



USAID | MOZAMBIQUE

FROM THE AMERICAN PEOPLE

STRATEGY STATEMENT

This Strategy Statement for Mozambique was assembled by USAID/Mozambique. This is a USAID planning document and does not contain budget information approved by the U.S. Government. Any budget information contained herein is for illustrative purposes only.

Additional information on the attached can be obtained from Deborah Mendelson in USAID/AFR/SA.

Release Date: 05/24/2006

The U.S. Agency for International Development's Strategy Statement for the Republic of Mozambique

This is the United States Agency for International Development's (USAID's) Strategy Statement for development assistance provided to the people and government of the Republic of Mozambique. This Strategy Statement is based on the broad policy and strategic guidance provided by the Joint State Department-USAID Strategic Plan, USAID's White Paper on U.S. Foreign Aid, and the USAID Strategic Framework for Africa outlined below. This document also represents USAID's commitment to the set of strategic objectives (SOs) and results/program components¹ found in the "Program Structure" section below that will contribute to the achievement of the goals of the Strategic Framework for Africa.

Country Context

Mozambique is one of the few countries in Africa that has successfully made the transition from long-term colonial and civil war to long-term peace. The country's success is reflected in its ability to sustain strong economic growth, including GDP growth of 7.2% in 2004 and 7.7% projected for 2005. Mozambique has had three free-and-fair presidential and parliamentary elections since 1992, and the outlook remains positive for economic growth and political stability, although corruption and weak institutions will need to be addressed in earnest in all sectors to accelerate broad-based development. In 2004, general budget support from the European donors and International Development Association financed 50% of the government's budget, and the percentage is expected to remain the same in 2005 and in 2006, indicating further increases in donor budget support. Government revenues are expected to increase from 12.3% of GDP in 2004 to 14.0% in 2006. Although there are some problems in implementing budgeting program, on the whole assistance is used effectively.

Less positively, Mozambique ranks 168 out of 177 countries on the 2005 UNDP Human Development Index (UNDP HDR). Annual per capita income is roughly \$424 (IMF 2005 projection) although it is estimated to be in the order of only \$100 per year in rural areas of the country. Agriculture supports 80% of the population with fifty-four percent of the population living at or below the Mozambican poverty level of \$1 per day (2003 survey). Fifty-three percent of adults are illiterate (UNDP HDR). Even with increased vaccination rates and improving access to basic health services, life expectancy is a low 46 years for women and 44 years for men, and is under pressure due to a 16% HIV prevalence rate. Mozambique's mortality rate for children under five, at 138 per thousand, is somewhat reduced from previous years but is still unconscionably high.

Although Mozambique's citizens come from many different cultures and religions, ethnic and religious tensions are low. There have been, however, some isolated attempts by outside groups to promote religious fanaticism in parts of the country. Borders are porous which is problematic, especially as it relates to terrorism, trafficking in persons, and other transnational criminal activities. Weak institutions further reduce the ability of the Mozambican government to address these issues.

Perhaps Mozambique's most daunting and immediate development challenge is HIV/AIDS. Mozambique has a severe, generalized HIV/AIDS epidemic. The estimated national 2004 HIV prevalence among men and women aged 15-49 was 16%, up from 14% in 2002, and 1.6 million Mozambicans are living with HIV/AIDS in 2005. There are an estimated 326,000 orphans and vulnerable children in Mozambique as a result of the AIDS epidemic, a number that is expected to reach one million by 2010. Although the country's national response has made progress in the last year, a scarcity of skilled human resources, institutional capacity, and adequate infrastructure to address this pandemic persists. The costs to the economy may be in excess of one percent of GDP per year due to the following: (1) the loss of economically active adults in their prime earning years, including the human capital loss of those relatively few well-trained people in key leadership and management positions; (2) increased dependency, i.e. orphans; (3) increased costs of treating the ill and the dying; and (4) the reduced savings and capital accumulation capacity of families.

