

## THE DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

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The Department for International Development (DFID) is the British government department responsible for promoting development and the reduction of poverty. The government elected in May 1997 increased its commitment to development by strengthening the department and increasing its budget.

The policy of the government was set out in the White Paper on International Development, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DFID seeks to work in partnership with governments which are committed to the international targets, and seeks to work with business, civil society and the research community to encourage progress which will help reduce poverty. We also work with multilateral institutions including the World Bank, UN agencies and the European Commission. The bulk of our assistance is concentrated on the poorest countries in Asia and Sub-Saharan Africa.

We are also contributing to poverty elimination and sustainable development in middle income countries, and helping the transition countries in Central and Eastern Europe to try to ensure that the widest number of people benefit from the process of change.

As well as its headquarters in London and East Kilbride, DFID has offices in New Delhi, Bangkok, Nairobi, Harare, Pretoria, Dhaka, Suva and Bridgetown. In other parts of the world, DFID works through staff based in British embassies and high commissions.

## COUNTRY STRATEGY PAPERS

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*Country Strategy Papers (CSPs) are prepared for all countries where we provide development assistance programmes, and are normally produced every three years. CSPs set out how we aim to contribute to achieving the international development targets in the country in question. Progress will be assessed against the strategic objectives set out in Section E of the paper. In preparing CSPs, we consult closely with governments, business, civil society, and others within both the partner country and the UK.*

**Department for International Development**  
**October 1998**

*This second edition contains updated information and replaces the version dated September 1998.*



## MOZAMBIQUE: COUNTRY STRATEGY PAPER 1998

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## A. SUMMARY

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**A1.** Mozambique remains one of the world's poorest countries. Over 90% of Mozambicans (14m) live on less than \$1 per day, the World Bank's measure of absolute poverty. Mozambique's 10 year civil war, which ended in 1992, left much of the country's social and economic infrastructure destroyed.

**A2.** But good progress is being made. Macro-economic management is sound and the economy is growing at about 8%. The Government of Mozambique is committed to reducing poverty. It is allocating extra resources to health and education, and progress is being made, from a low base, towards the International Development Targets. Democracy is functioning, though fragile, but there are large areas of the country where Government cannot provide services. The police and judicial systems need strengthening. The Government promotes a constructive and open relationship with the donors.

**A3.** The prospects for an effective development partnership with Mozambique are good. Britain should expect to be involved long-term. DFID enjoys good relations with both international and local NGOs, whose capacity is often weak. We are developing links with the private sector.

**A4.** DFID's current programme is having an impact on macro-economic management through the Customs Reform Project and Programme Aid; rural livelihoods in Zambezia province, and English Language Teaching at secondary level.

**A5.** For the future we envisage a growing programme, which will build on our existing programme, but seek more national impact. It will support Mozambique's Poverty Reduction Strategy and encourage progress towards the International Development Targets through the following four main impact areas:

- Improved economic and financial management.
- A more effective and efficient public service.
- Sustainable rural livelihoods.
- Improved quantity and quality of education and health for poor people.

**A6.** We expect an effective partnership with Mozambique, and envisage a programme rising to around £38 million per year by 2001. In order to strengthen the partnership we will devote more DFID Central Africa staff resources to Mozambique, and expand the Development Section in the British High Commission in Maputo.

## B. THE CHALLENGE

**B1.** Mozambique remains one of the world's poorest countries (Gross National Product per capita US \$90 in 1996 though this may be an underestimate), where life expectancy is one of the lowest (47 years). Income distribution is very unequal (Gini coefficient 0.52)<sup>1</sup>. All of Mozambique's social indicators are well below sub-Saharan African averages. 1996 household survey data suggests that about 65% of Mozambicans live on less than \$0.5 per day<sup>2</sup>. Mozambique's 10 year civil war, which ended in 1992, left the country with most of its economic infrastructure destroyed, and over 5 million people refugees or internally displaced. The war reversed post-independence improvements in basic services. It had a major impact on mortality and morbidity indicators, especially among children, and destroyed communities. In 1994, 44% of female headed households cultivated less than one hectare compared with 25% of male headed households. There is a need to rebuild fragmented social structures to enable communities to articulate their needs and sustain development.

### ECONOMIC WELL-BEING

International Development Target (IDT) by 2015: a reduction by one-half in the proportion of people living in extreme poverty.

**B2.** Over 80% of Mozambique's poor households are rural. The Government of Mozambique's Rural Poverty Profile (1996) noted that the fundamental cause of rural poverty is the low level of agricultural development. Limited access to markets, agricultural inputs and information services are key factors leading to low productivity. The amount of land cultivated is small owing to shortages of draft animals and transport, and competition for adult labour. As a consequence, 29% of rural households cultivate less than one hectare. There are limited opportunities for alternatives to subsistence farming, particularly for women. Land concessions have been granted to outside investors, which may threaten smallholder rights. The 1997 Land Law will protect them provided that it is effectively implemented.

