

Country strategy for development cooperation

Mozambique

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1 Conclusions of the country analysis

Although Mozambique is one of the world's poorest countries, conditions for poverty reduction improved in the 1990s. A national poverty assessment¹ was conducted in 1996–97. Its conclusions provided Mozambique with a basis for a strategy for fighting poverty: the Action Plan for the Reduction of Absolute Poverty (PARPA). Extensive debt cancellation as part of the debt initiative for highly indebted poor countries (HIPC) have freed up public funds for use in education, health and other programmes. Thus, there is scope for a more strategically structured policy for promoting development and poverty reduction.

The Government's central objective is to bring about a substantial reduction in the levels of absolute poverty in Mozambique through the adoption of measures to improve the capacities of, and the opportunities available to all Mozambicans, especially the poor. The specific objective is to reduce the incidence of absolute poverty by 10 percentage points by 2005, and by a further 10 percentage points by 2010. Priority has been given to six areas: education, health, rural development, infrastructure, good governance and macroeconomic stability. Sweden provides development assistance in five of these areas. According to the country analysis, the main challenges facing Mozambique are remedying the serious shortage of technical and management capacity, improving deficiencies in the education system and sustaining high growth levels at national and household levels.

Poverty, scarcity of resources and capacity

Poverty remains entrenched and widespread in Mozambique, where 70 per cent of the population live in absolute poverty. Conditions for women and men differ substantially and there are major urban-rural imbalances. The great majority of the poor – some 85 per cent – live in the countryside. Women are particularly vulnerable; about 85 per cent of women living in rural areas are illiterate.

High levels of sustainable growth combined with a policy of active income distribution will be required to deal with the rapid rise in population. However, population growth and production are being adversely affected by the HIV/AIDS pandemic, and the health care system is coming under growing pressure. HIV/AIDS threatens to become Mozambique's most serious long-term development problem.

Although Mozambique has ratified most of the basic human rights conventions, respect for human rights is far from universal. Social norms and values discriminate against women. Women are generally poorer than men. Violence against women in the home is a common occurrence and one of the biggest obstacles to the development of a more gender equal society.

Over half the population is made up of children under 18; it is estimated that about one million live in severely straitened circumstances and are in need of special care and

protection. Child mortality is very high and few rights are enjoyed in the sense intended in the Convention on the Rights of the Child. Conditions are exacerbated in a number of ways by HIV/AIDS; it is estimated that the number of orphaned children will exceed one million by 2007.

Scope for implementing and following up poverty strategies is limited by inefficiency and capacity and resource problems within the public administration. The problems are most acute at provincial and district levels. Capacity is being further depleted by the ravages of HIV/AIDS.

Democratisation and political development

Despite progress in democratisation and favourable economic development throughout the 1990s, there are problems which could develop into serious armed conflict. The failure to include a long-term development strategy or to make any provision for a process of reconciliation in the peace process signed in 1992 has created a climate of mistrust that has effectively prevented constructive dialogue on the country's future. Tensions and friction between FRELIMO and RENAMO hinder cooperation and the parliamentary situation is marked by an absence of cooperation and dialogue. Although much has been achieved democracy is in danger despite a common desire to preserve the existing peace. Parliamentary and presidential elections have been held twice, in 1994 and 1999. The result on the last occasion was a narrow victory for FRELIMO and the presidential candidate Joaquim Chissano. The political opposition has limited influence, and unclear delimitation of competencies between state, government and ruling party both politicises and hampers the performance of the central government administration. In legislation, the boundaries between the political and economic spheres are poorly defined. Political power is closely associated with economic power and financial benefits.

The judiciary is weak and there is an acute shortage of trained judges, lawyers and police officers. An inefficient and ineffective legal system encourages corruption and lawlessness, to the particular detriment of the poor. Corruption, which occurs at all levels of society, has become a major social problem. The problem has also been identified in the Government's Action Plan for the Reduction of Absolute Poverty (PARPA). Nevertheless significant steps have been taken to ensure greater public access and transparency. These include the re-establishment of an administrative tribunal (Tribunal Administrativo) to serve as the country's supreme auditing body.

Following the violent demonstrations in Montepuez in November 2000 and the murder of the journalist Carlos Cardoso in the same month, the EU, then under Sweden's presidency, embarked on a political dialogue with the Government of Mozambique and the parliamentary opposition. Among the issues addressed were democracy, the rule of law, human rights, good governance and conflict prevention.

Though weak, civil society is showing signs of development; a growing number of players and organisations are seeking to promote democratic development and human rights. The media has become more outspoken and public debate is growing increasingly open and critical. Increased, broadly-based growth is a key factor in developing and deepening the democratic process. As the level of education rises and people's political awareness grows, more citizens will be able to take an active part in the development of society. Culture also has a vital part to play in the process of democratisation and reconciliation. Deeper democracy is predicated on the strengthening and broadening of civil society and its participation in social and economic development. The media must also be more critical and independent of the regime.

Economic development and resources

The Mozambican economy showed favourable development throughout the 1990s, with a substantial drop in the rate of inflation. Average GDP growth rate in real terms rose from just under 7 per cent in 1987–95 to 10 per cent in 1996–99. However, growth slackened off somewhat in 2000, mainly as a result of severe flooding and the deteriorating situation in Zimbabwe. During 2001 the economy has shown signs of recovery, stimulated by reconstruction work following the flooding, and the commencement of large-scale production and export from the Mozal aluminium smelting plant.

Implementation of the PARPA is contingent on continued development assistance (though in diminishing amounts in proportion to the country's GDP), debt cancellation, a well-balanced financial and monetary policy and high rates of economic growth. Approximately one fifth of the cost of implementation will be financed from savings made through debt cancellations under the Heavily Indebted Poor Countries Initiative (HIPC). A post HIPC debt strategy will be needed to prevent Mozambique from falling back into the debt trap, and to optimise the utilisation of new loans. This must be based on an assessment of both external and internal indebtedness. The Government's internal debt has risen sharply following acute problems in the Mozambican banking sector.

While economic growth forecasts are optimistic, there are factors which suggest they may constitute a realistic assessment of the situation. There is scope for increased agricultural productivity and unused land that can be brought under cultivation. Right of access to land is essential as it will enable farmers to extend their range of opportunities and give them an incentive to invest in new technology. The new land law adopted in 1997 is a major step forward in this regard. Prevailing low productivity in the agricultural sector is explained by the fact that family farming is based on the traditional method of burn-beating and manual labour, mainly carried out by women. The incentive to produce a surplus is often lacking because opportunities to sell produce are limited. The country's inadequate infrastructure makes it difficult to find and access markets. Moreover, there is no viable trade system for agricultural products. The re-establishment of such a system is crucial to the achievement of sustainable growth capable of benefiting poor people.

Mozambique has an abundance of energy and mineral resources. Further growth opportunities exist in and around the Maputo, Beira and Nacala transport corridors. However, continued rapid economic growth is predicated on the stabilisation of the political situation and intensification of economic reform. Although environmental problems are relatively minor and localised, rapid economic growth could place a strain on the environment as a whole. It will therefore be necessary to address the issue now if the Government is to ensure environmentally sustainable development.

The spiralling HIV/AIDS epidemic is obstructing efforts to reduce poverty. The epidemic has brought about major demographic changes. A rise in the number of AIDS-related deaths could shorten average life expectancy by 15 years by 2010 and reduce expected population growth by 3 million. The population pyramid could change shape, with a sharp reduction in the number of people of productive age (15–40 years). Both factors are potential obstacles to poverty reduction efforts. They will tend to reduce the ability of households to support themselves and increase the number of households in which a disproportionate number of family members are dependent on others for support. Although the UNDP has not published separate figures for Mozambique, it is estimated that HIV/AIDS in Africa will reduce GDP growth by one percentage point per year during the next 15 to 25 years. The effects are most evident in the medium and long term.

Over one third of the country's GDP is generated in the Maputo area, which is also growing faster than other parts of Mozambique. Its proximity to South Africa and the comparatively well developed infrastructure in the Maputo corridor probably explain why virtually all start-ups are located in Maputo. Another possible explanation is the fact that consumers with most purchasing power are also to be found in Maputo. In order to achieve balanced, sustainable growth of the kind that benefits the country as a whole, the Government will have to pursue a more vigorous regional development policy than it does at present.

Encouraging the spread of private investment to other parts of the country will require major infrastructure renewal and investment in education and health care. An alternative would be to make use of the advantages present in the Maputo area to attract more investors and redistribute the wealth created there to other parts of the country via the tax system.

Mozambique is vulnerable to weather anomalies and climate-related natural disasters. The floods which have hit the country in the last two years highlight the need for systems, resources and contingency procedures that will enable the authorities to predict and where possible prevent disasters and keep damage to a minimum when these occur.

Social and human development

One of Mozambique's most pressing problems is the low level of educational attainment, which constitutes a serious impediment to all development. Sixty per cent of the population can neither read nor write and the country suffers from major gender disparities and urban-

rural imbalances. Although the gross admissions rate for 2000 was 92.4 per cent, only 15 per cent of women in rural areas are literate, compared with 93 per cent of men living in the capital city Maputo. Fewer girls than boys attend classes and many girls leave school at a very early age. The poverty survey showed a significant correlation between the welfare of households, especially that of children, and levels of education among women. The survey concluded that the most effective poverty reduction measure was education for women and children.