There are only about 650 doctors in all of Mozambique, 200 of them in the capital city. Many rural areas have just one physician per 60,000 people. The national health network covers less than 50% of the population. Even where Mozambicans can gain access to health care, health infrastructure is quite poor. More than 80% of health posts lack

¹ Program Components are the "building blocks" of the programs the Agency carries out. Program Components will be standard across all Operating Units and have associated with them a set of common indicators to facilitate Agency performance management and reporting.

access to water and electricity. Some Mozambican women must travel more than 300 kilometers for simple caesarean deliveries. Mozambique suffers from frequent outbreaks of cholera and co-epidemics of tuberculosis and malaria, which exacerbate the impact of HIV/AIDS.

Mozambique's greatest medium-to-long term economic development challenge is to diversify the economy in order to attract investment, especially in labor-intensive export sectors. With a trade-weighted average tariff of nine percent, the economy is one of the most open in Africa. Without, however, structural reforms that create an environment in which it is possible to compete, investors and business will not be able to take full advantage of the global marketplace.

At the end of the civil war, Mozambique was highly dependent on food aid. Over the past dozen years Mozambique has achieved remarkable gains in restoring food production and improving food security. The levels of food aid needed to meet the country's food requirements have dropped dramatically, though there are considerable differences in food security among the different regions. Malnutrition rates remain high, particularly for children. From a development perspective, any gains being made in food production must be coupled with gains in household nutritional and health status. Incomes must increase and food security must improve in all regions. This is especially essential since Mozambique is extremely prone to cycles of flooding and drought. Since 2000, there have been catastrophic floods followed by serious droughts which have devastated crops in many of the regions, resulting in substantial pockets of hunger and malnutrition in many parts of the country.

The Government of Mozambique's (GRM's) Poverty Reduction Strategy Paper (PRSP or the "PARPA" as it is more commonly called after its Portuguese acronym) is a combined poverty reduction and growth plan for the 2001-2005 period. The objective is to reduce the incidence of absolute poverty from 70% in 1997 to less than 60% by 2005 and less than 50% by 2010. The strategy emphasizes measures to benefit the poor in the short term, while recognizing the crucial importance of medium- and long-term measures to fight poverty through sustained rapid and broad-based economic growth. USAID's program is consistent with the PARPA, contributing to all six of the PARPA priorities: agriculture and rural development; HIV/AIDS and health; basic infrastructure; good governance; education; and macroeconomic and financial management. The second phase of the PARPA is being finalized and expectations are high as poverty reduction results were better than anticipated under the first five-year plan. Household consumption survey results show a 15.3 percentage point drop in the incidence of poverty, from 69.4% in 1996-1997 to 54.1% in 2002-2003. This progress demonstrates that both the commitment to and the capacity of the GRM to reduce poverty and encourage economic growth are significant and are growing stronger, in part due to the country's long-standing and effective partnership with USAID.

The U.S. Government's Strategic Framework for Development Assistance

USAID's Strategic Framework for Africa is designed to ensure that all USAID assistance programs on the continent lead to a common vision: Sub-Saharan African countries are democratic, on a sustainable growth path, reducing poverty, and no longer dependent on foreign aid. In Mozambique, USAID is implementing a comprehensive program that is accelerating the country's development in line with this vision. In so doing, USAID is advancing the U.S. Government's sustainable development and global interests in democracy and human rights, economic prosperity and security, social and environmental issues, and responding to humanitarian crises.

The Strategic Framework for Africa grows from the new thinking about the role of foreign assistance that has developed since the turn of the millennium:

- First, U.S. strategic and foreign policy interests are front and center in the Framework, in keeping with the fact that U.S. economic development assistance is one of the three tools of foreign policy (Diplomacy, Defense, and Development).
- Second, the Strategic Framework for Africa reflects an approach to delivering foreign assistance that distinguishes between "transformational development countries" (countries that are reasonably stable; where foreign aid can, to varying degrees, support development progress) and "fragile states" (countries that are vulnerable to crisis, in crisis or emerging from crisis and that either cannot assure, will not assure, or demonstrate a growing inability to assure the provision of basic services and security).
- Third, the new Strategic Framework ensures that funds are allocated by goal and sector (e.g. economic growth, education, democratic governance, health, agriculture, environment, urbanization, and youth) to the countries and regional programs with the greatest likelihood of significant development impact.