**B3.** The urban population is expected to rise to over 5 million by 2000, one third of the total population. Half of these people are estimated to be absolutely poor (per capita expenditure less than \$0.5 per day<sup>2</sup>). Urban poverty is largely caused by lack of household labour (caused by war or migration) or extremely low wages. Lack of employment opportunities is a lesser factor.

**B4.** Mozambique has plenty of potential. Agriculture accounts for 32% of GDP, employs 70% of the labour force, and accounts for 80% of exports. Principal exports are prawns (40% of total export earnings), cotton, cashew nuts and sugar. Less than 10% of Mozambique's arable land is cultivated and agricultural yields remain far below potential. Mozambique also has considerable mineral and other resources. The export of electricity from Cabora Bassa has begun. There is further hydro-electric potential and oil and gas reserves. Mozambique provides important transport routes for the region which could become an important source of jobs and foreign earnings. Tourism could also become an important foreign exchange earner. Mozambique is successfully attracting foreign investment to help develop this potential. Planned large projects, such as the \$1 billion MOZAL aluminium smelter, will help diversify the economy. They will reduce its vulnerability to climatic and other shocks. Over time these developments should increase Mozambique's current, very low, exports to Gross Domestic Product ratio (GDP).

**B5.** Mozambique's recent economic performance has exceeded expectations. GDP has grown at an average 8% per year over the last three years, though this is very dependent on good rains. Inflation is less than 10% and the currency is stable. Mozambique is implementing an ambitious programme of reforms to promote rapid economic growth. The budget deficit is under control and reforms are improving the prioritisation and effectiveness of public expenditure. Defence and security expenditure have been reduced sharply allowing higher social spending. State owned enterprises have been privatised to improve management and attract new investment. There are signs that Mozambique is beginning to use donor funds well, pursuing an open dialogue and promoting Sector Investment Programmes (SIPs) which, in time, should give government

<sup>1</sup> The Gini coefficient measures inequality in distribution : a value of 0 represents complete equality, while a value of 1 represents all wealth concentrated in one owner. The highest in the world is 0.63, the lowest is 0.19.

<sup>2</sup> Figures from household survey. Not directly comparable to International Development Target.

## B. THE CHALLENGE

CONTINUED

greater control over donor funds and reduce the need for expensive Technical Co-operation. Efforts have been made to improve revenue collection, including the creation of a new Customs Service, currently managed by Crown Agents. Debt relief under the Heavily Indebted Poor Countries initiative (HIPC), which is expected to be approved for Mozambique in 1999, will bring debt relief of \$1.4 billion on a public external debt of \$3 billion. But even after relief, debt service payments will remain substantial. Grants provide 14% of GDP, down from 21% in 1994. Mozambique remains heavily aid dependent, and will need long term donor assistance.

**B6.** Despite its potential, the challenge facing Mozambique is substantial. With a current annual population growth rate of 2.6%, long-term economic growth of 5% per year over the next 60 years is needed to raise average incomes to US\$1 per day<sup>3</sup>, assuming current income distribution patterns. If inequality reduces, poverty will be reduced more quickly. Effective development assistance could cut this time frame, but halving the proportion of people living on less than \$1 per day by 2015 will be difficult to achieve.

**B7.** Mozambique's long term growth prospects also depend on wider economic policy issues, including access to markets, principally through the Lomé Convention and within the Southern Africa Development Community (SADC) region. Mozambique has signed the SADC free trade protocol, but requested a 15 year grace period during which to eliminate its tariffs on SADC goods. In the short term Mozambique's economic growth will not be greatly dependent on regional economies. In the longer term, rehabilitation will contribute less, and the effect of regional development will be greater.

**B8.** Reduction of poverty in Mozambique needs a sound macro-economic framework, but one which encourages the spread of benefits from foreign investment to poor people. This will require both employment generation and opportunities for Government to increase its revenues through taxing foreign investments as they begin to produce. More needs to be done to improve the business environment by cutting bureaucratic constraints to investment. But most pro-poor growth will need to be achieved in the medium term through expanding agricultural production. This

implies addressing a range of issues including: access to land, advice, agricultural inputs and credit. The Government of Mozambique's Poverty Reduction Strategy focuses on these issues, as well as access to services (para C2 refers).

### HUMAN DEVELOPMENT

IDT: Universal Primary Education in all countries.

IDT: Demonstrated progress towards gender equality and the empowerment of women by eliminating gender disparity in primary and secondary education.