A number of new institutions of higher education have been established in recent years, some of them outside the capital. A new ministry, the Ministry of Higher Education, Science and Technology, set up in January 2000 to promote a more integrated view of education, has drawn up a strategic plan that underlines the importance of making opportunities for adequate higher education widely available both geographically and in social terms. Providing greater access to higher education among previously disadvantaged groups and in formerly neglected regions would also contribute significantly to conflict prevention efforts.

HIV/AIDS is a growing problem which disrupts people's lives and poses a serious threat to social development. In 1987 only three per cent of the adult population (aged 15–49) was infected. By 2000 the figure had risen to 15 per cent. The rate of infection rose dramatically as a result of increased mobility after peace was declared in 1992. The disease is less widespread in Maputo than in the northern and central regions of the country. In central Mozambique over 20 per cent of the adult population is infected. Worst affected are people in the under-20 age bracket.

Social service provision is generally limited, but the situation is worse in rural areas than in the cities. The health care system is badly equipped and the quality of medical services is poor. The consequences for poor people, and above, all children are particularly severe. Twenty per cent of all children die before the age of five. Preventable illnesses are very common due to lack of medical care, hygiene and a shortage of drinking water.

Inadequate food safety regimes contribute to undernourishment and vulnerability to disease. Although Mozambique is now self-supporting in terms of staples, the average rural family goes hungry for several months before each harvest. As many as one third of all children are undernourished.

Niassa, the most isolated province

The province of Niassa has some of the lowest levels of education and health care in the country. Although the soil is fertile in a number of districts, productivity is very low, primarily due to difficulties in disposing of surplus produce. The road network is in a bad state and many districts are cut off during the rainy season. There is no viable network of traders who can buy up harvested produce and sell essential commodities in exchange. The government administration's resources and capacity are severely limited. Opportunities to take

part in and influence political decision-making are restricted. Although HIV/AIDS is probably not as widespread as in other parts of the country it is seen as a growing problem.

In sum, Niassa is unable to provide any of the basic amenities or services a citizen has the right to expect of his or her society: a functioning market, administrative machinery capable of delivering quality social services, roads and energy and the chance to have a say in the political decisions affecting him/her.

Trade and regional economic cooperation

Mozambique has undertaken a series of important trade reforms since 1987. The rate of implementation has accelerated in recent years. The reforms have paved the way for a substantially more open trade policy mainly based on customs tariffs instead of less transparent trade barriers. Customs duties are among the lowest in southern Africa. In 2000 the average levy was 14 per cent.

Mozambique has been a member of the WTO since 1996 and as a least developed country (LDC) is either exempt from, or has been granted deferrals on, certain conditions and requirements. From a trade and development standpoint, WTO membership is more important in many respects than the South African Development Community (SADC) agreement.

The SADC trade protocol and subsidiary agreements came into force in Mozambique in 2001. More than 40 per cent of Mozambican trade is with South Africa, Zimbabwe and Malawi, all of whom are also SADC members. In addition to the benefits accruing from a more open trade regime, it should be noted that economically stronger countries in Africa have a head start on Mozambique and that the latter's own manufacturing industry will be exposed to stiff competition. Countries forming part of a free trade area must pursue an effective trade and industry policy. Costs in South Africa are considerably lower and levels of expertise significantly higher than in Mozambique. It is hoped that trade liberalisation provided for in the SADC agreement will encourage more trade. As with all regional trade agreements, however, there is a danger that trade with countries outside the free trade area will suffer.

Several agreements provide for greater access for Mozambican exports to a number of markets in developed countries. Examples include the EU Cotonou and Everything But Arms (EBA) deal, the US African Growth and Opportunity Act (AGOA), the Generalised System of Preferences (GSP) operated by a number of developed countries, and India's Global System of Trade Preferences (GSTP). However, stringent rules of origin are applied in such agreements, and can themselves hinder exports. An exception is the export of certain textiles and ready-to-wear clothes to the USA. These can be brought into the country duty-free under AGOA, regardless of where the raw materials in the products originally came from.

One obstacle to development are EU agricultural subsidies. In some cases, subsidies are also paid on agricultural produce sold in countries outside the region. This in turn pushes down

market prices, which means that countries unable to subsidise their own agriculture cannot compete on equal terms. This compels them to set up trade barriers to protect their own producers, a measure that leads to inefficiency and high costs for the country as whole. Moreover it encourages smuggling. Mozambique faces a policy dilemma created in part by the common agricultural policy. Cooperation with the IMF, the World Bank, WTO and SADC involves efforts to liberalise foreign trade, which among other things entails reduced import duties. The lack of coherence and uniform trading conditions form a policy issue which is central to Mozambique's development potential.

Commercial activity in the country's ports and transport corridors has increased and Mozambique has begun to fill the role of 'transit country' in the region. The vital Maputo, Beira and Nacala corridors are attracting a growing stream of commodities from neighbouring countries, primarily South Africa. As a result, Mozambique is being adversely affected by the economic downturn in South Africa and Zimbabwe.

Mozambique's rivers all rise in neighbouring countries to the west of it. Regional cooperation is required whenever the subcontinent is hit by heavy rains. This would include meteorological forecasts, warning systems, the operation of dam gates in flood control systems and resources to carry out evacuations and ensure an adequate food supply. Such systems were either lacking or did not perform properly when cyclones hit southern Africa in 2000.

2 The outcome evaluation – conclusions

General assessment

Centralisation and difficulty in reaching poor people in rural areas after the war prompted those responsible for the 1996–2001 country strategy to focus on decentralisation and rural development. Although peace brought better conditions and opened up new opportunities, development cooperation in Mozambique faces severe problems. These were discussed in the country analysis and its conclusions. However, it should be pointed out that a number of positive reforms and changes are under way. Development cooperation has played an important part in strengthening and supporting reforms within the country. Decentralisation has been a feature of a number of programmes and decentralised, targeted support for the provinces has now been initiated in accordance with the country strategy for 1996–2001. But decentralisation has taken a different course than anticipated in the 1996–2001 country strategy, which recommended that selected development cooperation programmes should be decentralised. One of the most important reasons for this is the emergence of sector programme support and the political will on the part of the donor community to promote this type of funding. In such cases, responsibility for decentralisation rests with the cooperation partners at central government level. Thus Swedish development support combines centralised and decentralised projects, with funding at both central government and local

levels. Sector-based programme support and targeted support for the provinces are discussed and compared in Chapter 4.

The bulk of Swedish–Mozambican development support – an average of 70 per cent in 1998–2000 – has been channelled through the government administration.

Mozambique remains one of Sweden's most important cooperation partners. A total of SEK 1 096 million² were disbursed in 1998–2000.

Swedish development cooperation in Mozambique.

Spheres of activity	1998	%	1999	%	2000	%	Total
TKR							
<i>Democratic governance and human rights</i>	71 562	27	64 330	16	59 730	14	195 622
<i>The social sectors</i>	28 073	10	54 208	13	42 987	10	125 268
<i>Infrastructure, enterprise and urban development</i>	56 424	21	82 788	21	140 158	33	279 370
<i>Natural resources management</i>	4 483	2	4 923	1	6 268	1	15 674
<i>Economic reforms</i>	75 205	28	125 000	31	100 000	24	300 205
<i>Research cooperation</i>	5 564	2	24 120	6	24 165	6	53 849
<i>Humanitarian assistance and conflict prevention</i>	5 826	2	20 346	5	22 229	5	48 401
<i>Non-governmental organisations</i>	16 249	6	16 092	4	15 096	4	47 437
<i>Information, recruitment and resource base development</i>	0	0	0	0	40	0	40
<i>Other</i>	6 152	2	11 150	3	12 652	3	29 954
Total	269 538	100	402 957	100	423 324	100	1 095 820

Source: Sida's Annual Report for 2000

Several trends are discernible in the table above: these include increased support for infrastructure and business and a decrease in funding for the promotion of democratic governance and human rights. The expansion in infrastructure is attributable to investment in major (in financial terms) rural electrification projects and the reduction in funding volumes in the sphere of democratic governance to delays and capacity problems at Sida and the cooperation partner. Institutional and capacity development are an important component of Swedish–Mozambican cooperation. This is a long-term process. Although there were delays, project funding largely went according to plan. The delays were to a large extent the result of the cooperation partner's limited capacity. A tendency towards increased Mozambican ownership is observable in a number of cooperation areas, with the partner assuming a greater share of responsibility for implementation and follow-up. Corruption on a small scale or attempted corruption were observed in certain cases. The programmes were linked to poverty reduction; the connection was often indirect and the effects were long-term in character. This was a deliberate choice as capacity and institutional development form a central part of many development projects. In sum, the results of development cooperation were satisfactory bearing in mind the difficult conditions prevailing throughout the strategy period, according to Sida's own outcome evaluation.

Varying degrees of progress have been made in mainstreaming the broader cross-sectoral issues such as gender equality, democracy and the environment. In view of the policy decision to concentrate development cooperation efforts, the 1996–2001 country strategy made no provision for separate measures to deal with environmental concerns or to combat HIV/AIDS.

A number of projects and programmes in such areas as natural resources management, education and energy were concluded during the strategy period.