Since 2001, the U.S. Government has been increasingly focused on finding innovative ways to address the serious development challenges facing the African continent. As development became an integral part of the overall U.S. foreign policy agenda, a number of large, new Presidential initiatives were designed to ensure a more comprehensive response. These include the President's Emergency Plan for AIDS Relief (PEPFAR), the Millennium Challenge Account (MCA), and the President's Initiative to End Hunger in Africa (IEHA). Mozambique is the only country where these three major development initiatives and programs fully intersect. Thus, Mozambique is a key testing ground for the U.S. Government's new development model. Mozambique is also an African Global Competitiveness Initiative (AGCI) focus country, and is benefiting from both biodiversity and tropical forestry activities and the Africa Bureau Anti-Corruption Initiative.

PEPFAR:

HIV/AIDS remains one of the U.S. Government's highest priorities in Mozambique. A multi-agency team which includes USAID, the U.S. Department of State, the Centers for Disease Control, The U.S. Department of Defense, and Peace Corps will continue to address the challenge. Overall FY 2006 funding for Mozambique is \$94.4 million. Under PEPFAR, USAID is supporting treatment for people infected with HIV/AIDS, care for people--especially orphans--who are infected or affected by HIV/AIDS, and prevention of new infections. Annex A is the PEPFAR strategy for Mozambique and includes details on USAID's role in and contribution to the overall effort.

MCA:

USAID's program is tied closely to Mozambique's efforts to adhere to MCA criteria of just governance, investments in people, and economic development. The Millennium Challenge Corporation (MCC) declared Mozambique to be eligible for 2004, 2005, and 2006 MCA funding. In response, a public-private drafting group prepared a Compact concept paper which is under consideration by the MCC. The concept paper focuses on improving water and sanitation systems, creating an export promotion zone, and delivering business development services to a few key sectors -- tourism, agribusiness, forestry, and light manufacturing -- in the northern part of the country. The private sector and export promotion parts of USAID's strategy include a major focus on tourism in northern Mozambique. USAID's agribusiness programs continue to build upon significant results achieved in past years in key agricultural areas, including the center-north of the country. USAID's longstanding and close relationship with Mozambique's private sector and economic ministries and coordination with the MCC planning teams has guaranteed that the strategy outlined below complements rather than duplicates the MCA program detailed in the concept paper. In short, USAID is very well-positioned to play a pivotal role in making Mozambique an MCA success.

IEHA:

Under IEHA, USAID is helping Mozambican researchers to apply science and technology to increase the productivity and profitability of Mozambican farmers. To accomplish this, USAID is building the capacity of the National Agricultural Research Institute to adapt existing food production and storage technologies to make them suitable for implementation by Mozambican farmers. Over the medium-to-long term, the resulting increases in farm yields and decreases in post-harvest losses will translate to a reduction in the number of Mozambicans affected by hunger and malnutrition. USAID is also financing scholarships in economics and trade in South Africa for a number of young Mozambicans. The purpose of this program is to provide increased capacity in orthodox economics, especially in trade and agriculture, since this capacity is not well-developed in Mozambique.

AGCI:

Under this initiative, USAID is supporting Mozambique to become more globally competitive by improving the ability of key decision-makers to analyze complex trade and investment issues and, with the support of international experts, to undertake and apply the results of targeted studies on trade and investment issues.

Biodiversity and Tropical Forestry:

USAID's biodiversity activities in Mozambique are working to conserve and protect forests, coastal areas, and threatened wild species by supporting alternative livelihoods, sustainable forest management, collection of wild germplasm and cultivation of wild crop species, community-managed conservation areas, and ecotourism. USAID has a large tourism component under its Trade and Investment SO and a number of public-private alliances to deliver this assistance. While these tourism activities are not traditional or typical biodiversity activities, they are the most effective mechanism for promoting biodiversity and tropical forestry conservation in Mozambique. In addition, local economic development is enhanced through these activities rather than hindered. Specifically, USAID's biodiversity activities aim to conserve the (a) terrestrial ecosystems near Limpopo National Park and Lake

Niassa, (b) aquatic ecosystems of the Quirimbas National Reserve and Lake Niassa, and (c) tropical forests in the central and northern parts of Mozambique. Activities include the creation of new conservation areas and of buffer zones around existing conservation areas.

