial branches (DPINEs) puts specific emphasis on INE’s institutional capacity to be fully responsible for the programme activities, i.e. its capacity to receive, implement and monitor the support as well as to

integrate programme activities in INE's regular activities and plans. During 2003, the national Household Survey 2002–2003 was completed, as was the national Business Survey, and a national Health Survey has just being launched.

The programme has presently four long-term consultants: a team leader and part-time consultant on planning and administration, an IT consultant, a social and demographic statistics adviser, and a consultant on national accounts and economic statistics. INE is moving up the ladder to carrying out all its activities on its own competence. It is already rather sustainable at managing and carrying out its regular activities and major surveys.

Democratic culture and debate, conflict prevention, human rights

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 80,3 m.

33 agreements have been signed, two of which include several partner organisations. The allocations for 2003 amounted to SEK 22,3 m.

The main areas of support have been:

- to promote human rights through advocacy, studies and research, support to legal assistance, civic education and empowerment, and promotion of improvement of laws and decreased rights abuses
- to promote a culture of peace and non violence through civic education in conflict management, mediation in conflicts, studies and research, civic education on family violence, and direct support to victims of violence
- to promote democracy through civic education and empowerment of different population groups, research and advocacy work for improved conditions for specific population groups and for the poor population in general, through the strengthening of media and through support to anti-corruption work
- to promote free and fair elections through support to election authorities, to voter education, to observation of elections, and to media training
- to support capacity building and networking in the civil society.

Among the more interesting results in the area of democracy and human rights connected directly with Sida's support can be mentioned:

- The Agenda 2025 "vision" was approved by Parliament
- The new family law was approved in Parliament (although not yet promulgated by the President)
- A new law on corruption was approved in Parliament (although not yet promulgated by the President)
- the rights of the elderly received more attention than before and the minimum basic pension was raised modestly
- conflict mitigation between Frelimo and Renamo has been made with good results in Montepuez
- notable youth participation occurred in the local elections in Sofala

- in general there was a more qualitative and impartial journalistic coverage of the elections
- there was improved organisation of voting procedures
- much attention was given to the study on children in prisons
- much attention was given to LDH's reports on human rights abuses
- a prison reform unit was established
- civil society participated in the first PARPA poverty observatory
- civil society demonstrates increased networking and improved capacity
- discussions have started on creating a Human Rights Commission.

Key issues to monitor in general are:

- the general development of democracy, peace and human rights, specifically in the areas of: corruption, elections, conflicts, public administrative reforms and people's participation in decision making, human rights abuses by police and in prisons
- law reforms ongoing specifically: the family law, the corruption law
- laws under preparation: national elections, access to information, children's rights, on family violence, on inheritance, on HIV/AIDS, amendments of the constitution, general reform of the civil penal code, regulations of procurement procedures
- activities to improve and reform registration of citizens.

During 2003 an annual report was produced for the year 2002, which analyses the content and indicates the general results of the programme. A manual on application procedures was finalized. An Embassy human rights report for year 2003 was produced, as well as an Embassy report on corruption and its responses to it. A decision was taken on a strategic framework and guidelines for the programme during the years 2004–2005.

Ministry of Culture

The agreement on the programme of cultural cooperation, which expired in December 2001, and prolonged in June 2002, was again extended in December 2002 to cover 2003 up till the end of the year. As a result, Sweden made available to Mozambique an additional amount of three million Swedish Kronor (SEK 3 m) disbursed in 2003.

The Ministry of Culture submitted to Sida its final proposal for the five-year programme on culture support, which was discussed in the EPAC in January 2004 and some changes recommended before its final approval.

The Ministry of Culture also recruited a new company in 2003, to do the audits of FY 2001, 2002 and 2003, which are not finalised yet, due to delays at the central level.

The cooperation between the Västra Frölunda Culture Centre and Mozambique was 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.

A number of training events on issues related to capacity development, management and coordination was carried out last year for various staff of Cultural Centres, the central level, Monuments and Museums.

The process of institutionalisation of the culture-houses is in progress as well as plans regarding the special status of Mozambique Island, which has been proclaimed a world heritage site. The Ministry of Culture informed that draft regulations have been produced and submitted to the Council of Ministers for approval.

3.3.2 Sustainable economic growth

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 in 2001, and at the end of 2003 counted eleven signatories.

At the scheduled Joint Donor Review (JDR) of the common programme in May 2003, the 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 Joint Review. A new and more over-arching MoU on the programme has been prepared during 2003 and is planned for signature in April by the existing budget support donors, two new signatory countries, and the World Bank (becoming G14). Three more observer countries participate, as well as the IMF and the UNDP as observers.

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 was taken only in November and the support paid out in December. 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.

See also §2.1.1 and 2.2 above.

Rural development through agriculture and infrastructure

Roads

The several times extended Feeder Roads Programme was replaced in January 2003 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. A consultancy company has been contracted, after an open competitive bidding process, for technical assistance to the programme. Some programme components are co-financed by DFID. Our 18 months programme will be prolonged in time to mid-2005 to co-ordinate our support with DFID's.

ANE is preparing a proposal for a new 3 year programme to take over after the ongoing programme.

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 re-open 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 would cost more than the amount estimated at the beginning. To cover the total repair costs in the Niassa province, the Embassy increased the Swedish contribution by SEK 7 million (which makes a total project budget of SEK 32 million). A Mozambican contractor has been appointed by ANE and has started to carry out the repair works.

Sweden decided in 2003 – 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 could collapse at any time. The Swedish contribution is SEK 10 million. The repair works started but after a while it was found necessary to change out the constructor (the half state-owned ECMEP). A competitive bidding process has been carried out and ANE is in process of signing a contract with another constructor.