Relevance to the fight against poverty

In 2000, the Institute of Social Studies (ISS) conducted a comprehensive evaluation³ of Swedish support to Mozambique. The study, which focused on the 1996–2001 country strategy and its effectiveness as a prescriptive instrument, also examined the relevance and coherence of Swedish development cooperation. However it did not assess the results and impact of the Swedish programme. According to the ISS, the 1996–2001 strategy was less effective as a prescriptive instrument than it should have been owing to differences of opinion within Sida as to which areas should be phased out⁴. According to the ISS, the country strategy's potential as a policy instrument can be realised if Sida is clearer about the commitments that serve as a basis for the various objectives agreed on and the alternative strategies for reaching them. Sida also needs to be better at assessing partnerships and reaching intended target groups. According to the ISS evaluation – which is supported by Sida's internal classification system – a comparatively small proportion of Swedish support was aimed directly at rural development with poor people as the target group. The programmes' relevance to poverty reduction varied; its influence ranged from direct to indirect. The ISS considers that indirect measures as such are not an issue; the problem lay in the inadequacy of Sida's analysis of the links to poverty reduction and other objectives.

With regard to programmes, the ISS recommended that three basic relevance issues be clarified:

- *What measures reduce poverty in rural areas?*
- *What measures support development in the private sector?*
- *What are democratisation and decentralisation?*

The process of evaluation as well as the final product have afforded Sida valuable insights into substantive and methodological issues. The evaluation is discussed further in Chapter 4.

Dependence on development assistance and other donors

Mozambique is extremely dependent on assistance for its development. The country has received USD 8 billion in development assistance since 1986. According to the PARPA, the Mozambican Government expects to receive continued extensive assistance – an average of USD 550 million annually up to the end of 2010 – in order to implement its poverty

strategies. Some 50 per cent of central government expenditure and 75 per cent of all public investment is financed out of development funding, which now stands at 17 per cent of GDP. The fact that much of the assistance is channelled outside the central government budget is unsatisfactory from the standpoint of efficiency and democracy inasmuch as it restricts parliamentary access to development cooperation planning and implementation. Although donors often exchange information of a general nature, coordination of assistance delivery is not systematic. However, considerable progress has been made in the past few years.

Detailed information on the extent of development cooperation in different areas and on the donors involved is provided in Appendix 1. The bulk of the funding is in the form of macroeconomic support and the sphere of democratic governance commands the most donors.

Most donors combine support for one of the social sectors with funding for agriculture and/or infrastructure. A number of donors combine support at national level with funding for a specific sector or sectors in one or more selected provinces. There are several province-based programmes. For example Denmark is the largest donor in Tete Province, while the Netherlands is the main player in Nampula.

During the last five years, EU development cooperation through the European Development Fund (EDF) has been targeted at infrastructure – with the focus on the transport sector – macrofinancial support, health, democratic governance, rural development and water. The EU is expected to propose to the EDF Committee that the forthcoming country programme focus on macrofinancial support, agriculture/rural development and infrastructure, primarily roads. Sweden will also be extending support to the three areas of EU focus, and existing donor cooperation in these areas should be intensified.

Examples of results achieved by other donors

The EU notes that despite its considerable potential as an instrument in the fight against poverty, support yielded only limited results. In their view, the main factors responsible for this were the spread of funding within the programme, insufficient focus on institutions and difficulties with implementation. The programmes were not adequately followed up from the poverty reduction standpoint. Although Sweden also experienced similar difficulties and delays, Swedish support, unlike that of the EU, was strongly focused on institutional development. In light of its experience, the EU has resolved to take measures aimed at enhancing coherence between its strategy, other EU guidelines and Mozambique's own development strategy, as well as focus on cooperation in three areas.

In its 2000 Country Assistance Strategy, the World Bank noted that despite delays due to capacity problems most of the established objectives were achieved. The World Bank further concluded that its programmes were insufficiently clearly linked to poverty reduction

objectives. The programmes will also be revised and adapted more closely to the Mozambican context and the country's capacity.

Like Sweden and other donors, Norway considers that development cooperation with Mozambique is progressing well and largely achieving the results expected. The recognition that weak capacity is an obstacle to progress and a source of bottlenecks has underlined the importance of capacity development in the context of development cooperation. The development of support for sector-based programmes has taken longer than expected. In spite of difficulties in devising suitable support mechanisms for the sector, Norway intends to continue with funding as this area is crucial to poverty reduction efforts. Norway's experience of slow-moving sector-based programme support development is shared by Sweden.

In Denmark's view, development cooperation with Mozambique is working well; moreover, Mozambique's priorities and Danish development assistance principles are marked by a high degree of unanimity. However, Denmark also emphasises that the dearth of human resources and administrative capacity in organisations and authorities in Mozambique, particularly at intermediate management levels, constitutes a manifest bottleneck. This shortage of human resources is felt to be detrimental to the ownership process.

Outcome evaluations by subject area

Selected results from all the Swedish cooperation areas for the immediately preceding three-year period are set out below. The data was compiled by the executive officers responsible for each area on the basis of various evaluations. Readers are referred to the appendix for a more detailed analysis.

Preparation for the **Niassa Programme** has gone according to plan. Four support areas were defined: the private sector/agriculture, public administration, civil society and infrastructure. Ownership is an important concern for the provincial government in Niassa and work on the programme has been given priority. Certain measures were implemented towards the end of the preparatory stage while others continue to be prepared.

It was not possible to fully implement support in the sphere of **administration/democratic governance** because of the cooperation partner's limited capacity for implementation and absorption. Major civil servant training projects were undertaken. The budgetary system underwent further development and a macroeconomic analysis unit was set up. Also introduced were a state-run personal registration system and a civil service career structure and salary system. A process of decentralisation and municipalisation was begun. The first ever revised national accounts were submitted to the Mozambican parliament as a result of support for the country's supreme external audit body the *Tribunal Administrativo*. The measures helped boost capacity and expertise, especially at the Ministry of Home Affairs, which assumed increasing responsibility for the management of institutional support and subsequently hired its own consultants as the need arose.

Training and education in peace, conflict and welfare issues and support for women's rights NGOs were financed through a **fund for democracy and human rights**. Since 1999, the implementation rate has been lower than planned due to delays at Sida in the preparation of a new fund. Support is circumscribed and could have a limited impact unless efforts are sustained and followed up. The projects carried out were deemed to be effective and to have strengthened the development of the cooperation organisations. Gender equality issues now enjoy higher priority within the government administration.

Though delayed because of inadequate accounting procedures, **cultural support** projects generally went according to plan. That said, decentralisation of administrative responsibility for cultural affairs is proceeding very slowly. This is partly due to insufficient capacity at the Ministry of Culture and partly because the provincial authorities have given priority to other areas. Cultural support projects have proved effective, particularly those aimed at setting up and maintaining museums and preserving and promoting Mozambique's cultural heritage. This is partly because the staff involved are highly trained – cooperation in this area has continued for a long time – and partly due to the considerable expertise of people at higher management level. Cooperation between Swedish and Mozambican cultural institutions has generated valuable experience of working with and for children in a way which respects their right to be treated equally and democratically. The 1996–2001 country strategy proposed the phasing out of cultural support at central government level. In view of the crucial role played by culture in human and democratic development, Sida decided to provide continued funding to the Ministry of Culture in 2000–2001, with the same aims as those applying in 1997–1999. It also resolved to carry out an assessment and overhaul of ongoing programmes before taking a decision on the 2002–2006 country strategy. Arguments for continued support are set out in Chapter 5.

Experience of development cooperation channelled through Swedish NGOs shows that disparities between planning and performance were largely due to delays associated with reorganisations and shortage of capacity both in the organisations and the authorities. A district development programme has taken on the character of a pilot project in the context of Mozambique's ongoing decentralisation reforms and will play an important role in devising ways of increasing the interplay between civil society and local authorities. Support via Swedish NGOs is mainly concentrated on neglected groups and sectors.

Implementation of **support measures in the energy sector** proceeded according to plan. The measures served to increase access to hydropower-based energy across the country and thereby contribute to improved living standards and poverty reduction. Support for institutional and capacity development helped EDA, the state-owned electricity company, to operate with a greater measure of independence. Support for institutional development is gradually being phased out, in accordance with the 1996–2001 country strategy. The justification for continued funding for rural electrification projects is set out in Chapter 5.

Support for road development was implemented largely according to plan. The successful completion of projects has enabled people to return to areas that were abandoned during the

war, boosted trade, helped generate other sources of income and improved access to health and medical care and schools. The application of work-intensive methods has generated over a million new working days per year. The number of women in employment has increased substantially. Those who have managed to obtain employment enjoy higher incomes than previously. Support included institutional and capacity development. Though gaining ground, the process is taking longer than expected.

Macrofinancial support, budget support and debt relief, has improved the Government's poverty reduction capability by enhancing its ability to deliver services in sectors such as infrastructure, education and health and medical care. As of 2000, this support will be coordinated through a joint agreement between Mozambique and nine donors. Despite high growth rates during the second half of the 1990s, it is estimated that 70 per cent of the population live in conditions of absolute poverty. As only one national household survey has so far been conducted (a new one is now under way), no data is available on the change, if any, in the percentage of the population living in poverty.

Support for the **private sector** has contributed to the establishment of Mozambique's first institute for standards and quality control, albeit after a three-year delay caused by an initial lack of recipient capacity. Resources were also allocated to a loan fund which operates in an area of the credit market not actively covered by commercial banks. A government commission set up to look into ways of privatising state-owned companies also received support. Almost all state-owned companies have now been privatised. The process has led to structural changes in the sector as a whole, resulting in higher productivity as well as higher rates of unemployment. Support for the business organisation CTA paved the way for the establishment of a national business organisation able to represent the interests of the entire business community *vis à vis* the Government.