**B9.** Mozambique is reconstructing its primary education system after the civil war. Over 3,000 schools were destroyed. Teachers fled the war torn zones. 60% of the population is illiterate - 77% of women. In 1997 the Gross Enrolment Rate (GER)<sup>4</sup> for the first 5 years of primary education was 66%; for the remaining 2 years only 15%. Only 41% of the children who reach year 5 of primary school are girls. The north of the country has the lowest enrolment rates. Mozambique has an Education Strategic Plan, subtitled Reviving Schools and Expanding Opportunities. The Government aims to increase the GER to 86% for the first 5 years and 24% for the following 2 years of primary education by 2002 as medium term targets towards achieving Universal Primary Education. It is planned to increase the representation of girls by 2% per annum over the next five years. The attainment of Universal Primary Education will be a long haul.

**B10.** In a country of over 15 million people, there are just 60,000 students in secondary education, of whom one third are girls. The very small number of graduates from the secondary sector imposes a serious constraint on the supply of teachers for primary schools.

**B11.** A Gender Plan of Action is being developed for the education sector. Its initial focus is to develop capacity in the Ministry of Education and related institutions to mainstream gender in policy development and planning. The medium term objective is gender equity in education.

<sup>3</sup> This figure is based on 1996 Household Survey information, and is not comparable to the International Development Target.

<sup>4</sup> Gross Enrolment Rate is the percentage of children in primary school compared to the numbers in the age group who should be attending.

## B. THE CHALLENGE

CONTINUED

**B12.** The Government has signed up to international conventions on gender equality, but women still face discrimination particularly in inheritance and land tenure issues, though the new Land Law should remove this when properly implemented. There are frequent reports of domestic violence. Local advocacy groups campaign on these issues but they lack capacity to work countrywide. On the other hand, women are relatively well represented in the National Assembly: 62 out of 250 deputies are women and the Government aims to achieve 50%.

IDT: A reduction by two thirds in the mortality rates for infants and children under five, and a reduction by three fourths in maternal mortality.

**B13.** Infant mortality is 135 per 1,000 live births. The Government is committed to a target of 120 by 2001 under its Health Sector Recovery Programme. Maternal mortality is 1,100 per 100,000 live births, which the Government of Mozambique plans to reduce to 690 by 2001. About 40% of the population has access to health services. 28% has access to safe water. Chronic malnutrition affects 30 - 40% of children. Although not yet as serious a problem as in neighbouring countries, AIDS is spreading rapidly in the border areas and along the main transport corridors. Both health and water sectors are developing Sector Investment Programmes, with other donors in the lead.

IDT: Access through the primary healthcare system to reproductive health services for all individuals of appropriate ages.

**B14.** The Government of Mozambique now allocates 8% of its current budget to the health sector, which represents about US\$2 per person per year, far short of the minimum needed to provide basic healthcare to the population. There is a need for sectoral programmes and sustained resource transfers from donors to provide universal basic healthcare. Most of the rural population does not have access to reproductive health services. The Government's Health Sector Recovery Programme aims to increase the proportion of women using contraception from 6% to 30% by 2001.

### ENVIRONMENTAL SUSTAINABILITY AND REGENERATION

IDT: The implementation of national strategies for sustainable development, so as to ensure that current trends and the loss of environmental resources are effectively reversed at both global and national levels.

**B15.** Although Mozambique is relatively lightly populated, there are risks of environmental degradation. These include rapid urban expansion, an increase in large industrial developments, poorly regulated logging and rapid expansion of prawn aquaculture. The latter could, if not properly planned, destroy mangroves which protect the agriculturally rich coastal zone. The Government has a National Environmental Action Plan (1995) but currently has no published plans for the implementation of Agenda 21. It has established an active new Environment Ministry.



## B. THE CHALLENGE

CONTINUED

### QUALITATIVE ELEMENTS OF DEVELOPMENT

Democratic accountability, protection of human rights and the rule of law.

**B16.** Around the time of independence from Portugal a high proportion of skilled people left. The colonial regime had provided very low levels of education and training. The Frelimo Government introduced a centralised state, which took control over much of the economy. From 1982-92 Frelimo fought a civil war with Renamo during which over a million Mozambicans became refugees and around 5 million were internally displaced. The 1992 Rome Peace Accords brought the war to an end and democratic elections were held in 1994. Frelimo won the election, but with a substantial Renamo minority, which has formed an active opposition. Government policy is debated increasingly openly in the state and privately owned media. Political, ethnic and religious groups operate without restrictions. While the Assembly has functioned relatively well, plans to extend local democracy through creation of municipal councils have been problematic. Renamo and most other opposition parties declined to contest municipal elections on 30 June 1998. Democracy will have a major test next year with Presidential elections.