Africa Bureau Anti-Corruption Initiative:

All of USAID's SOs in Mozambique link sustainable development with good governance. Activities contribute to increasing transparency in selected Mozambican government operations, such as access to land, business registration and regulation, procurement systems, and Antiretroviral (ARV) drug distribution. Success in these anti-corruption efforts will be vital to all other USG assistance efforts in Mozambique. USAID will continue to build the capacity of Mozambique's Central Office to Combat Corruption, a department of the Attorney-General's Office, to investigate and prosecute corruption crimes and to undertake outreach efforts. USAID will also take full advantage of opportunities to support civil society efforts to promote good governance.

II. Program Structure

Operational Goals

Mozambique is classified as a Transformational Development (TD) country under USAID's Strategic Framework for Africa. USAID's medium-term goal for transformational development in Africa is to increase the number of countries moving towards middle income status, with improved standards of living, quality of life, and participatory governance over a 10- to 15-year period. Given Mozambique's strong record of stability and development since the signing of peace accords in 1992, its transformational development status is well-earned. The economy has grown by an average of 8% annually between 1996 and 2003; while the poverty rate during that same period fell by 15 percentage points.

USAID will measure progress toward achieving its medium-term transformational development goal by pursuing two "operational goals." These operational goals speak to both the people side and the institutional side of development, and both will be achieved in Mozambique:

1. Foster a healthier, better educated and more productive population; and
2. Increase the effectiveness of African institutions in promoting a vibrant private sector and democratic governance.

Mozambique is often considered to be a model for conflict-to-peace-to-development transition. USAID has played an important role in this transition and will continue to work closely with the Mozambican government, private sector, and civil society to realize our shared development aspirations.

In addition to PEPFAR, USAID is pursuing four SOs in Mozambique, each of which contributes to the achievement of the Strategic Framework for Africa's medium-range goal of "Increasing the number of African countries moving towards middle-income status, with improved standards of living, quality of life and participatory governance" and the operational goals mentioned above. USAID's program in Mozambique will produce significant results in support of sectoral objectives within each of the eight TD sectors: democracy and governance; economic growth; agriculture; health; education; environment; urbanization; and youth. The SOs, each of which spans from 2005-2010, are discussed in detail below. In each instance, the relevant sectoral objectives, program components, and overall funding needs are identified.

Strategic Objectives

Rural Income Growth Sustained (RIGS, SO6)

Economic growth is the key to reducing widespread poverty in Mozambique and must come from increased production and marketing in the agricultural sector to benefit most directly the poor. This SO is founded on the explicit link between the two principal elements of Mozambique's agricultural sector growth – production and marketing. With USAID assistance, rural Mozambicans in target areas will achieve sustained rapid increases in income through increased sales of agriculture production and through expanded rural enterprises. This assistance reflects an integrated approach that will increase access to higher yielding seeds and other productive inputs, support the development of farmer associations and rural enterprises, and foster a supportive policy environment. USAID and its partners aim to catalyze the transformation of Mozambique's low input – low output subsistence agriculture through adaptive technology, market opportunities, and policy reform.

The trend toward more market integration on the part of smallholders is fundamental to the alleviation of poverty and to promote food security as a way to effectively address persistent malnutrition. Greater integration of smallholder producers with the market provides an important way to sustain the impressive rates of income growth of the past several years. This market-oriented outlook will increase productivity, meet family food needs, and generate surplus outputs for sale. This, in turn, will translate into cash income for other family needs, e.g. health services, education, improved housing, investments, and savings. However, in Mozambique, weather-related events including an almost total reliance on rain-fed agriculture, man-made environmental hazards, and disease must be addressed as part of this investment as they are significant barriers to success. The technologies that are promoted as part of this SO must provide smallholder farmers with the means to manage these risks in ways that safeguard their investments and preserve their productive resources. These approaches include the introduction of drought resistant crops, technologies appropriate to families suffering the productivity losses caused by HIV/AIDS, steps to address crop and livestock disease problems, improved natural resource management, and disaster mitigation and preparedness activities.