Support for **natural resources management** largely proceeded according to plan. Swedish development cooperation efforts contributed to the strengthening and dissemination of knowledge about the rights of family farmers with respect to access to land. Rights of access to land have increased, as has the spread of information about them at local level. Swedish support has also contributed to the development of agricultural research in the country. The seed programme SEMOC played a crucial role during the crisis years by distributing seed to small farmers throughout the country. Sweden provided development assistance for a period of 10 years until 1998, when SEMOC was turned into a private, market-oriented company. No evaluation has been conducted. Direct trade promotion measures in the countryside such as those proposed in the 1996–2001 country strategy are now being implemented as part of the Niassa Programme.

Support for **education** has become more concentrated following the completion of a number of projects. One result of the provision of free teaching aids has been a rise in school enrolment. Swedish support has helped raise capacity and boost expertise in a number of areas. Support for the industrial institutes in Maputo and Beira has helped spur administrative

development and highlighted gender equality issues. Contrary to what was specified in the 1996–2001 country strategy, support has not been decentralised as the trend towards sector-based programme support and Sida's principled stand in favour of this form of cooperation had not been anticipated. Nor did education form part of the Niassa Programme since it was felt that province-based support would conflict with the resource allocation strategy appropriate to sector-based programme support.

In recent years, however, progress towards support for sector-based programmes has been sluggish. The process has suffered delays because of inadequate financial control systems and poor planning. Ongoing efforts to pool resources have placed an added burden on the Ministry at a time of high staff turnover. However the process has led to greater awareness of the sector as a whole.

Development cooperation in the field of **research and higher education** has largely gone according to plan. Support efforts were focused on the country's main university, Universidade Eduardo Mondlane (UEM). Research findings have spawned projects relating to social development goals and poverty reduction. Support for institutional development has contributed to the simplification of administrative procedures and decentralisation. Single-person research projects at the University's Natural Science Faculty have developed into fully fledged research groups led by holders of PhD degrees who coordinate thematic, multidisciplinary research projects involving international cooperation. Among the benefits of institutional support for the reform process are the experience and knowledge gained of resource prioritisation and allocation and improved decision-making.

The landmine clearance programme was carried out largely in accordance with established objectives. Activities receiving support included landmine clearance, information campaigns on the dangers from mines and the development of the National Institute for Demining (IND). However its effectiveness in relation to the sums of money spent must be called into question. The institute's overall coordination of national operations has been ineffective. Reporting by some of the organisations has been inadequate. Landmine clearance is no longer regarded as an urgent humanitarian concern; instead it should be considered in the context of economic and social development. Humanitarian mine clearance has benefited the community by reducing the number of injuries, opening up previously unused areas to agriculture and transport, and increasing mobility generally.

Humanitarian support was extended to, among other organisations, Médecins sans Frontières, the Swedish Red Cross and the International Federation of Red Cross and Red Crescent Societies during the cholera epidemic of 1998. With its help, the authorities were able to bring the outbreak under control. Disaster aid was distributed to UN agencies and NGOs during the catastrophic floods of 2000. Although the final report on the flooding in 2000 is not yet out, there is ample evidence that this assistance saved many lives and contributed to the establishment of contingency plans by the Mozambican Government and other organisations. These were applied to good effect during the flooding in 2001.

Fifty projects were financed out of the 1997–2000 **Swedish Consultancy Fund**. In principle, the fund has fulfilled its objectives and proved a flexible instrument capable of meeting suddenly arising needs effectively while facilitating preparations for new undertakings and the phasing out of older projects. Activities financed by the fund included consultant studies, workshops, seminars, training programmes and technical cooperation. The fund is responsible for numerous small projects and as such is labour-intensive. No audit has yet been carried out.

3 Mozambique's development policy

In 1999, the Government adopted a five-year action plan for the reduction of poverty. The plan, known as the PARPA (Action Plan for the Reduction of Absolute Poverty), was based on the findings of the national household survey. The country's previous poverty strategy dates from 1995. This, however, was not based on a large-scale survey of social conditions. The PARPA is the foundation of Mozambique's PRSP (Poverty Reduction Strategy Paper)⁵ process and was used in drawing up the country's interim PRSP as a basis for decision by the governing boards of the International Monetary Fund and the World Bank on the extended HIPC (Heavily Indebted Poor Countries) initiative (HIPC II). A year later, in April 2001, the Government adopted an expanded and updated version of the PARPA as a basis for the final PRSP.

The latest version of the PARPA, which corresponds to the full PRSP, was drawn up after national consultations and in-depth assessments of the political and economic conditions. Designed to be a "rolling and dynamic programming tool", it is the core document in all cooperation with multilateral and bilateral donors. The strategy must thus be subject to an ongoing process of development, monitoring and review. Efforts to institutionalise and improve the effectiveness of the consultation process are vital in this connection.

Efforts should be made to further develop methods of assessing the country's capacity to mobilise resources and its ability to produce reliable cost estimates for proposed measures. These analyses are essential to the task of determining whether conditions for the strategy are feasible and consistent. They also enable the Government to set priorities and compare activities. The ability to produce reliable forecasts and macroeconomic assessments must also be improved.

The over-riding goal of the PARPA/PRSP is to reduce the proportion of the population living in absolute poverty from 70 per cent to less than 60 per cent by the end of 2005 and to under than 50 per cent after a further five years. Implementation of the PARPA will move Mozambique towards fulfilment of the International Development Goals⁶. There is considerable agreement between the PARPA's priorities and those embodied in the International Development Goals. The PARPA includes indicators for measuring development in the six designated priority areas.

The PARPA/PRSP identifies six main causes of poverty in Mozambique: low rates of economic growth since the beginning of the 1990s, low levels of education, particularly among women, large households with many children and elderly people dependent on other family members for support, low productivity in the family farming sector, few employment opportunities both in and outside agriculture, and inadequate infrastructure, particularly in the countryside.

The task of reducing poverty is made more difficult by the country's extreme vulnerability to natural disasters, flooding and drought as well as to external economic shocks. An oft-quoted example of the external factors responsible for keeping people in poverty is low world market prices for agricultural produce.

The PARPA/PRSP proposes a number of measures to reduce poverty. The ultimate aim is to create conditions under which poverty is reduced through high rates of sustainable economic growth and investment in the social sectors. Priority areas are education, health, rural development, infrastructure, democratic governance and macroeconomic stability.

It is proposed that the bulk of support for the **education sector** be allocated to primary education. The plan also proposes a rapid expansion of secondary education and investment in vocational training and higher education. The programme includes information on HIV/AIDS and proposes measures for combating the disease.

Efforts in the **health sector** should be focused on extending primary health care through special programmes for different target groups, particularly women and children. The agenda includes a campaign and measures against HIV/AIDS, as well as programmes for combating malaria, diarrhoea, TB and leprosy.

In the field of **rural development** the primary objective, as set out in the PARPA, is to raise incomes for small farmers. Investment in infrastructure to ensure greater access to markets and higher productivity in the agricultural sector are key areas in this connection. The plan proposes extended services for agriculture in the form of advice, seed programmes, improved cultivation methods and increased credit provision. A sector-based national programme for agricultural development (PROAGRI) has been set up to promote sustainable development and poverty reduction in the agricultural and forestry sectors. Its principal aims over the next five years are to create better institutional mechanisms for financing and delivering agricultural and forestry-related services to the family sector, and to boost the Government's capacity to supply the country effectively with the public goods which come within the Ministry of Agriculture's sphere of responsibility.

With regard to **infrastructure**, the Government proposes to give priority to the rehabilitation and expansion of the road and electricity networks and the water supply in the most populated and poorest parts of the country, Zambezia and Nampula.

Democratic governance is singled out as a key precondition for poverty reduction. Public institutions must be developed so that they can deliver social services to the poor. Democratic governance is also seen as a precondition for rapid and sustainable development. The Government intends to simplify administrative procedures and to reform the judicial system in an effort to reduce bureaucracy and corruption. Decentralisation and delegation will also receive priority.

The PARPA/PRSP emphasises the fundamental importance of a carefully considered, balanced **finance and monetary policy** in the context of poverty reduction. The Government intends to continue pursuing a policy aimed at keeping inflation low. It will also press for higher pay for government employees and seek to promote greater efficiency on the expenditure side of the national budget. International trade should be promoted and the country's debt strategy brought up to date. The feasibility of targeting financial services at small and medium-size companies in rural areas should be looked into.

Also proposed are supplementary activities – i.e. not included in the six main areas mentioned above – aimed at generating more job opportunities and incomes. Measures to develop the private sector are one example. Finally, the PARPA contains proposals for environmental programmes and measures aimed at reducing the country's vulnerability to natural disasters.

As the PARPA is largely based on the line ministries' sectoral policies it incorporates the strategic plans for sector-based support which donors have helped draw up. Sweden has taken part in the policy dialogues on five of the six priority areas and its support is in line with PARPA goals. Exceptions to this are Swedish support for cultural development and democratic governance, which are not expressly linked to the PARPA.

The PARPA reflects a comprehensive view of conditions in Mozambique and poverty is highlighted to an unprecedented extent. This places greater demands in terms of poverty reduction on the sectoral plans already in existence. Many reforms have already been, or are about to be, implemented. Despite a largely favourable rating, implementation in some cases has been delayed due to capacity and resource problems. Some of the major reforms are described and evaluated below.