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 construction of the rural electrification project in the Morrumbala area in the Zambézia province has finished (SEK 43 m). Final inspections have been carried out and the one-year guarantee period started on the 19th December 2003. Substantial additional costs were incurred due to the country's 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 decided in March 2003 – 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 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.

The Director General decided in September 2003 to support a rural electrification project in the Sofala, Manica and Tete provinces (SEK 130 million). The procurement procedure of a consultant for the design and supervision has started.

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. Tenders for the ferry and the civil works are under evaluation.

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 poverty impact analysis has been carried out. ANE is at this moment in the process of signing a contract with a consultancy firm for the pre-design and supervision of the project.

INEC/IF has carried out an in-depth assessment of the bridge project. A decision by the Director General to support the construction of the bridge with SEK 200 million is awaited in April. Italy has in a letter to the minister of Public Works and Housing committed themselves to co-finance the construction works up to an amount of USD 20 million. Japan has officially promised to support the project with USD 9 million. The European Union has also indicated interest in to participate with EURO 25 million. The construction cost (circa USD 70 million) will be fully covered if these prospective financiers support the project according to their commitments.

Rural development

Sida supports agricultural development through the Ministry of Agriculture and Rural Development, MADER, and its sector programme Proagri, together with ten other donors. The total annual budget in 2003 of the programme was USD 40 m of which Sida contributed with USD 1,6 m. The current agreement covers the years 2002–2004 (SEK 45 m).

The first phase of the programme ends in December 2004, and a new phase, Proagri II, is under preparation.

Despite rapid economic growth, the number of food insecure has shown no sign of improvement over the last decade. Nevertheless, some progress related to the policy environment can be noted in the sector during the last year. For example, the production of maize increased with about 7%, with the biggest increase in the provinces that are exporting to Malawi; the administration time for applications of land registration have been reduced significantly and “one-stop shops” to help investors have been introduced.

An evaluation of Proagri was presented in May 2003 and 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 stated that the promotion of policies to facilitate agricultural development has received too little attention, the organisation restructuring process for MADER has made little progress, and that huge investments in vehicles and lack of proper fleet management poses a threat to long-term financial sustainability.

A draft strategy document for Proagri II was presented and discussed in December 2003. The document suggests a new approach and expands beyond the scope of Proagri I and even beyond that of MADER, as it includes rural development issues such as rural finance and infrastructure. While Proagri I is largely introverted and aimed at strengthening MADER, Proagri II is outward looking, aiming at providing services to clients.

Two annual reviews in June and December took place. It was concluded that a sharp setback for the progress of the programme this year was the late disbursement by donors and delays in financial flows from MPF to MADER. The dialogue between MADER and other ministries remains weak, although some meetings were held with MPF participation during the year. The annual financial audits show that the financial management system has improved from 2001 to 2002.

In the December review an action plan for 2004 was agreed upon, including critical issues that have to be solved before the donors are prepared to support a new phase of Proagri. An improved monitoring and evaluation system and implementation of the institutional reform are some of these critical requirements.

During 2003 dialogue was also initiated among some donors, including Sida, on the design of a new project aiming at strengthening communities to register their land. DFID is the lead donor in this new initiative called “Community Land Registration and Natural Resources Fund” that is planned to be implemented during 2004.

Private sector growth

The agreement with CTA continued to be the major focus of Swedish support to the private sector. The agreement signed in October 2002 started its implementation in 2003 after the recruitment of a Project Administrator by CTA. The consultative mechanisms in the framework of the private-public initiative have been reinforced with the procurement and contracting of backstopping consultative companies.

The VII Private Sector Conference, the central meeting for the dialogue between the Government and the Private Sector, took place in March 2003, and new priority areas for discussion between the parties were identified and a new matrix of progress established. Little progress was made since the VI Conference but some sector groups are working better.

Innoq has completed the elaboration of the National Quality Policy which has finally been approved by the Council of Ministers in November 2003. It is expected to start its implementation in 2004.

During 2003 FFPI entered in a period of revival after the approval by the Council of Minister of the decree which transforms FFPI into an autonomous financial institution with Limited Liability Status. A consultant was recruited by the Embassy to evaluate the FFPI's assets, allowing the identification of a strategic partner to take over Sida's share in this new institution. With a USD 2 million loan by the African Development Bank, the institution seems to be in much better position to do so.

Following several attempts to harmonize donors' interventions, the donors giving support to the Private Sector Development in Mozambique decided to create a working group with the objective to follow up concerns regarding PSD and economic growth in Mozambique.

The poor business environment remains the main constraint on Private Sector Development in Mozambique. In practice few investments are entering Mozambique, and those in the country are struggling to maintain their activities. Although there seems to be a strong will to continue the dialogue between the Government and the Private Sector, the results are scarce and the private sector suggestions are not taken into consideration; like the recently approved Decree for expatriate hiring in Mozambique, where none of the suggestions were accepted by the Government.

3.3.3 Social and human development

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 pool fund (FASE). A one year amendment of the agreement for 2000–2002 (SEK 150 m) with an additional SEK 45 million was signed in 2003.

In September 2002 the MoU for FASE was signed and the process of getting it operational continued during 2003. MINED finalised their Education For All – Fast Track Initiative plan in March 2003. MINED, with its cooperating partners, was involved in the formulation of the first Performance Assessment Framework (PAF) to be used to monitor the results of budget support from the bilateral donors as well as the PRSC-credit from the World Bank. A first draft of the revised Education Sector Strategic Plan (ESSP II) was presented at the fifth Annual Review Meeting in September. MINED worked with sub-strategies during the year.