USAID will build on past success in: delivering extension services; fostering the adoption of appropriate processing technologies with forward and backward linkages along the value chain; bulking agricultural commodities through for-profit farmer-owned enterprises; improving business skills; creating local capacity to maintain market access roads; and increasing the availability of financial services in rural areas. Investments will focus on the formation of farmer associations, strengthening the governance structure of these associations and their member enterprises, and assisting enterprises and associations to engage in formal market transactions with buyers, agricultural input and service providers, and financial institutions. Specifically, USAID programs: (a) commercialize selected commodity chains including cashew, feed grains and fruits and vegetables where the returns to the small-holder are greatest; (b) enhance the ability of the national agriculture research system to disseminate improved agricultural technologies; (c) support rural enterprises and cooperatives involved in the trade of agricultural commodities; (d) increase small holder access to improved seeds and other productive inputs; and (e) increase smallholder capacity to manage risks.

The work under this SO is completely integrated with USAID's Food for Peace activities in Mozambique. This integration is possible because the food security program is 100% monetized. The program's years of successes, along with studies done on direct distribution (see Annex 2), fully demonstrate that 100% monetization is essential for Mozambique since the root causes of chronic malnutrition in Mozambique are more related to behavior than lack of food. Monetization allows USAID to address the problem directly by helping the most vulnerable families to produce enough to move more rapidly from dependency to the surpluses that lead to higher family income.

This SO directly supports both Strategic Framework goals as well as the following sectoral objectives:

1. Enhance productivity of agriculture;
2. Improve policy environment for agriculture;
3. Increase agricultural trade;
4. Increase integration of African economies into regional and global markets;
5. Improve government transparency and accountability;
6. Improve private sector development;
7. Improve natural resource management and conservation across diverse landscapes;
8. Increase sustainable production, marketing, and trade of natural resources-based products and services;
9. Promote equitable access to quality basic education; and
10. Improve access to productivity-increasing job skills.

The principal program components of this SO are:

1. Expand and Improve Access to Economic and Social Infrastructure;
2. Improve Economic Policy and Governance;
3. Improve Sustainable Management of Natural Resources and Biodiversity Conservation;
4. Increase Agricultural Productivity;
5. Increase Participation in Global Trade and Investment;
6. Increase Private Sector Growth; and
7. Strengthen the Financial Sector's Contribution to Economic Growth.

Required financial resources total approximately \$12 million (Development Assistance) per year to be provided through grant agreements with the GRM.

Improved Trade & Investment (TIP, SO7).

For developing countries in general, a strong positive correlation has been amply demonstrated between (a) trade and economic growth, (b) growth and a reduction in poverty, and (c) trade and a reduction in poverty. USAID's Trade and Investment Program (TIP) is designed to increase labor-intensive exports. "Labor-intensive" refers to direct as well as indirect employment generated by increased exports in a particular sector. "Exports" includes both goods and services. By focusing particularly on labor-intensive exports, USAID will maximize the likelihood of direct positive returns to the poor through employment, in addition to the positive overall growth effect that can be anticipated from expanding exports. A focus on labor-intensive exports, particularly when combined with a concerted effort to improve the general environment for business, will have significant impact on growth throughout the economy. Therefore, USAID's trade and investment strategy for Mozambique has three core components: (1) markets for exports expanded; (2) enabling environment for exports improved; and (3) capacity of labor-intensive industries strengthened. These three components are necessary to successfully and sustainably achieve the strategic objective.