**B17.** The protection of human rights is enshrined in the 1990 Constitution. Arbitrary arrest and torture are forbidden, as is discrimination on the grounds of race, sex, religion, disability and social status. However, these admirable intentions are not yet fully matched by practice. The police and judicial systems have significant weaknesses, which are being addressed in the case of the police through a retraining programme. Nevertheless, there are periodic reports of police brutality and detention without trial. There are allegations of corruption within the legal system.

**B18.** The Government recognises the importance of improving the management of public resources. At 95,000, half of them teachers, the Civil Service is not large compared to others in the region. It is characterised by a relatively thin layer of highly competent policy makers who often lack support at junior levels. The problem is more severe in provincial administrations, which are seriously under-resourced. The Government often relies on Non Governmental Organisations (NGOs) to provide services, but is being more assertive in directing their operations. The Government recognises the need for Public Service Reform and is working with donors to develop a coherent plan, based on advice from a wide variety of sources.

**B19.** The Government recognises the importance of tackling corruption. Opportunities for corruption have been limited by economic reform programmes, including the liberalisation of the foreign exchange markets, privatisation and customs reform. Nevertheless opportunities for petty and higher level corruption remain.

## C. PARTNERSHIPS

**C1.** There are good prospects for an effective development partnership between Britain and the Government of Mozambique in the terms set out in Britain's White Paper on International Development. The boxes below set out the partnership criteria in the White Paper.

Committed to the principles of the agreed International Development Targets and pursuing policies designed to achieve these and other UN targets which they have agreed.

**C2.** The Government's Poverty Reduction Strategy focuses on:

- Promoting faster smallholder agricultural growth;
- developing the country's human resources, through increased provision and quality of social services (health and education); and
- strengthening safety nets aimed at assisting the poorest and most vulnerable groups.

**C3.** The Department of Population and Social Development in the Ministry of Planning and Finance is responsible for developing and monitoring poverty elimination programmes. It completed a rural poverty survey in 1996 and an urban poverty profile in late 1997. A review of the existing formal social safety nets has been undertaken by the Government and has made recommendations on improving targeting. Data is being analysed from the first post-war household expenditure and income survey and the first nationwide health and demographic survey, both carried out in 1996. A Poverty Action Plan is due by the end of 1998. Its intention will be to create an integrated social safety net for the entire country to replace the present fragmented and uncoordinated safety nets.

Committed to pro-poor growth and conservation of the environment, and pursuing appropriate policies.

**C4.** Mozambique has a good record of macro economic management and is achieving impressive growth. It has established an Environment Ministry, but has yet to put in place detailed policies.

Wish to engage with us and the donor community to this end.

**C5.** The Government promotes a constructive and open relationship with donors which has taken it further down the sector investment route than most African countries. The Government is keen to create a deeper partnership with Britain with a continuing regional focus in Zambezia, but more substantive involvement from Britain at the national level.

Pursue policies which promote responsiveness and accountable government, recognising that Governments have obligations to all their people; promote the enjoyment of civil, cultural, economic, political and social rights; and encourage transparency and bear down on corruption in the conduct of both the public service and the business sector.

**C6.** As described in section B, good progress is being made in many areas, but against a background of weak government capacity to deliver and a still fragile democracy.

## C. PARTNERSHIPS

CONTINUED

### OTHER PARTNERSHIPS

**C7.** One legacy of centralised colonial and post independence rule is relatively weak civil society. However, this is changing gradually. Religious organisations remain important, with two thirds of Mozambicans part of a religious congregation. Within the current development assistance programme, Britain has established strong partnerships with international NGOs involved in development work, and is building relations with local NGOs involved in service delivery and advocacy. Prospects for building on these partnerships are very good and mirror the Government of Mozambique's own approach. Facilitating links between NGOs and Government will be important particularly in the development of sector programmes. DFID should continue to build partnerships with advocacy groups, and other NGOs. We will focus on the need for international NGOs to work to strengthen Mozambican Government capacity, and build local civil society.

**C8.** Mozambique has a growing indigenous private sector and increasing numbers of foreign investors. There is an active private sector umbrella organisation, the CAE. The Government is keen that donors should work with it, as it sees the private sector as a major source of economic growth. The Commonwealth Development Corporation (CDC) has a portfolio invested and committed of over £50 million and growing.

### OTHER DONORS

**C9.** The IMF and World Bank have led external support for Mozambique's economic change programme, drawing in funding and other support from bilateral donors where appropriate. Their relationship with the Mozambican Government and with DFID is good. The World Bank in particular supports the Government's Poverty Reduction Strategy. The Customs Project is co-financed with the World Bank.