The year 2003 was thus a quite intensive year. The ESSP II was to be adopted by the steering committee meeting (COPA) between MINED and donors in November. However it did not get finished on time. In retrospect this was probably partly due to the other on-going process

described above. The focus, both from MINED and cooperating partners, was turned onto other processes and issues.

There have been delays in getting FASE operational, due to problems in MPF as well as at MINED. It took until mid-2003 until the first funds from the Treasury were disbursed to MINED and provinces. 2003 has been a year of trial and error and for the coming year it is necessary to continue to address the capacity needs in financial management and control.

Suspicion of misuse of Sida funds was raised at the end of 2003, on the basis of audit reports delivered to Sida by MINED. Upon taking part of the report for 2002, received in October 2003, Sida urgently decided to undertake an external audit of the agreement period 2000–2003. This was carried out by Ernst&Young Stockholm in December 2003. The auditors' preliminary findings raised a lot of concerns.

From October to December several meetings were held between MINED and the Embassy, in which deep concerns were expressed and the reasons for undertaking the external audit explained. The Embassy decided to freeze the use by MINED of remaining funds from the Sida account. No payments at all were made by Sweden to MINED in 2003.

During the year the Embassy has in any case been working to prepare a new multi-year agreement with MINED to be signed at the beginning of 2004. Most of the funds for the education sector/MINED are planned 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 was decided upon in November and the first transfer made at the end of 2003. The part through the government needs a bit more preparation.

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 and are continuously striving to formulate a common agenda. Critical issues are efficiency and quality problems in the whole education sector, transparency, decentralisation, financial management, monitoring and evaluation.

Higher education and research

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

Suspicion of corruption in UEM leading to an institutional assessment/audit caused delays and deviation from plans. The institutional assessment showed weak management as well as weak administration. The report however concluded that the funds for research are sufficiently controlled. Most problems are related to the open-ended core funding, where the routines for follow-up have been inadequate. The core support was stopped already in 2002.

Sida is presently reconstructing its research cooperation with Mozambique. This implies less funds and only support to specific programmes for research. In addition to this, Sida is to support a programme for development of the research administration at UEM, including the establishment of strict routines for management of funds.

The support to UEM is programmed and monitored by Sida/Sarec in Stockholm. The Embassy's mandate and role in relation to the research support is unclear and has to be sorted out with Sida/Sarec. 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 in-depth assessment has been undertaken on support to the Higher Education Sub-sector/Ministry of Higher Education, Research and Technology (MESCT), with focus on support to provincial scholarship programmes to improve access to the system. A new agreement is intended to be entered into at the beginning of 2004. The Agreement on Policy Work was amended with added funds during 2003.

A new agreement with UEM from mid-2004 is to be prepared by Sarec.

HIV/AIDS prevention and care

In 2003, support continued to three NGOs in Niassa province and an agreement was signed with Monaso, a network of NGOs working with HIV/AIDS, to establish an office in Lichinga and start its activities. Another agreement was signed with UNFPA to support a programme on Adolescent Sexual and Reproductive Health in Inhambane Province and to initiate the needs analysis of a similar programme in Niassa Province.

Apart from that, the Embassy decided to support the National Aids Council through the Common Fund, a pool fund with other donors, and to initiate the assessment of a support to Save the Children Alliance in a programme to mitigate the impact of HIV/AIDS on orphans and vulnerable children in Mozambique.

Mozambique has engaged in various initiatives to combat HIV/AIDS. The Global Fund approved USD 54 million to combat malaria, tuberculosis and HIV/AIDS in Mozambique. The World Bank also responded to the Mozambican request with an initiative (MAP) which was signed in April and is bringing in over USD 55 million for prevention and infrastructure development. The main objective is to reinforce both prevention and care activities. Mozambique was included in the group of four countries eligible for TAP (Treatment Accelerated Program) which will make available additional resources to the country. The Ministry of Health approved the National Strategic Plan for HIV/AIDS, which covers mainly the health-related issues of the epidemic. The National Aids Council as the national coordination body started the revision of its strategic plan and is expecting to conclude by May 2004.

The main critical factor continues to be the rapid spreading of the epidemic and the inability of the country to stop it. The mechanisms established by the CNCS with the World Bank for the funds are too complicated and few organizations are able to access them. During 2003 these funds were not available and no activities were supported through these channels.

Landmine clearance

Sweden and other bilateral donors have been supporting de-mining programmes and awareness campaigns in Mozambique. The support has been channelled through UNDP to the National De-mining Institute (co-

ordination), the Accelerated De-mining Programme (de-mining in Southern Mozambique), and Norwegian People's Aid (de-mining in the Northwest).

In accordance with the Country Strategy (2002–2006), Sweden has decided to continue its support to the final stages of high priority mine clearance programmes in Mozambique, while at the same time phasing out and ending as of 31st December 2004. By that time, all indications are that the most exposed and dangerous fields in the vicinity of communities will have been cleared.

As a result of the above, two agreements were signed between NPA and Sida Stockholm on final support to the NPA Mine Action Programme covering the period 2002–2004, with a contribution of SEK 12 m (SEK 5 m 2002, SEK 4 m 2003 and SEK 3 m 2004). Another agreement was also signed between Sida Stockholm and UN on final support to the Accelerated Demining Programme (ADP) in Mozambique, for the period 2002–2003, with a contribution of SEK 8 m, divided SEK 4 m per year.

3.3.4 Niassa poverty reduction programme

The Niassa poverty reduction programme, PROANI, is gradually gaining momentum. By the end of 2003 all the major planned sub-programmes (administrative development, infrastructure, private sector development, and civil society support) were finally up and running.