For a number of years now, Mozambique has pursued a carefully considered, balanced economic policy, resulting in a period of stability and high growth rates. These achievements are the fruit of a consistent policy of combating inflation by means of deregulation, the privatisation of state-owned companies and other measures. Meanwhile, extensive development assistance has enabled the Government to pursue a tight financial policy, thereby reducing the budget deficit, while still avoiding cutbacks in expenditure on social programmes.

However, Mozambique's market economy is still young and vulnerable. Many of the factors contributing to its rapid development in the 1990s were isolated events with short-lived effects on growth. Two examples were the conclusion of peace, which boosted production

capacity, and the return of refugees, which led to an increase in agricultural production. Production and trade benefited from the new opportunities created by price deregulation. Long-term sustainable development requires what is often referred to as “second generation reforms”, i.e. primarily institutional reforms aimed, among other things, at improving the climate for private sector growth.

Although the Government is pursuing institutional reform and attempting to establish systems for democratic governance, including an effective judiciary, progress in certain areas remains slow, thereby encouraging the spread of bureaucracy and corruption. However, efforts are being made to achieve better governance; for its part, the Government has initiated sweeping reforms in the sphere of public administration. Sweden has supported this undertaking since the end of the 1980s, with particular emphasis on national budget, accounting and personnel systems, and decentralisation. Sweden has also contributed for many years to the development of an economic analysis unit, which is directly responsible to the Minister of Finance, and a national institute of statistics. These key institutions are now being strengthened thanks to increased investment in the country’s highest external auditing body, the Tribunal Administrativo. In addition to structural changes, efforts are being made to alter the attitudes of civil servants in terms of their performance and service-mindedness, and to improve the overall quality of public services.

Municipalisation is a major and complex reform, based on an earlier political agreement between the Government and the opposition. Although Mozambique’s 33 local government authorities are legally autonomous and required to be self-financing, in practice they are very weak. The problems caused by the of lack of resources, expertise and know-how are felt more strongly the further down in the hierarchy one goes. The conditions for decentralisation in the proper sense of the term, i.e. the transfer of decision-making powers and funds to district level, are therefore non-existent. Genuine decentralisation, which requires resources, systems, decision-making powers and expertise, will be a long time coming.

Several road network reforms have been implemented. Road authorities and road funds are now the responsibility of a joint board containing representatives of several ministries and the private business sector. This has created more financial leeway, particularly in terms of wages. However players are still subject to legislation requiring all major contracts to be approved by the Ministry of Finance. Substantial improvements have been made in terms of road rehabilitation and maintenance. For example, the proportion of classified roads in good condition rose from 10 to 55 per cent in the 1990s. This has boosted mobility and improved the conditions for growth and poverty reduction.

Processes leading to sector-based programme support are under way in the fields of education, health and agriculture. Sweden has been most closely involved with education and much of its experience in this area has features that are common to processes in other areas. Progress has been made in the form of a strategic plan for the sector, drawn up and adopted by internal and external bodies as a policy document for its development. Work on

supplementing the plan for primary education with plans for secondary education, vocational training and adult education has been under way for the last year. Attention has also been focused on improving financial control within the sector so that allowing external funds can be handled within the ordinary framework for resource allocation and reporting of results. The process has suffered delays owing to inadequate financial control systems and poor planning. Ongoing efforts to pool resources have imposed an added burden on the Ministry at a time of high staff turnover. However the process has led to greater awareness of the sector as a whole.

Success in reducing poverty is predicated on capacity building measures. It is also important that the activities proposed in the PARPA/PRSP be followed up regularly and systematically. As the PARPA/PRSP is a rolling plan, it should be possible for its principal components to be institutionalised. For example, efforts should be made to develop robust methods and systems for planning, implementation, follow-up and consultation.

As all development assistance with the exception of budgetary support is channelled outside the national budget, a substantial proportion of the financing and implementation of PARPA/PRSP activities is not scrutinised by the parliament. The Government's financial control systems are too weak to sustain a strong increase in financial flows. Nor could Mozambique's planning system cope with such a strain. This has already been observed in the agricultural and education sectors, the chief beneficiaries of sector-based programme support.

However, in trials now under way in the agricultural sector, PROAGRI sector-based support is being channelled through the Government's payments system, though outside the state checking account. Formally, these funds, too, will remain outside the national budget in the coming years. Thus PROAGRI expenditure is not shown in the quarterly national budget reports. PROAGRI nevertheless represents a step in the right direction. In the education sector, plans are well in hand for the joint financing of the Government's sectoral strategy through a common fund until such time as the payments system improves sufficiently to permit financing via the national budget.

4 Aims and goals of Swedish development cooperation

The over-riding goal of Swedish development cooperation with Mozambique during the 2002–2006 strategy period is to contribute to the reduction of poverty in the country.

The cooperation programme: underlying premises

The premises underlying Swedish development assistance, based on the conclusions of the country analysis and the outcome evaluation and on Mozambique's development policy are set out below.

- Because of the multidimensional character of poverty measures are needed in a range of social sectors.
- The programme must support the Mozambican Government's PARPA/PRSP.
- The cooperation programme must contain clear indications of how poverty is to be tackled in the short, medium and long term.
- The programme must be informed by a problem oriented approach affirming the link between the co-operation programmes and poverty reduction. Greater importance should accordingly be attached to target group analyses.
- Appropriate strategies for development cooperation aimed at poverty reduction are capacity building measures, measures aimed at promoting economic growth and an intensification of efforts directly related to the needs of poor people.
- The programme stresses the continued importance of policy dialogues on poverty at all levels. HIV/AIDS, gender equality, democratisation and human rights are key issues.

Strategic considerations in connection with the planning and shaping of Swedish support

Obstacles to favourable development and reduced poverty

Political tensions, brought about by economic imbalances, compel the adoption of a conflict prevention perspective. Targeted measures must also be applied. Consideration must be given to the link between poverty and conflict. Measures capable of having a more immediate impact on the living conditions of poor people are important as they help allay discontent and mitigate feelings of exclusion arising in the wake of economic development.

The HIV/AIDS pandemic is an increasingly serious problem and an obstacle to development. The fight against HIV/AIDS must be integrated into all development cooperation undertakings. Preventive, awareness-raising and care efforts and measures must be supported.

Corruption is a serious social problem and Sweden must be more insistent in its demands that Mozambique get to grips with the situation. Continued support for capacity and institution building must be provided in order to increase transparency and enhance the efficiency and effectiveness of public administration. Particular attention must be focused on corruption issues in all areas of cooperation.

Large sections of the population live in the countryside and domestic production is their only means of support. A close analysis of the relationship between poverty, natural resources and vulnerability is therefore a vital part of the process of designing measures aimed at promoting rural development and sustainable growth. These issues should feature prominently in all programmes, in particular the programme *Rural Development through Growth in the Natural Resources Management Sector and Sustainable Infrastructure* (see Chapter 5).

Target groups

The country analysis reveals that women, young people and children suffer from various forms of discrimination. Breakdowns by gender, age and target groups should therefore be made during the planning, implementation and evaluation of programmes and projects.

Given the vulnerability of women in Mozambican society and their importance in the context of poverty reduction, gender equality issues and conditions for women generally must be a major consideration in all development cooperation.

Children's rights, a hitherto neglected issue in the context of development cooperation, must be highlighted and attended to.

Programme-based support versus province-based support, urban and rural areas

As programme-based support increases Mozambican ownership and opens the way for better coordination between donors, budgetary support and efforts to move towards sector-based programme support should be intensified concurrently with improvements in the Government’s planning and financial systems and the growth in transparency.

A central policy question highlighted in the ISS evaluation is the issue of sector-based programme support versus province-based support, i.e. centralisation versus decentralisation. Development cooperation with Mozambique during the period 1996–2001 demonstrated that the two support approaches are complementary and readily combinable. Province-based support in Niassa should continue to be extended in close consultation with the central authorities and included in the national budget. This form of support provides a platform for the future dissemination of sector-based programme support at grass-roots level by building up capacity and structures at provincial and district level, a task presently beyond the resources and capability of the central Government. Province-based support not only helps develop the province’s own local programmes; it is also an effective way of providing faster-acting assistance aimed at improving living conditions for poor people.

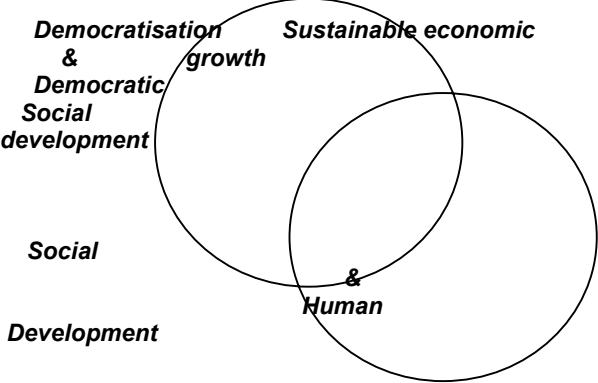
Partnership and cooperation partners

The adoption of Mozambique’s poverty reduction strategy, the PARPA/PRSP, as a basis for Swedish development cooperation is crucial to the ownership process and deeper partnership.

The move towards broader and deeper partnership reflects a desire to channel more funding through civil society organisations and the private sector. These new avenues of cooperation could serve as a complement to government-mediated development assistance. Although the extent of reciprocal trade with Sweden is limited by Mozambique’s poverty and economic situation, continued economic development could open new doors to commercial exchanges. Such initiatives should be encouraged.