**C10.** DFID has good relations with the Delegation of the European Commission (EC) in Maputo. EC programmes focus on infrastructure development, health and water supplies. As in other countries concerns have been expressed about the delays in approval and implementation of EC programmes. As DFID's programmes expand we will look for opportunities to encourage collaboration with the EC.

**C11.** The leading bilateral donors are the US, the Netherlands, Denmark, Norway, Sweden and Portugal. Most have expanding programmes. The UK is currently a middle ranking donor with a programme of around £20 million per year. Most bilateral donors are pursuing a broadly based poverty agenda similar to our own.

**C12.** Co-ordination amongst Mozambique's development partners and with the Government is good. The Consultative Group is an effective forum. Below that 15 sectoral groups meet regularly and report to a monthly meeting of Heads of Mission of the partner countries. Good progress has been made in establishing sectoral policy frameworks in agriculture, health, education, water and roads. Donors are considering funding Sector Investment Programmes. At a provincial level there is a broadly sensible division of labour amongst donors, with each donor focusing on individual provinces, as DFID has done in Zambezia. While the donors remain a powerful group in Mozambique, the Government is increasingly directing and co-ordinating their activities.

## D. CURRENT UK DEVELOPMENT PORTFOLIO

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**D1.** The UK's current development programme spends about £20 million per year. After several years of supporting development of the transport corridors of Mozambique and the re-settlement of internally displaced people and refugees, the programme became tightly focused in three areas:

- Improving economic management. We have been long-standing partners in the strengthening of economic management through Programme Aid, and provision of technical help e.g. with the liberalisation of the foreign exchange market. Our focus has shifted towards revenue raising and preventing corruption through the Customs Project. All of this has contributed towards increasingly sound macro economic management in Mozambique, and helped Mozambique to become one of the first countries eligible for HIPC debt relief. DFID has regularly supported conferences on the development of the private sector in Mozambique.
- Promoting rural livelihoods in Zambezia. Zambezia province contains 20% of Mozambique's population, with worse poverty indicators than most other parts of Mozambique. DFID funded seeds, tools and de-mining to encourage resettlement of displaced people and refugees as the war ended. From that developed the Zambezia Agricultural Development Project (ZADP) which focused on improving food security for poor people. Following a positive impact assessment a second phase began in April 1998. World Vision manage the project, which should increasingly aim to strengthen the Provincial and District Departments of Agriculture. In addition, DFID supports a pilot approach to feeder road construction, including a capacity building programme for local private contractors. This will help to provide access to markets for poor rural communities. DFID also funds a de-mining programme supervised by the Halo Trust, support to the Planning Department within the provincial Ministry of Agriculture, and a range of other programmes to promote rural development, including one to increase the capacity of local civil society.

- Education. Our support currently focuses on English Language Teaching in secondary schools. As it emerged from the war Mozambique tried to develop stronger economic and political ties in Southern Africa and joined the Commonwealth. Consequently, the demand for English has risen dramatically, primarily in urban areas. DFID's Secondary and Technical English Project (STEP) is a £2 million programme over five years running until 2002, to help improve the quality of English teaching, which is compulsory in all of the country's secondary schools. The Ministry of Education likes the approach of developing strong teacher support systems at provincial levels and wants to apply it to other subjects at secondary level. It is too early to assess its impact on poverty.

**D2.** DFID has also funded NGO poverty reduction programmes in remote Niassa province. DFID's Joint Funding Scheme<sup>5</sup> commitments in Mozambique are £1.17 million. Voluntary Service Overseas runs a programme of 17 volunteers, 8 of them participants in the Secondary and Technical English Project. CDC has a growing portfolio contributing to some major new projects which attract foreign investment as well as running a Venture Capital Fund for smaller enterprises.

**D3.** DFID and the British High Commission have been involved in a limited way in public service reform. The British High Commission, using their own funds, have provided consultancy support to the Prime Minister's Office, which it is hoped will help to shape Mozambique's public service reform efforts in the future. DFID has funded visits by senior Mozambican Police Officers to Zimbabwe to study the reform programme there, which has encouraged Mozambicans to look at their own police reform programme.

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<sup>5</sup> Cost sharing scheme between NGOs and DFID

## D. CURRENT UK DEVELOPMENT PORTFOLIO

CONTINUED

### RECENT DFID ACTIVITIES IN MOZAMBIQUE

- Customs Reform Project has raised revenues from \$86 million in 1996 to \$106 million in 1997, and is starting to build a new, modern Customs Service.
- Under ZADP, improved seeds known to increase crop yields by 25% for maize and 70% for cassava sold to farmers. 26,000 families benefited.
- 8 new independent contractors established under Feeder Roads Programme, employing 3,000 poor Mozambicans.
- 10,000 explosive devices and 67,000 items of small ammunition destroyed. 200km of road and 2 million square metres of land cleared by Zambezia De-mining Programme.
- Mozambican English advisers in post, school based resource centres being developed in all provinces. Upgrading programmes started for 200 teachers.