Growth in the agricultural and private sectors

Private sector development in Niassa (Malonda programme)

The Governments of Mozambique and of Sweden entered into an agreement regarding private sector development in Niassa in January. The agreement covers three years 2003–2005 and the Swedish contribution amounts to SEK 75 million.

The purpose of the programme is to improve the quality of life in Niassa province by stimulating the private sector to grow. As such a growth requires a number of well coordinated measures, Malonda is aiming at a broad scope of activities and a diversified portfolio. It supports both commercial investments and non-profit activities, embracing marketing of agricultural crops, introduction of new high-value crops, legal services, business information, an Ombudsman, micro-finance, (contractual) joint ventures, and tourism. Among the results noted in 2003 was a considerable rise in the volume of traded agricultural produce in Niassa.

However, as no measurable and sustainable growth will take place in the province unless know-how and capital are brought in from outside, the programme also stimulates foreign investors, and investors from other provinces, to participate in the development of the potential resources in Niassa. Business plans for large scale forestry and for tourism have been prepared by potential investors in collaboration with Malonda.

The Programme has entered into a number of “partnerships” with national and foreign companies and organisations, where the partner caters for some of the financial requirements and for the management. The intention is to broaden the capital base for each activity and to improve the quality and dedication of its management.

As Niassa lacks the necessary institutions for promoting such a complex concept as the private sector, the two governments have agreed to

make a legal entity responsible for the implementation of the programme and for the ownership of the resources invested. The preparation for the transfer of the responsibility of the programme, from its Joint Executive Committee to the legal entity, has been carried out during the year.

The legal entity shall not compete with the ministries or other established authorities, or private companies or organisations, but stimulate, induce, finance, promote, and encourage them to serve private sector growth in a manner that would be classified as best international standard. Such a standard cannot be achieved within the foreseeable future without persistent and strong encouragement. And without a high standard in this area, Niassa will remain one of the poorest parts of Africa.

The Malonda programme is also an experimental box for private sector development in other parts of the country. The Ombudsman is an example, as Parliament intends to make an amendment to the Constitution to cater for the introduction of such a protector or facility nationwide, based upon the experiment in Niassa. Another example is micro-savings through the Post Bank, which is being prepared together with Malonda for Niassa as the first and only province in the country. The Niassa Web Portal will also be a model for other provinces.

Sustainable infrastructure for 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 by the National Road Administration (ANE) in July 2002. The construction was originally estimated to take 30 months, starting in August 2002. However, there have been some delays and the work will not be finished before June 2005. 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. Due to the weakness of the dollar against the Swedish krona there is no need of additional funding to cover the additional costs connected to the change of surface material.

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 by EDM for the construction work, which started in September 2002 and is estimated to take 28 months. The generator, which is included in the project, has been in operation in Lichinga since November 2003.

Increased administrative capacity

Budget and planning support

Sweden and Ireland are the main partners supporting the Niassa government. The earlier three-year agreement for Sida support to the provincial

government has been extended by one year. As discussed with, and requested by the Niassa government, increased joint planning of the Irish-Swedish support to the provincial government will take place during 2004, as Sida and Development Cooperation Ireland (DCI) will move towards joint planning and a further harmonisation of our support. A study will be undertaken in March 2004 to investigate modalities for joint budget support to the provincial government from 2005. During 2003 a joint planning process with the two main donors took place, following the national planning guidelines. Although it created some delays in the planning process, the results were very positive. A joint plan and budget for 2004 were produced with a quality substantially higher than in the previous years.

Though the capacity of the public sector has improved during the last five years, it still constitutes a bottle-neck for many development initiatives in the province. After a delayed start, the rehabilitation of the IFAPA civil servant training institute has taken off, and the scholarship program is showing promising results. The support through advisers (*“assessores”*) to the provincial government has also proven useful.

An integrated audit of government, Irish and Swedish budget execution was carried out by the IGF in the second semester of 2003. Only a draft summary report has so far been presented. The report indicated a number of weaknesses and problems within the provincial and district financial management. Both Sida, DCI and the Governor are very concerned with the findings and a follow up of the audit will be of highest priority for our continued support.

Democratisation, human rights and conflict prevention

Part of the Niassa programme is focused on support to civil society in the province. The civil society component started in 2001–2002 when agreements with 17 different organisations for 19 projects were approved. In the evaluation of this pilot phase activity, it was decided to contract an organisation that would be able to approach civil society development in a more holistic manner and ensure adequate backstopping support of the organisations supported.

The preparation and selection of this second phase of Civil Society support took longer than expected. Therefore direct support continued to some 7 projects. Among those are: a women's promotion project in Nipepe (PROAGRA), an integrated community development project in Mecanhelas (AMM) and support to the documentation and training centre of ACORD supporting a number of local organisations in planning, project management and participative methods. During 2003 a consultant was also contracted to give training in financial management, leadership and human resource management to about 25 local and international organisations (both those supported by Sida and others selected) to address the need of capacity building in these areas. Four of the organisations supported have also received financial management software to improve their internal control and reporting.

An agreement was signed with the Swedish Cooperative Center in September 2003 for the implementation of a four year program 2003–2006 aimed at the institutional and capacity strengthening of Civil

Society Organisations in the province. SCC has recruited its main staff and will start operations in six districts from May–June 2004.

The programme of SCC will indirectly address the issues of conflict prevention, democracy and human rights through its emphasis on participation, mobilisation and inclusion of different groups in its capacity development of Civil Society. The programme is also expected to contribute positively to the decentralisation processes regarding district planning to be supported in the public sector support component to Niassa from 2004, as Civil Society participation in the district planning process is a key element for these decentralisation initiatives.