Conclusions on the configuration of the cooperation programme

Mozambique’s poverty reduction strategy specifies a number of areas of principal importance. The Swedish programme centres on three focus areas which strengthen and complement one another, in line with the framework laid down in the PARPA.



The three focus areas are described in greater detail in Chapter 5. This means that Sweden will continue to be active in five of the PARPA's six priority areas. However, considerations of capacity and concentration, plus the fact that Swedish provides support for complementary programmes, have led to a decision by Sida not to extend support to the judiciary, for the water supply system or for separate projects in the environment field. Nor should support be extended to the health care system. The reasons for this are given in greater detail below.

- The judiciary will receive support via Mozambican and Swedish NGOs. Strengthening the judicial system is an essential measure in the campaign to enhance democratic governance and reduce corruption. Although Swedish support would appear to be justified in areas where the need is great and few other donors operate, the Swedish development cooperation programme is broadly based and extensive support aimed at improving democratic governance is already being provided. Sida has accordingly taken the view that Sweden's lacks the capacity to support the judiciary in addition to its other commitments.

- Water is a key concern both in the PARPA and in Sida's country analysis. Access to water is basic to human survival. Since the need is great and few other donors are active in this area, Swedish support might seem justified. However, the Swedish development cooperation programme is broadly based and extensive support is already being provided to the two other infrastructure components of the PARPA: roads and energy. Funding for the regulation of some of the country's largest rivers is to be extended as part of support for regional cooperation in southern Africa. Support may also be provided to help develop a regional disaster prevention and relief capability. This should be made available within the framework for regional cooperation. Sweden should also be prepared to support the national disaster prevention capability should Mozambique so request.

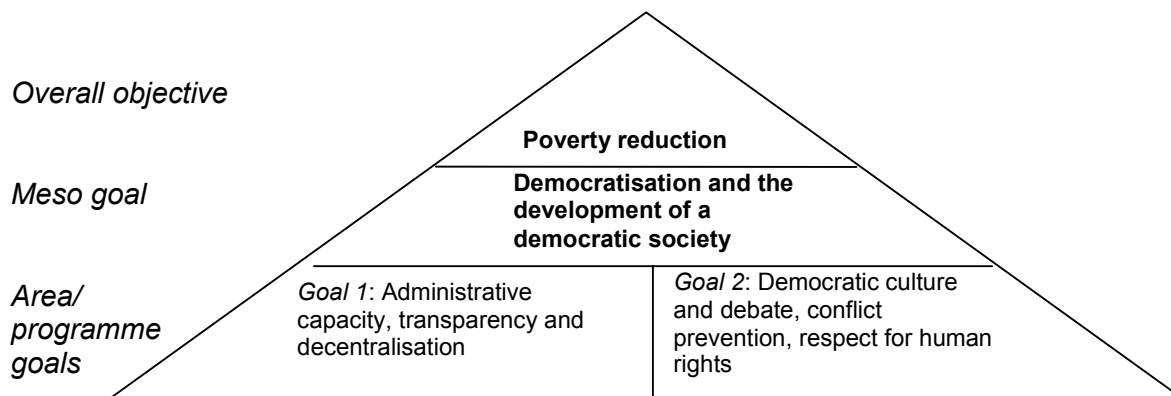
- Support for the environment and natural resource management, as with the other areas covered by PROAGRI, is already provided in the form of non-tied assistance to PROAGRI, which is committed to programmes aimed at developing and promoting environmentally sustainable development.

Swedish NGOs are also expected to continue addressing environmental issues through the implementation of measures aimed developing methods for the sustainable use of forests and farmland and raising awareness of environmental issues.

- Support for health and medical care services will also continue to be provided through NGOs. Bilateral support will not be extended if the area already receives assistance from some 15 donors and where the major obstacle is limited implementation capacity rather than shortage of funds. Norway is a leading donor in this area. Should Norad find that it lacks the means to complete its programme, Sweden has intimated that it may be able to contribute funding, which will be channelled through Norad.

5 Development cooperation areas

Democratisation and democratic development



Objective: *the promotion of democratic development and conflict prevention through support to players in the public sector and civil society.*

Programme goal 1: To enhance the capacity of the government administration, increase transparency and accelerate the process of decentralisation

Good governance is one of the PARPA's six priority areas. The change from a centralised, bureaucratic central government apparatus to a decentralised, transparent, more efficient and service-oriented public administration is essential if Mozambique is to come to grips with basic problems like the unequal balance of political power and corruption.

Development cooperation aimed at boosting capacity development should be continued and intensified. Measures should include the reform, strengthening and development of key public institutions such as the Ministry of Internal Affairs, the Ministry of Planning and Finance, including the central statistical agency INE, and the supreme external audit body, the Tribunal Administrativo. Specific contributions include the development of systems for rationalising and decentralising administrative procedures and help in modernising and coordinating government budgetary, auditing and payments systems. Support should be extended to the Studies and Policies Department (Gabinete de Estudos) at the Ministry of Planning and Finance with a view to enhancing the Ministry's analytical capability. The development of an autonomous auditing body is essential if corruption is to be dealt with effectively. Support for the development of local self-government and plans for strengthening public involvement at district and local level are vital to the promotion of broader democratic participation in the community. The Niassa Programme should be seen as an opportunity to build up a body of

knowledge and experience in the decentralisation process and capacity development at regional and local level.

HIV/AIDS will inevitably take its toll on know-how and expertise in the public administration and the consequences for reform in terms of implementation and results should be considered.

Programme goal 2: Democratisation and conflict prevention through support for civil society, the media and culture

Participation of civil society is essential to the development of a democratic culture. Independent media networks are also crucial to the free dissemination of information and public debate. In a society still scarred by civil war and beset by criminality, domestic violence and widespread lawlessness, support should be devoted to the development of a social culture that favours conflict-solving approaches and non-violence. In a poverty-stricken country like Mozambique, it is vital that the poor should have the opportunity to make their voices heard and be able to preserve, defend and increase their rights.

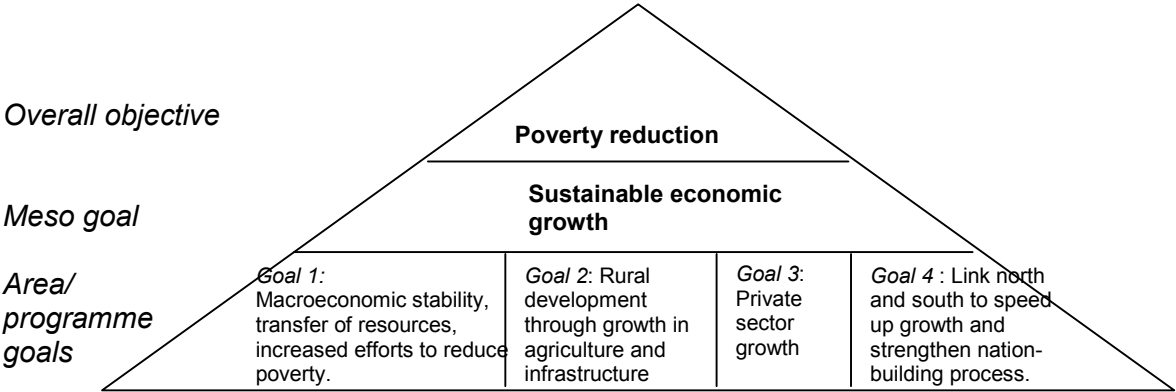
This type of assistance is an important complement to support for administrative development and a valuable channel for reaching poor people. Support via Swedish NGOs will continue. Funding will be extended through a democracy fund to NGOs engaged in promoting and safeguarding democracy, conflict prevention and human rights, particularly the rights of women, young people and children. Capacity development and the empowerment of civil society will continue to be important. Swedish NGOs have indicated an interest in extending their operations in Mozambique, a development that could generate efficiency dividends for Sida.

IDEA has conducted exploratory discussions on possible measures to promote democracy with representatives of the Mozambican Government, opposition and civil society. Funding for such projects could be provided out of the democracy fund.

Culture, independent media and increased use of information technology are all important instruments in the promotion of public debate and democratic development. Culture is important from a conflict prevention perspective as it contributes to the creation of a national identity and helps bridge differences between people and ethnic groups. There is ample scope for exchanges of experience with Sweden. Sweden is the largest donor in the cultural affairs sector and the only one running projects aimed at the long-term development of the Ministry of Culture. In view of these considerations, support in the cultural affairs sector should continue. Efforts should be concentrated on the cultural centres in the provinces – and at district level where possible – and on the promotion of children's activities. Special concerns in this connection are the rights of children and young people, gender equality and HIV/AIDS. Support will be provided for a cultural fund on a trial basis. It is proposed that recently introduced media support via UNESCO be continued. IT, already an element in many assistance projects and programmes, is expected to be tested as a vehicle for the exchange of

information, debate and enhanced services for citizens in a country where distances are great. Here too, there is ample scope for an exchange of contacts and experience between the two countries.

Sustainable economic growth



Objective: *to contribute to the reduction of poverty in Mozambique by the promotion of economic growth that benefits the majority of the people. Cooperation will be focused on several levels, from micro- to macro-economic, in order to boost the living standards of poor people.*

Programme goal 1: Macroeconomic stability, transfer of resources and increased investment in poverty reduction.