**E1.** The proposed strategy covers all three of DFID's specific objectives set out in the White Paper on International Development. See box below. Achievement of these goals set out in the International Development Targets is a global effort and some of the corresponding national targets will probably not be reached in Mozambique until well after 2015. But there is an opportunity to make good progress towards them.

### DFID SPECIFIC OBJECTIVES

1. Policies and actions which promote sustainable livelihoods.
2. Better education, health and opportunities for poor people.
3. Protection and better management of the natural and physical environment.

**E2.** The purpose of future DFID assistance will be to promote the effective implementation of the Government's Poverty Reduction Strategy, described in C2.

**E3.** In preparing this strategy we have consulted other stakeholders (Government, private sector, Civil Society and other donors. See Annex 1). Mozambique meets the partnership criteria, and has lots of donors. We will seek greater national impact, drawing on our current knowledge. We will work with the Government, helping to increase its capacity for policy making and implementation, primarily through sector approaches as they mature. We will also retain a provincial focus in Zambezia. Existing commitments there will carry on through the life of this Country Strategy Paper. We should maintain close links between the different elements of our programme.

**E4.** These lead to selection of four main impact areas.

### SPECIFIC OBJECTIVE ONE:

*Policies and actions that promote sustainable livelihoods.*

Impact Area One: Improving economic and financial management.

**E5.** Although macro economic management is generally sound, Mozambique faces formidable challenges in continuing to achieve rapid economic growth which benefits the poor. We plan to offer help in the following ways:

- Through debt relief and support to the budget. We will work with the Government, the International Financial Institutions and other donors to ensure that Mozambique achieves HIPC debt relief by mid-1999, providing up to \$10 million to facilitate the conclusion of HIPC and possible further assistance with African Development Bank (ADB) debts. We will encourage the International Financial Institutions to monitor the impact of HIPC, particularly on enabling the Government to increase its spending in the social sectors. We will double our Programme Aid to £20 million for 1998/9 and, in the spirit of partnership, intend to move to a multi-year commitment thereafter in support of Mozambique's poverty programmes.
- Through supporting the Government's efforts to increase revenue by the creation of a new and sustainable customs service. We will consider making further contributions which promote sustainability through replacement of existing staff and rehabilitating infrastructure at customs posts.
- We will provide further support for budget reforms in line with the Government's Poverty Reduction Strategy, such as for the Medium Term Expenditure Framework. This could include help for the Ministry of Finance and Planning in monitoring the progress of Sector Investment Programmes (SIPs).

## E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

- We will help to promote the private sector as the main engine of growth through building partnerships with private sector organisations to help strengthen their influence on Government, and looking at opportunities to support micro-finance institutions, drawing on our experience elsewhere. We will retain close links with CDC and explore with the World Bank the possibilities for promoting business links between large and small companies in Mozambique, and with regional projects such as the development of the Maputo Corridor (to which DFID Southern Africa is providing some funding).
- We will develop our analysis of the impact of international trade agreements on Mozambique, and offer assistance where appropriate.

**E6.** In taking this agenda forward, we will build up our partnership with the Ministry of Planning and Finance, in particular the Planning and Budget Directorate and the Department of Population and Social Development. We will work closely with private sector, NGOs and civil society.

### Impact Area Two: Public Service Reform

**E7.** Effective government is essential for faster development. Mozambique has made some progress in some areas of Public Service Reform, for example through the privatisation process and has taken radical measures such as customs reform. It is also beginning to increase salaries in the civil service, to improve motivation and reduce staff losses to private sector. However, there remain concerns that rapid changes in the economy have yet to be matched by a sufficient shift from a civil service which concentrates on procedure and control to one more focused on policy development, the creation of an enabling environment for business, regulation where necessary and provision of quality services. The Government is considering these issues and will decide on the best model for Mozambique based on a wide range of advice, including from Britain. We will offer help, which could involve assistance with restructuring and retraining. We will offer help with police reform, if the

Government decides it wants a British input to strategic planning and staff development. Any input we provide will be properly co-ordinated with other donors already involved.

### Impact Area Three: Promoting sustainable rural livelihoods.

**E8.** We will promote the design and implementation of PROAGRI, the national Agriculture Sector Investment Programme, providing funding through the budget when appropriate. We will use our knowledge from programmes in Zambezia to promote a provincial emphasis for PROAGRI.