3.4 Other Bilateral Co-operation

Sida's International Training Programmes

During 2003 Mozambique was invited to nominate candidates to 45 of Sida's International Training Programmes and Seminars. The training programmes covered the areas of Governance, Democracy and Human Rights; Social Services, Education and Community Planning; the Enabling Environment, Public Institutions and Services; Infrastructure, Telecommunications, Energy and Transports; Environment, Land Use and Natural Resources Management.

Various Mozambican governmental and private institutions as well as some national NGOs nominated a total of 142 candidates to participate in the courses. 43 applicants were invited to attend the courses. The Embassy also financed seven international travels for the participation of Mozambican civil servants in the programmes.

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 disbursed funds to the MPF to help in upgrading its hardware and software to improve its capacity to record and analyse domestic and foreign debt together, according to ComSec specifications.

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

The Embassy has a regional adviser for education stationed here, who assists with her expertise in education issues in Mozambique and also provides assistance to Rwanda, Namibia, South Africa, and Tanzania. A similar adviser for the water sector will soon be moved to Maputo.

In its turn the Embassy has had some assistance from the HIV/AIDS office opened recently in Lusaka.

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 been going through a succession of substantial staffing and administrative changes. On the staff level, the new Ambassador Maj-Inger Klingvall arrived in February. Between mid-2002 and July 2003, the Embassy 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 Foreign Ministry post was established in November with special focus on the Regional Dialogue in Southern Africa.

More staff (including 2 more employments planned for 2004) and more delegation of functions from Stockholm to the Embassy require more and more space, which the embassy plans to achieve through renting more physical space and through a minor rebuilding on the second half of 2004.

Administratively, the direct satellite connection antenna came up in at the end of 2002, allowing the Embassy to introduce direct decentralised accounting routines, and in September 2003 video conference equipment was installed with direct connection to Sida Stockholm, allowing the Embassy to have meetings “in live” with Stockholm on Development Cooperation issues.

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.

Annex 1

Faktablad – Mozambique 2003

(I) Makroekonomisk situation

	1998	1999	2000	2001	2002	2003
Nominalt BNP (miljard USD)	4,00	4,09	3,75	3,44	3,60	4,31
Real BNP-tillväxt	12,6%	7,5%	1,6%	13,0%	7,7%	7,0%
Tillväxt i BNP/capita		5%	-1%	10,6%	5,3%	4,5%
Inflation, jan-dec	-1,3%	4,8%	11,4%	21,9%	9,1%	10,8%
BNP per capita PPP-USD (UNDP)	782	861	854	1140		
BNP per capita USD löpande priser	217	207	171	183	199	232
Primärsaldo i budgeten/BNP	-0,6%	-3,4%	-6,8%	-8,5%	-5,7%	-3,7%
Budgetunderskott/BNP före grants	-10,5%	-13,2%	-18,0%	-20,1%	-19,7%	-14,4%
Budgetunderskott/BNP efter grants	-2,4%	-1,5%	-6,0%	-6,6%	-7,9%	-3,9%
Handelsbalansunderskott/BNP	-14,3%	-22,4%	-21,3%	-11,5%	-16,1%	-18,5%
Betalningsbalansunderskott/BNP	-5,1%	-5,8%	-9,4%	-11,6%	3,0%	1,0%
Terms of Trade-utveckling	-3,2%	-13,6%	1,8%	-1,6%	3,5%	

Bytesbalansunderskott/BNP före grants -31,7% (1999), -23,3% (2002)

Bytesbalansunderskott/BNP efter grants -21,5% (1999), -11,7% (2002)

Valutareserv ca 700 m USD eller 5 månaders import (okt 2003)

Växelkurs ca 23.500 Mt/USD sedan nov.2001 (depreciering av 3% nov 2001–nov 2003)

Källor: IMF, 4th PRGF Review June 2002; 6th PRGF Review June 2003; Världsbanken, EMPSCO Credit Review August 2002; INE,

Índice de Preços Outubro 2003, UNDP HDR 2000–2003. Siffror för 2003 preliminära, för 2002 officiella

(II) Skuldsituation*

HIPC-status:	Landet uppnådde HIPC-II avslutning september 2001 med avskrivning av ca 73% av landets utlandsskuld efter PRSP "endorsed" av IMF/WB.
Omförhandlingar i Parisklubben	16 november 2001
Interna skulden:	Uppges vara ca 3,75% BNP slut-2002. Budgeterad skuldtjänst 2003 är 31 mUSD för interna skulden vs 18 mUSD för utlandsskulden
Fördelning av utlandsskulden	Multilaterala 44,6%
på kreditorer (dec. 2002):	varav IDA 25,1%
	Bilaterala 55,4%
	varav Parisklubben 19,5%, övr. offentliga 24,8%, och kommersiella 11,1%
Nominell utländsk skuld:	4907 mUSD (dec.2001), 3930 mUSD (dec.2002)

	1998	1999	2000	2001	2002	2003
	(efter HIPC-I)		(efter HIPC-II)			
NPV skuld/BNP			24,5%	26,5%	26%	24%
NPVskuld/export	549%	212%	194%	117%	96%	90%
Skuldtjänst/export	20%	15,3	2,5%	2,7%	4,1%	4,2%
Skuldtjänst/budgetintäkter	24%	18%	9,4%	11,5%	8,2%	7,7%

(*) Skulddata från IMF och Världsbankens HIPC-II completion point dokumentation från september-oktober 2001, IMF och VB genomgångar 2002 och 2003 citerade ovan, och skuldstrategiseminarier, MPF juli 2003.