Macroeconomic stability is an essential precondition for poverty reduction and the success of development cooperation in general. Budgetary support will give the Mozambican government added resources to pursue effective poverty reduction policies. Policy dialogue and the direct transfer of resources are equally important in this connection. Increased efficiency is contingent on continued coordination of budgetary support with other donors. Support will be focused on poverty reduction dialogue and results, internal mobilisation of resources and the country’s financial control systems. In-depth dialogue on poverty issues, the PARPA and its implementation are therefore fundamental. The same applies to efforts to reduce reliance on development assistance and to boost the effectiveness of financial control systems. Dialogue issues of priority for Sweden will also be emphasised (see Chapter 4), in particular the question of how Mozambique plans to handle – and endeavour to reduce – the impact of the HIV/AIDS epidemic on the country’s economic development. Support will also be combined, as in the past, with extensive capacity development support aimed at boosting transparency, democratic control and the efficient and effective use of public funds. The quality of public services should be assessed with a view to improving social and other services available to the poorest sections of the population.

Programme goal 2: Rural development through growth in the natural resources management sector and sustainable infrastructure

As the majority of the population live in the countryside, high priority should be given to increased efforts in this area. The importance of rural development and the role of agriculture in the context of poverty reduction and economic growth are underlined in the PARPA. Swedish support should be extended both to the state and the private sector. Mozambique needs an effective ministry of agriculture to deal with national issues and reforms. Support will therefore be provided to the Government's programme for the agricultural sector, PROAGRI, at local as well as central level. In view of previous support in the fields of land use and research, Sweden should make a special effort to monitor these areas. Consideration should be given to the feasibility of promoting agricultural trials and land surveying operations in Niassa under the auspices of PROAGRI.

The market-oriented economy places demands on the private sector, of which small farmers form a substantial majority. Swedish support should therefore be reinforced by measures targeted directly at the private natural resources management sector and aimed at promoting sustainable development and generating viable means of support for poor people in the countryside. The primary objective in the field of rural development, as set out in the PARPA, is to raise incomes for small farmers. Farmers must not only support themselves, but also produce crops for which there is a market. This requires a knowledge of the market and current technology, an effective regulatory framework, access to venture capital and a functioning infrastructure. The proposed support, to be developed during the strategy period, will be based on the trials now being conducted as part of the development assistance programme for Niassa province. The question of whether this support should be concentrated in Niassa or be given a national or regional dimension is currently under discussion. Proposed areas for support are education in the natural resources management sector, including HIV/AIDS, credits and/or credit guarantees, the supply of input goods for agriculture, the sale and marketing of goods, trade, advisory activities and farmers' rights. Support aimed at improving the organisation of agricultural enterprises is also anticipated, as is assistance from NGOs in agriculture-related areas.

Gender equality issues should be kept in view and particular attention should be focused on women's needs and problems. This applies to dialogues as well as targeted measures. The point of departure must be sustainable development with regard to the environment.

A viable road network is essential to poor people needing to transport goods and gain access to markets and social services. Electricity provision helps boost living standards by generating greater economic activity and boosting employment. It can also increase the provision of health care services and education, and raise safety standards. Continued investment in rural infrastructure in the form of roads (secondary and, above all, tertiary roads) and the electrification of rural areas will therefore be important components of this intensified focus on rural development. The goal is to increase the supply of roads and energy, particularly in northern and central parts of the country. Funding for road development will continue, with support for staff at road authorities at different levels, and financial support via the so-called road fund for the rehabilitation and maintenance of the rural road network, with special

emphasis on central and northern Mozambique. Previously implemented rural electrification projects will be evaluated. Further rural electrification projects are being carried out in central and northern Mozambique, in addition to the already approved rural electrification projects in Zambezia province and the planned power transmission line in Niassa. Other support for the state-owned power company EDM will only be provided through the Swedish Consultancy Fund in the form of technical assistance (see page 26).

All development cooperation in the field of infrastructure must be subject to clearly defined gender equality goals, particularly with respect to gender representation when recruiting staff. Large workplaces employing temporary labour are a risk factor for HIV infection and other sexually transmitted diseases. Awareness campaigns should be organised to counter the spread of these diseases.

Programme goal 3: Growth in other private sector areas and the promotion of an environment conducive to development

A private sector governed by clearly defined rules is vital to economic growth and poverty reduction.. The development of a more enterprise-friendly climate is one of the measures proposed in the PARPA. Efforts aimed at promoting quality assurance are essential if trade and industry are to develop and comply with international agreements. They are also needed to help develop import inspection procedures and ensure that environmental requirements are met. Support will therefore be extended to the National Institute of Standardisation and Quality (INNOQ) with the aim of strengthening the Institute in its standardisation work and the implementation of training courses in the field.

The private sector needs to be sufficiently organised and strong enough to carry on a dialogue with the Government. Support will therefore be extended to employers' organisations.

Programme goal 4: To accelerate economic growth and further the nation-building process by bringing the northern and southern halves of the country together with the help of a road and rail link over the Zambezi river.

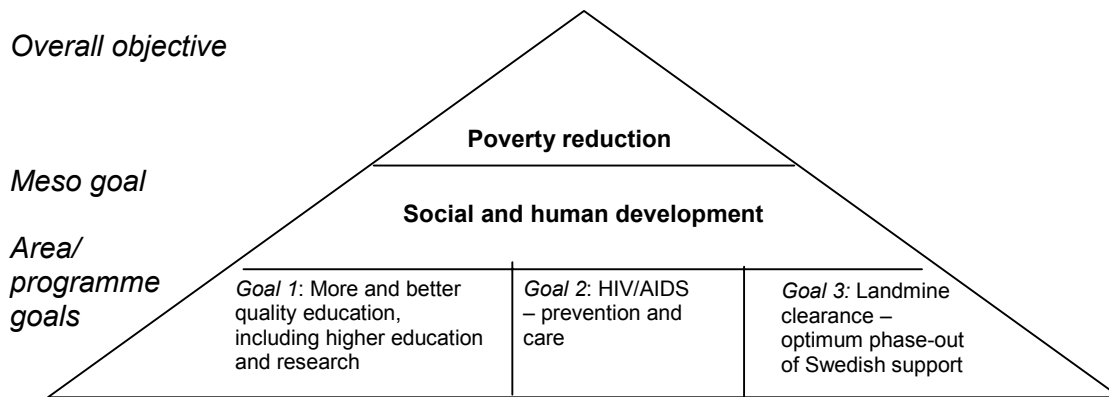
Bringing together the northern and southern halves of the country will not only help generate increased economic activity, both internally and with neighbouring countries, but also strengthen the nation-building process. Traffic over the Zambezi is served by a ferry link of a provisional character. The absence of a rapid, safe means of crossing the river is a major obstacle to development in the region. A permanent link is high on the Government's list of priorities and a PARPA objective.

A decision on Swedish financing will be taken at the beginning of the strategy period after the matter has been discussed in committee.

Particular attention must be paid to poverty considerations, HIV/AIDS and environmental issues when planning and implementing the link.

The link over the Zambezi river is a long-term project and its impact on growth and poverty reduction will probably not be felt during the 2002–2006 strategy period.

Social and human development



Objective: *to provide poor people with greater opportunities for development by supporting and promoting more and better quality education and through support in the sphere of HIV/AIDS. Children’s rights and opportunities must be given greater prominence and higher priority.*

Programme goal 1: More and better quality education, including higher education and research

Education is essential to achieving conditions for growth, to poverty reduction and to the development of a democratic culture. It is one of the most important areas in the context of development assistance for children. Education is one of the six priority areas in the PARPA, which advocates the expansion of primary education as part of a nation-wide endeavour to boost gender equality and social and regional equality. Development in all areas is predicated on the existence of an effective education system. Swedish support will be targeted at primary education, higher education and research. The process towards sector-based programme support in the education sector has begun and support for the implementation of the Ministry of Education’s strategic plan will be forthcoming. Sweden should continue to actively support and take part in this process. Special prominence must be given to the rights of children and young people, in accordance with the Convention on the Rights of the Child. The fight against HIV/AIDS is a component of the sectoral programme. Sweden and other donors must see to it that the issue is placed high on the agenda. Although the sectoral programme focuses on primary education, secondary education and vocational training are also included. Support in the education sector may therefore be expanded over time to include secondary education and vocational training.

It is anticipated that project-based support will be needed in the transitional phase in order to boost implementation capacity and reach remoter rural areas. Support will be focused on ministry-run national and local programmes in the strategic plan in cooperation with other donors. Trials involving direct support for Niassa and (possibly) Cabo Delgado provinces will be carried out in an effort to boost local capacity in the long term and create scope for other pilot projects and activities. Education for women in rural areas will be given priority and a

prominent place on the dialogue agenda since it is one of the most important areas for poverty reduction according to the national poverty survey.

Higher education and research are likewise a precondition for poverty reduction. Mozambique must be able to take responsibility for its own development and find ways and means of combating poverty. However, it cannot do so without a system for generating and making use of advanced know-how and expertise. This area is also addressed in the PARPA, which emphasises issues such as quality, flexibility and the expansion in organisational and geographical terms of higher education. The emergence of institutions of higher education places demands on Mozambique, which has established a new ministry of higher education, and donors alike. The opportunities and problems created by the diversification of educational programmes must be assessed. The same applies to Sweden's strategic role in this sphere. Careful consideration, based on a planned study of higher education and its diversification, is expected to be given to the question of whether support should be extended in terms of content – in the interests of poverty reduction and sustainable development – as well as geographically – in order to cover other parts of the country outside Maputo.