**E9.** We will implement Phase II of the Zambezia Agricultural Development Programme (ZADP) which runs until 2002, but increase the emphasis on strengthening local capacity. This will diversify smallholder food and income sources, start up a small scale credit programme and protect smallholder rights to land. Through ZADP and other programmes working with community based organisations, we will promote social cohesion in areas affected by conflict. DFID's support for ORAM, a local NGO, will promote land tenure rights, including those of women, by disseminating information on the new Land Law.

**E10.** Consistent with PROAGRI, we will consider strengthening the management and planning capacity of provincial government in agriculture. We will assess the success of our Feeder Roads Programme and may, if the issues over feeder road maintenance can be resolved, consider further support. We will work within the umbrella of the roads sector wide approach. We will provide further support for de-mining using Mozambican teams, though with a reducing presence given the success of de-mining in Zambezia. We will decide in 1999 whether to contribute to a water sector programme in Zambezia. We will build partnerships with provincial and national government in these areas, and continue to work through NGOs which provide services. Over time we will encourage Government to play a more prominent role in co-ordinating and regulating the activities of NGOs, and encourage international NGOs to strengthen local capacity.



### SPECIFIC OBJECTIVE TWO:

#### *Better Education, Health and Opportunities for Poor People*

##### Impact Area Four: Improving Education and Health

**Eii.** We propose that DFID should become a major partner in the education sector in recognition of its critical importance to the Government's Poverty Reduction Strategy and the potential for a strong partnership with Government and other agencies. DFID's intention has been welcomed in Mozambique. Our support will be defined within the Government of Mozambique's Education Sector Strategic Plan, the broad framework of which has been agreed by the Government and all donors in 1998. The plan places priority on increasing access and improving the quality of primary education. Secondary education will also need major assistance if it is to do more than cater for 60,000 students in a country of over 15 million. DFID proposes to appraise a programme of support in the last quarter of 1998. It will give priority to moving towards budgetary support. It will operate with joint Government/donor procedures which are being developed. Appraisal will examine ways of developing capacity at national and provincial level to implement the Strategic Plan. It will look at opportunities for distance learning to improve the quality of teaching.

**Ei2.** DFID has not so far been involved in the health sector, but, as in education, the needs are great and a sectoral approach has been developed by the donors. DFID may have useful experience to offer from other countries. We will review the opportunities for involvement by the end of 1998, concentrating on whether to help fund the Health Sector Recovery Programme and possibly AIDS prevention.

### SPECIFIC OBJECTIVE THREE:

#### *Protection and better management of the natural and physical environment.*

**Ei3.** We will consider involvement in coastal zone management in Zambezia, and encourage, with technical help if necessary, sound development of prawn aquaculture in the fragile mangrove coastal areas.

### OTHER ISSUES

**Ei4.** Mozambique is likely to suffer from droughts and cyclones at regular intervals, which may require some emergency assistance. We will consider the merits of each case as it arises, but concentrate generalised drought relief in Zambezia where the systems are familiar to us.



## F. IMPLEMENTING THE NEW DEVELOPMENT STRATEGY

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**Fi.** An expanding programme in Mozambique will require changes of approach within DFIDCA and the British High Commission, devoting more and higher level resources to building partnerships with Government and other donors and to managing larger amounts of money. Decisions have already been made to upgrade the Programme Manager post in DFIDCA, to devote the whole of an Economic Adviser's and half of a Social Development Adviser's time to

Mozambique. We will recruit a Field Manager for rural livelihoods and may recruit one for health and education if required. More local support staff will be required within the Development Section of the British High Commission. The post of Head of the Development Section will be upgraded to First Secretary from September 1998. Stronger administrative back-up will be established in Quelimane for the Zambezia programme.

## G. PROGRAMME RESOURCES

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G1. We envisage doubling the bilateral programme by 2001. For 1998/9 we will disburse around £30 million including £20 million of Programme Aid. We envisage retaining

Programme Aid at that level, but increasing project and sector support to around £20 million per year.

## SUMMARY OF PREPARATION PROCESS

1. Preparatory work started in the first half of 1998, with a target completion date of July 1998. The consultation process mainly revolved around two one day workshops with

representatives from the Government, NGOs, the private sector and other donors.