(III) Budget och fattigdomsbekämpning

Procentuell fördelning mellan utgiftsposter

	2001 **		2002		2003 ***		2004 ***	
	Sektor	PRSP	Sektor	PRSP	Sektor	PRSP	Sektor	PRSP
försvar, polis och säkerhet	18%	5%	16%	5%	10%	5%	11,2%	4,7%
sociala utgifter	42%		39%		39%		45,8%	
varav utbildning	20%	23%	19%	18%	16%	17,5%	21,2%	20,5%
hälsa + HIV	9%	11%	8%	14%	14%	15%	12,0%	11,4%
socialförsäkring	11%	1%	10%	1%	7%		7,3%	1,1%
jordbruk, infrastrukt, ek. sektorer	15%	22%	18%	22%	28%	20%	17,5%	20,3%
skuldräntor	3%		6%		4%		3,7%	
övrigt (+allmänna statstjänster)	22%	3%	22%	3%	20%	4%	21,8%	4,5%
Totalt på PRSP-prioriteringar		65%		63%		66,5%		62,5%

** Statsbudgeten efter 2001 klassifieras bättre, inkluderar mycket mer av biståndet än förut och klassificerar utgifterna båda sektoriellt och enl nya klassificeringen "PRSP-relaterat".

*** Statens budgetdokument 2003 och 2004

Intäktssidan:

Intäkter före gävbistånd/BNP	12,4% (2000), 12,5% (2001), 14,3% (2003)
Skatter/BNP	12% (2000), 13,3% (2003)
Skatter på utrikeshandel/intäkter	17,2% (2000), 16,7% (2003)
Bistånd/BNP	14% (2000), 18,6% (2002), 15% (prognos 2003)
Gävbistånd/BNP	11,6% (2000), 11,7% (2002), 10,5% (2003)

Utgiftssidan:

Bistånd/Statsutgifter	60% (2001), 55,3% (2002), 52,1% (prognos 2003)
Statsutgifter/BNP	27,8% (2000), 33,7% (2002), 28,7% (prognos 2003)
PER	avslutades 2001, sektor-PER rapporterad aug. 2003
MTEF	MTFF 2001–5 (aug 2000), MTFF2004–8 (maj 2003) pågående utvecklingsarbete
PRSP	PARPA 2002–2005, finalversion april 2001, reviderad 2003 genom PAF-processen
Transparency and accountability	Country Financial Accountability Assessment under våren 2001, åtgärder krävda på offentliga och privata finansiella sektorn – samt kraftig utveckling av revisorsutbildning. Nytt finansiellt styrsystem 04

Landet citerat vara 5:e sämsta på Transparency International mätning 2000 (57/62).

(IV) Fattigdom – fördelning

BNP/capita	171 USD (2000), 185 USD (2002), 232 USD (2003)
HDI*	0,323 (1999), 0,356 (2001)
	HDI-rang 170 av 175 länder (2001) (HDR 2003)
Gini-koefficient	39

Hushållsundersökningen 1997 69,4% i absolut fattigdom, 90% under USD 1 /dag**

(*)HDI är UNDPs sammansmältning av tre andra index som mäter befolkningens utbildningsnivå, köpkraft och förväntad livslängd.

(**) Fattigdomsstrecket mäter och anpassar konsumtionsbehovet för olika hushållsmedlemmar i olika regioner med hjälp av imputerade och verkliga priser. I genomsnitt uppskattades att varje person behöver motsvarande cirka 0,47 US dollar varje dag för att kunna tillgodose grundläggande behov av kalorier, kläder, bostad, etcetera. Preliminära siffror 2002 indikerar små förändringar.

(V) Ekonomiska reformer

IMF- program	IMF-program sedan 1987. Styrelsebehandlades i september 2001 – HIPC-II avslutning. Senaste IMF-uppföljning av PRGF i april 2003: positiv bedömning, liksom på CG-mötet oct 2003. Nästa PRGF-styrelsebehandling feb 2004.
Världsbankslån (programlån)	PRSC under beredning under 2003 om ca 100 mUSD. En flexibel APL beslutats för 2002/07, målet stöd till förvaltningsreform. Prognos f n 25 mUSD 2003 och 2004.

(VI) Stöd till ekonomiska reformer (USD)

	2000	2001	2002	2003
Bistånd totalt*	834	811	841	974
Multi. kredit	177	206	226	372
Bilat. kredit	37	59	69	80
Multi. gåvo	111	111	111	83
Bilat. gåvo	509	533	435	439

* Källa: skuldstrategiseminarieret MPF juli 2003

(VII) Svenskt bistånd

Svenskt utvecklingssamarbete i Moçambique.

Verksamhets- grenar '000 kr	2000	%	2001	%	2002	%	2003**	%
Demokratisk samhälls- styrning & mänskliga rättigheter	59 730	14	101 753	23	99 516	23	102 351	23
Sociala sektorer	42 987	10	48 412	11	79 020	18	14 858	3
Infrastruktur, näringsliv och urban utveckling	140 158	33	94 749	22	89 988	20	185 194	42
Naturbruk	6 268	1	1 883	1	12 970	3	14 857	3
Ekonomiska reformer	100 000	24	100 000	23	100 360	23	100 000	23
Forskningssamarbete	24 165	6	29 045	7	27 217	6	14 196	3
Humanitärt bistånd och konfliktförebyggande	22 229	5	21 819	5	11 758	3	8 009	2
Enskilda organisationer	15 096	4	12 960	3	10 215	2	*	*
Övrigt	12 692	3	23 617	5	9 760	2	3 498	1
Totalt	423 324	100	434 239	100	440 804	100	442 963	100

Källa: Sidas Årsredovisning för bå 2000, 2001 och 2002, Sida-PLUS 2003

* Information om insatser av svenska enskilda organisationer genom eo-anslaget ej tillgänglig ännu

Landstrategin gäller 2002–2006, samarbetsavtal 2002–2004 minst 1.260 mSEK.