Programme goal 2: HIV/AIDS: prevention and care

The argument for greater Swedish involvement in this area is the threat posed by HIV/AIDS to social and economic development as a whole, which, if realised, could undermine all other development cooperation efforts. The objective of the campaign against HIV/AIDS, as set out in the PARPA, is to prevent the spread of the disease, care for and support the sick and mitigate the effects of the epidemic.

The problem must be tackled in all areas of cooperation. Attention must therefore be focused on the complex of problems posed by HIV/AIDS and activities supported in all areas. Guidance on the integration of HIV/AIDS is included in the Swedish international HIV/AIDS strategy on disease prevention, political support, care of and support for sufferers and the promotion of a long-term approach to management and eventual eradication.

Sweden must make use of dialogue and action to press for increased efforts from the Mozambican Government. If a programme in line with the PARPA is produced by Mozambique's National Council on HIV/AIDS, this should be supported. Alternatively, Sweden can extend support to other government-run programmes judged to be effective in the fight against HIV/AIDS.

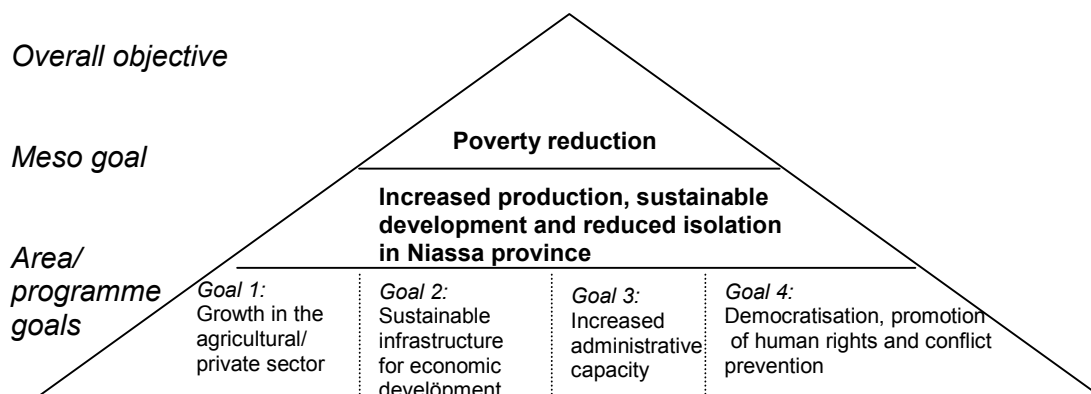
Support from NGOs aimed at prevention or care should continue.

Programme goal 3: Controlled phasing out of Swedish support for landmine clearance.

It is proposed that support be phased out between the initial stages of the strategy period and the end of 2004. The operation will take place under controlled conditions in order to ensure that trained personnel, digs and equipment can be taken over, thereby avoiding unnecessary destruction capital. Although there are still a large number of uncleared minefields, support

should be discontinued as the problem is no longer the acute humanitarian concern it once was. There are other donors in the area. Although mine clearance measures will be necessary for a long time to come, these should be linked to development assistance aimed at promoting economic development.

Increased production, sustainable growth and reduced isolation in Niassa province



Objective: to help create conditions for poverty reduction and human development through increased production and sustainable development for the benefit of poor people, and to help put an end to the province’s isolation.

Providing Mozambique with opportunities for development will require major efforts involving vigorous, concerted measures across a broad front. The political will for decentralisation is expressed in the PARPA. Support for Niassa province has been welcomed by both the central and provincial governments. The inhabitants of the province are without a viable market, an administration capable of delivering quality social services, roads, energy or opportunities to take part in and influence development.

During the 1996–2001 strategy period, support for the province has become an important part of development cooperation with Mozambique and has been designated a focus area of its own. Swedish support is judged to be capable of contributing to poverty reduction and reduced isolation in one of the most neglected provinces in the country. The programme will proceed from the preparatory phase to the implementation stage during the 2002–2006 strategy period. Cooperation will embrace four areas; these are listed below. The aim is to adopt and maintain a holistic view of support so that measures and areas can interact and reinforce one another. Other areas may qualify for support during the strategy period. Before any decisions are made regarding possible new areas of cooperation the needs of the province must be analysed and clearly linked to the programme goal. The follow-up and evaluation systems incorporated in the programme are designed to provide Sida with the information it needs to monitor development in the province.

Programme goal 1: Growth in the agricultural/private sector

The so-called Malonda Programme has identified the agriculture-oriented private sector as an key area; although the soil in Niassa province is fertile, productivity is very low. There is often no incentive to increase production as it is difficult for farmers to sell their surplus

produce. Specific support measures will be dealt with as part of the focus area: sustainable economic growth (see Programme goal 2).

Programme goal 2: Sustainable infrastructure for economic development

Infrastructure is another key area for development assistance as the potential for economic development is severely curtailed by inadequate roads and a deficient energy supply. Specific support measures will be dealt with as part of the focus area: sustainable economic growth (see Programme goal 2).

Programme goal 3: Increased administrative capacity

Swedish support will also go towards strengthening the machinery of public administration as its resources and capacity are extremely limited. Funding will be made available for capacity development at provincial and district level, as well as for equipment and premises, to enable the administration to function more effectively and deliver services to the inhabitants.

Programme goal 4: Democratisation, promotion of human rights and conflict prevention

Increased democratisation, popular participation and the strengthening of human rights through support for civil society is the fourth area of the Niassa Programme. Support will be extended to local and national human rights organisations, especially those concerned with the rights of women and children and HIV/AIDS issues. Community-based organisations (CBOs) will also be included. A dialogue on conflict prevention involving the provincial government and the opposition is expected to begin and develop during the strategy period.

Other forms of support

The Swedish Consultancy Fund

The purpose of a consultancy fund is to provide a flexible instrument for financing shorter-term activities and contract-financed technical cooperation. As administering the fund is a labour-intensive task, Sida will be looking into ways of streamlining management procedures. The possibility of integrating the fund's activities with other development cooperation programmes will be considered. An audit and any review of the fund's activities will take place at the end of 2002.

6 Financial planning and administration

The proposed programme is based on a projected budget of SEK 420 million (budgetary support and support from Swedish NGOs through SEKA are not included in this figure). A

minimum figure of SEK 1 260 million is proposed for the cooperation agreement for the three-year period 2002–2004. The sum may be revised downwards if the basic premises for development in Mozambique change (see Chapter 4).

Volume and coordination

Swedish development cooperation with Mozambique comprises many areas. Efforts must be made to concentrate activities in all sectors with a view to reducing the number of small projects. Donor coordination will continue to be important. In the interests of greater efficiency, any opportunities to channel funds through other implementing organisations should be made use of.

Efforts should be made to enhance coordination between bilateral and regional programmes in southern Africa, in such areas as water resources management, disaster management, culture and the media, human rights, democracy and HIV/AIDS.

The strategy is an indication of deeper cooperation with Mozambique during the coming period, with leeway for increased financial commitment within the framework for the portfolio of measures defined in the strategy. The volume of support must be adapted to Mozambique's capacity to absorb it.

Should developments in Mozambique warrant a sizeable increase in the volume of Swedish development assistance, Sida must submit a proposal to this effect to the Government based on an assessment of:

- Mozambique's development policies in the relevant areas.
- the prevailing political situation in the country, including the status quo with regard to human rights, the process of democratisation and democratic participation.
- current measures by the Mozambican Government to reduce corruption.
- the conditions for increased sector-based programme support/budgetary support.
- Mozambique's current capacity to receive support, both centrally and locally.

Talks with Mozambique must be held if the question of stepping up the volume of development assistance arises. Account must also be taken of the overall financial situation, the degree of Mozambique's dependence on assistance and the exposure ## of Swedish development cooperation.

The strategy and its implementation must be approved by the Swedish Ministry for Foreign Affairs during its annual deliberations with Sida.

Development cooperation constitutes an important part of the work of the Swedish embassy in Maputo. As programmes could grow in volume during the strategy period, a discussion of the need to boost capacity and enhance expertise at the embassy may be necessary. Efforts should be made to employ more locally-based programme coordinators.

During the 2002–2006 strategy period, it may become necessary to delegate decision-making to the embassy in accordance with new delegation procedures now being tested at three embassies. This would entail a change in the roles and functions of staff at the embassy as well as at Sida in Stockholm. The consequences of delegation would be dealt with as part of the annual process of drawing up country plans and in the light of any changes in the volume of assistance.

¹ *Understanding Poverty and Well-Being in Mozambique; The First National Assessment (1996-97)*, 1998.

² Current prices used throughout unless otherwise stated.

³ *Assumptions and Partnerships in the making of a Country Strategy. An Evaluation of the Swedish- Mozambican experience*, 2001.

⁴ It should be noted that the 1996–2001 strategy for Mozambique was the first country strategy to be drawn up after the merger and establishment of the new Sida in 1995.

⁵ PRSP means “Poverty Reduction Strategy Paper”, and is the cornerstone of Mozambique’s cooperation with the International Monetary Fund and the World Bank. The PRSP replaces the PFP. Its existence is a condition of debt cancellation under the HIPC initiative and of continued loans. In April 2000, the World Bank’s Board approved a further debt cancellation under the expanded HIPC initiative on the basis of an interim PRSP. The PARPA/PRSP is to be used as a basis for decision in the implementation of HIPC II, which is expected to take place towards the end of 2001.

⁶ See <http://www.developmentgoals.org>, target areas: poverty, education, gender equality, infant mortality, mother mortality, reproductive health and the environment.



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