EVENT	DATE	TOPICS
Workshop with Mozambique NGOs, private sector and other donors.	February 1998	What needs to be done to eliminate poverty in Mozambique. DFID's role in this.
Workshop with the Government.	April 1998	Priorities for DFID involvement in Mozambique.
Meeting with participants from February and April Workshops.	May 1998	Feedback and discussion on main sectors proposed under new CSP.
Other discussions and related work.	March 1998	Review of 70:30 NGO Scheme for Niassa and Zambezia.
	March 1998	Review of RNR assistance to Agricultural Planning in Zambezia.
	April 1998	Initial DFID education sector review.
	April/May 1998	Education sector consultant- situational analysis.
	April 1998	DFID mission on private sector/micro credit and finance.
	May 1998	Review of Renewable Natural Resources assistance to Agricultural Planning in Zambezia.
DFIDCA Mozambique Country meeting	May 1998	Discussion of sectors proposed for support under new CSP.
	May 1998	DFID mission on police and public sector reform.
	June 1998	Discussions with the Government on DFID's place in Education Sector Approach.
First draft circulated within DFIDCA and BHC.	May 1998	
First draft circulated within DFID	May 1998	
Second draft CSP circulated within DFID.	June 1998	
Final version submitted	June 1998	

2. The initial workshop in Harare included the majority of DFIDCA staff working on the Mozambique programme, the British High Commissioner, representatives of Mozambican civil society and international NGOs, and the World Bank. The workshop attempted to define the main areas to be targeted to reduce poverty in Mozambique. The second session focused how DFID could most effectively contribute

to this process. This included looking at the strengths and weaknesses of our existing programmes, and how we could more effectively deliver aid through current and new partnerships. A note was subsequently circulated to participants and to the Government participants for our second workshop.

3. The second workshop with the Government included senior officials from most Government Ministries, most DFIDCA advisers and British High Commission representatives. The workshop followed a similar format to the initial one. A note of this meeting was circulated to participants from both workshops.

4. An in house meeting was subsequently held within DFIDCA in Harare with the DFID Mozambique team and the Second Secretary Development from Maputo. This discussed the main sectors and themes emerging from the two workshops and the areas which should be supported under the new CSP. This formed the basis of an issues paper which was circulated to all those who had taken part in the two workshops and Government Ministers.

5. A further meeting was held in Maputo to which participants from both workshops were invited. Separate meetings were held with representatives from other donors, Government Ministers and the British High Commission.

6. The first draft of the CSP was produced on the basis of these meetings and related in house sector reviews. This was circulated within DFIDCA, the British High Commission and was also given a limited circulation within DFID. A second draft was given wider circulation within DFID and other Whitehall departments. The final version submitted to DFID senior management reflects comments received from these consultations. DFID's Secretary of State, Clare Short then discussed the paper with government and others during her visit to Mozambique from 22-26 July 1998. The paper was then finalised.

## ANNEX 2

### MOZAMBIQUE PROGRAMME EXPENDITURE PROFILE (BY UK FINANCIAL YEAR MARCH-APRIL)

£ MILLION	1997/98	1998/99	1999/00	2000/01
<b>IMPACT AREA ONE</b>				
(Improving Economic and Financial Management)				
<b>Current Commitments</b>				
Programme Aid	10.0	20.0		
Economic Management	0.1			
<b>Future Plans</b>				
Programme Aid			20.0	20.0
Private Sector Assistance			0.5	0.6
Support for monitoring sector approaches		0.1	0.3	0.3
<b>SUB-TOTAL</b>	<b>10.1</b>	<b>20.1</b>	<b>20.8</b>	<b>20.9</b>
<b>IMPACT AREA TWO</b>				
(Public Service Reform)				
<b>Current Commitments</b>				
Customs reform	4.3	2.4	1.1	0.5
<b>Future Plans</b>				
Police		0.1	0.2	0.3
Civil Service Reform			0.1	3.0
Customs Rehabilitation			3.0	3.0
<b>SUB-TOTAL</b>	<b>4.3</b>	<b>2.5</b>	<b>4.4</b>	<b>6.8</b>
<b>IMPACT AREA THREE</b>				
(Promoting Sustainable Rural Livelihoods)				
<b>Current Commitments</b>				
Natural Resources	1.8	2.9	2.0	1.7
Roads	1.9	2.4	2.9	
<b>Future Plans</b>				
PROAGRI		0.2	2.4	2.0
Coastal Zone Management			0.5	0.5
Other Natural Resources			0.3	0.3
Roads		0.2	1.0	1.2
Civil Society Partnerships		0.1	0.1	0.1
Water/Sanitation			0.6	1.0
<b>SUB-TOTAL</b>	<b>3.7</b>	<b>5.8</b>	<b>9.8</b>	<b>6.8</b>
<b>IMPACT AREA FOUR</b>				
(Improving Education and Health)				
<b>Current Commitments</b>				
Education	0.5	0.9	0.4	0.5
<b>Future Plans</b>				
Education		0.6	1.6	1.7
Health		0.5	0.5	2.0
<b>SUB-TOTAL</b>	<b>0.5</b>	<b>2.0</b>	<b>2.5</b>	<b>4.2</b>
<b>GRAND TOTAL</b>	<b>18.6</b>	<b>30.4</b>	<b>37.5</b>	<b>38.7</b>