Observera att budgetstöd, privatsektorstöd, enskilda organisationer inte är inräknade i denna summa.

Samarbetet inkluderar bl a: förvaltningsstöd, kapacitetsuppbyggnad inom områden relaterade till finans- och penningpolitik, statistik, finansiell styrning & redovisning.

Annex 2

Follow-up of actions out-lined in the Country Plan for Development Cooperation with Mozambique for 2003.

Actions envisioned during 2003	Action taken	Comment
1. Up-date PLUS for 2003	Done	FC fy 2003 and 2004 updated in August
2. Explore possibility to out-source parts of control and administration of Demo and HR support	Done	Two present agreements (Diakonia and Africa Groups) are in effect umbrellas for support to 25 smaller NGOs and projects. No more out-sourcing is deemed necessary.
3. Consider new initiatives in infrastructure in Niassa	Postponed	Discussions with ANE and Provincial Govt initiated. Present two large projects will continue throughout 2005. New projects to be assessed in 2004.
4. Decision on programme for support to civil society in Niassa	Done	Agreement 2003–2006 signed with SCC in August
5. Define priorities for future Niassa support	Done	Discussions held with provincial Govt on future support. Joint approach with Ireland, leading to a joint agreement in 2004.
6. Work for a joint programme support approach re the PRSC process	Done	PRSC will be integrated in the PAF presently developed by GoM, World Bank and budget support donors
7. Further align our support to PARPA priorities	On-going	(We should avoid this kind of fluffy “actions” in the future)

8. Prepare and sign new agreements for support to MPF, MAE, the Administrative Tribunal and INE	Done	MPF: Agreement signed on support to IGF 2003–2005; phase-out of bilateral support to Public Accounting; support to SISTAFE for 2003MAE: Agreement to be extended 6 months.TA: To be taken over by new Riksrevisionen as of 1 January 2004. Role of Sida/Embassy unclear. INE: Agreement 2003–2005 signed.
9. Assessment of new proposals in infrastructure	Done	New energy project assessed by INEC and submitted to DG for approval in August.New agreement on support to ANE will be prepared 2004.
10. Prepare a new agreement for support to the Education Sector Strategic Plan	On-going	Agreement 2000–2002 extended 1 year. New agreement 4–5 years will be prepared late 2003 for decision by Sida DG first quarter 2004
11. Consider increasing the support to PROAGRI (phase 2) from 2004	Postponed	Proagri I extended until end 2004. New agreement for support to Proagri II will be prepared during 2004.
12. Develop a strategy for support to private sector development in Mozambique	Postponed	Awaiting the finalisation of Sida's framework for PSD in late 2003, which will form the basis for an Embassy paper in 2004
13. Initiate the implementation of the Embassy's HIV/AIDS strategy for Mozambique	Done	Several agreements have been signed and more are underway
14. Further develop the draft frame-work for dialogue (annex to the CP)	On-going	Will be elaborated further during CS monitoring seminar in September
15. Recruit a third NPO	Done	Jesus Alfredo started in July
16. Follow-up on the bank crisis	On-going	Bank crisis has been a key issue in dialogue with GoM and G11
17. Follow-up of the alleged misuse of funds linked to our 1992–93 import support	On-going	Follow-up made together with Norway and Switzerland. Case can be closed after final audit late 2003.

COUNTRY PROGRAMME DISBURSEMENTS 2003 AND FORECAST 2004-2006

MOZAMBIQUE

BY COUNTRY STRATEGY PROGRAMME GOAL

ALLOC ACC TITLE	DEV NO DEV	OP AREA	C.S. PROGR GOAL	CLUSTER ID	CLUSTER NAME	RESP UNIT	RESP DEPT SUP	MILESTONES 2004	DISB 2003	CP 2004	FC 2005	FC 2006	NO. OF LIVE CONTRIBU TIONS 2004
1.1 Administrative capacity and democratic development													
MOZ	DEV	HR/D	1.1	1.1.1	State economic and financial management	MOZ	DESO	Evaluation of SFM programme at MPF	24 561	20 000	30 000	30 000	4
MOZ	DEV	HR/D	1.1	1.1.2	Anti-corruption, audit and control	MOZ	DESO	1. Technical assistance to TA & IGF managed independently by new RR; 2. Preparation of support to AG's anti-corruption unit	25 699	19 000	24 000	24 000	4
MOZ	DEV	HR/D	1.1	1.1.3	Public administration and decentralisation	MOZ	DESO	New 3 year agreement with MAE 0407-0706	4 829	20 000	21 000	21 000	5
									55 089	59 000	75 000	75 000	
1.2 Democratic culture, conflict prevention, human rights													
MOZ	NDE	HR/D	1.2	1.2.1	Democracy and HR programme	MOZ	DESO	General assessment of whole Democracy and HR programme	23 000	33 000	30 000	30 000	18
MOZ	DEV	SOC	1.2	1.2.2	Culture	MOZ	DESO	New 3 year agreement with MoC	3 471	4 000	8 000	8 000	2
									26 471	37 000	38 000	38 000	
1. Democratisation and democratic development, TOTAL										81 560	96 000	113 000	113 000
2.1 Macroeconomic stability													
ECREF	NDE	EKRE	2.1	2.1.1	General budget support	AFRA	POLICY AFRA	Active participation in PAF 2003 evaluation and PAF 2005 planning	100 000	100 000	100 000	100 000	1
									100 000	100 000	100 000	100 000	

ALLOC ACC TITLE	DEV NO	OP AREA	C.S. PROGR GOAL	CLUSTER ID	CLUSTER NAME	RESP UNIT	RESP DEPT SUP	MILESTONES 2004	DISB 2003	CP 2004	FC 2005	FC 2006	NO. OF LIVE CONTRIBU TIONS 2004
2.2 Rural developm through growth in agriculture & infrastructure													
MOZ	DEV	NATUR	2.2.	2.2.1	Agriculture (Proagri)	MOZ	NATUR	1. Appraisal and agreement of new 4 year contribution 2005-2008; 2. Assess possible support to farmers association	12 547	18 000	25 000	25 000	3
MOZ	DEV	INFRA	2.2	2.2.2	Roads program	MOZ	INEC	New 4 year programme to be assessed and agreed	21 321	44 000	24 000	24 000	8
MOZ	DEV	INFRA	2.2	2.2.3	Energy program	MOZ	INEC	Initial assessment of rehabilitation of 2 hydropower stations in Manica	28 067	19 000	110 000	120 000	6
									61 935	81 000	159 000	169 000	
2.3 Private sector growth													
MOZ	DEV	INFRA	2.3	2.3.1	Private Sector Development	MOZ	INEC	PSD framework for Mozambique to be developed	3 500	9 000	10 000	10 000	5
									3 500	9 000	10 000	10 000	
2.4 Link north and south													
MOZ	DEV	INFRA	2.4	2.4.1	Caia Ferry	MOZ	INEC	0	1 046	43 000	0	0	1
MOZ	DEV	INFRA	2.4	2.4.2	Caia Bridge	MOZ	INEC	Decision on financing of Caia bridge (Sida HQ)	713	2 000	65 000	70 000	2
									1 759	45 000	65 000	70 000	
2. Sustainable economic growth, TOTAL									167 194	235 000	334 000	349 000	
3.1 Education, higher education and research													
MOZ	DEV	SOC	3.1	3.1.1	Basic Education	MOZ	DESO	New multi-year agreement signed with focus on EESS 2, common pool fund.	4 546	40 000	76 000	80 000	5
MOZ	DEV	SOC	3.1	3.1.2	Higher Education	MOZ	DESO SAREC	New 3 year agreement signed with MESCT	0	5 000	10 000	10 000	1
MOZ	DEV	SOC	3.1	3.1.3	Research Co-operation (NBI: Outside of country allocation from 2004)	SAREC	SAREC	New agreement signed incorporating lessons from evaluation and institutional assessment	14 272	0	0	0	12
									18 818	45 000	86 000	90 000	

ALLOCC ACC TITLE	DEV NO DEV	OP AREA	C.S. PROGR GOAL	CLUSTER ID	CLUSTER NAME	RESP UNIT	RESP DEPT SUP	MILESTONES 2004	DISB 2003	CP 2004	FC 2005	FC 2006	NO. OF LIVE CONTRIBU TIONS 2004
3.2 HIV/AIDS prevention and care													
MOZ	NDE	SOC	3.2	3.2.1	Direct HIV/AIDS programmes	MOZ	LUSAK TEAM	Finding an entity for HIV/Aids support to Niassa	8 998	13 000	12 000	14 000	5
									8 998	13 000	12 000	14 000	
3.3 Landmine clearance													
MOZ	DEV	HUM	3.3	3.3.1	De-mining programme	MOZ	SEKA	Complete phase-out during 2004	8 000	3 000	0	0	2
									8 000	3 000	0	0	
3. Social and human development, TOTAL										35 816	61 000	98 000	104 000
4.1 Niassa: Growth in agricultural/private sector													
MOZ	DEV	INFRA	4.1	4.1.1	Niassa: Malonda	MOZ	INEC	Separate legal entity to be made responsible for Malonda	16 280	28 000	29 000	29 000	1
									16 280	28 000	29 000	29 000	
4.2 Niassa: Infrastructure for economic development													
MOZ	DEV	INFRA	4.2	4.2.1	Niassa: Roads	MOZ	INEC	Initial assessment of new project(s) after EN 242	69 103	80 000	62 000	0	2
MOZ	DEV	INFRA	4.2	4.2.2	Niassa: Energy	MOZ	INEC	0	39 989	50 000	0	0	1
									109 092	130 000	62 000	0	
4.3 Niassa: Increased administrative capacity													
MOZ	DEV	HR/D	4.3	4.3.1	Niassa: Public sector support	MOZ	DESO	New program 2005-2008 to be elaborated and agreement signed	14 965	20 000	18 000	20 000	9
									14 965	20 000	18 000	20 000	

ALLOC ACC TITLE	DEV NO	OP AREA	C.S. PROGR GOAL	CLUSTER ID	CLUSTER NAME	RESP UNIT	RESP DEPT SUP	MILESTONES 2004	DISB 2003	CP 2004	FC 2005	FC 2006	NO. OF LIVE CONTRIBU TIONS 2004
4.4 Niassa: Democratisation, human rights, conflict prevention													
MOZ	NDE	HR/D	4.4	4.4.1	Niassa: Civil society program	MOZ	SEKA		0	5 493	10 000	14 000	20 000
										5 493	10 000	14 000	20 000
4. Niassa province, TOTAL										145 830	188 000	123 000	69 000
5. Other													
MOZ	NDE	OVR	5.0	5.1.1	Other: PUM, etc			1. Prepare and sign a new procedural agreement 2. Assess alignment of country programme with the up-dated PARPA 3. Increased capacity for financial control and fiduciary risk assessment and mitigation 4. Sign frame agreement for Niassa support	11 593	12 000	3 000	3 000	4
MOZ	DEV	OVR	5.0	5.1.2	Other: Consultancy Fund	MOZ			0	516	5 000	5 000	5
5. Other, TOTAL										12 109	17 000	8 000	108
GRAND TOTAL										442 509	597 000	676 000	643 000

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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