Under the first component, USAID will assist the GRM to create an environment in which Mozambique's access to international and regional markets is maximized and in which inputs can be sourced globally without crippling complications and costs. An open regime will also weed out non-competitive Mozambican producers of tradable goods by allowing competition from imports, and encourage Mozambican entrepreneurs to direct their energies towards the provision of goods and services where Mozambique has an edge over global competitors. Liberalization also makes economic distortions and bottlenecks more transparent, thus simplifying the complex process of setting policy priorities and mobilizing political will for structural reform. The main activities under this component are (1) trade capacity building for the negotiation and implementation of trade agreements; and (2) further liberalization of the trade regime through the reduction of tariffs and elimination of non-tariff barriers.

The second component, improving the enabling environment, will lessen the unnecessary costs imposed on business by government policy and regulation. This covers a wide range of activities, including red tape reduction, measures to combat corruption, alternative dispute resolution, labor liberalization, and the establishment of a reasonable regulatory regime for basic infrastructure such as telecommunications and energy.

The third, capacity building for labor-intensive industries, allows direct non-distorting interventions in specific sectors to help increase exports. By adding the sectoral interventions, USAID will promote a virtuous cycle where openness forces additional reforms, which in turn create the conditions for increases in productivity, employment, and exports. Concentrating attention on particular sectors also provides USAID with a good indicator, in export figures, to measure whether the program is working. The first sector to be targeted is tourism. Additional sectors that may be targeted include wood/forestry, floriculture, and essential oils. Assistance may include start-up technical assistance and financing, business linkages, identification of industry specific constraints, and business training.

This SO directly supports both Strategic Framework goals as well as the following sectoral objectives:

1. Improve policy environment for agriculture;
2. Increase agricultural trade;
3. Increase integration of African economies into regional and global markets;
4. Improve government transparency and accountability;
5. Improve private sector development;
6. Improve natural resource management and conservation across diverse landscapes;
7. Expand equitable natural resources governance and promote management of competing claims on resources;
8. Increase sustainable production, marketing, and trade of natural resources-based products and services;
9. Reduce youth unemployment; and
10. Improve access to productivity-increasing job skills.

The principal program components of this SO are:

1. Expand and Improve Access to Economic and Social Infrastructure;
2. Improve Economic Policy and Governance;
3. Improve Sustainable Management of Natural Resources and Biodiversity Conservation;

4. Increase Agricultural Productivity;
5. Increase Participation in Global Trade and Investment;
6. Increase Private Sector Growth; and
7. Strengthen the Financial Sector's Contribution to Economic Growth.

Required financial resources total approximately \$8 million (Development Assistance) per year to be provided through grant agreements with the GRM.

Improved Health Status (IHS, SO8)

The health status of Mozambicans is among the worst in the world. Health infrastructure and service provision remain extremely weak. Communicable, infectious diseases and parasites, namely malaria, diarrhea, tuberculosis, respiratory infections, and the rapid spread of HIV/AIDS dominate the country's epidemiological profile. Mozambique also suffers from chronic food insecurity and malnutrition, and regular epidemics of cholera and meningitis in many districts. The health services network has not developed sufficiently to address the health needs of the dispersed population in this very large country. The government is committed to building an equitable health system that is affordable and sustainable, but has neither sufficient resources nor the capacity to use the existing resources. USAID will therefore work to capitalize on existing networks and ongoing capacity building efforts to strengthen the supply of quality services, and to generate expanded, better informed community demand for these quality services. Efforts will focus on formal and informal child survival and reproductive health interventions for those illnesses most responsible for the largest number of child and maternal deaths in Mozambique. Achievement of this SO will require improving the efficiency of service delivery by the Ministry of Health while at the same time mobilizing and empowering communities to identify and begin to solve their own health problems. Local empowerment and education, especially for girls and women, will result in more active local initiatives to solve local health problems.

USAID will strengthen and improve the quality of basic health services at fixed facilities in the program's target areas concentrating on efforts to:

- Promote efficient and consistent use of service delivery resources
- Equip facilities with a cadre of technically trained health workers who are integrated into a national network of consistent norms and practices
- Ensure that facilities are equipped and stocked with essential medicines and commodities
- Improve basic health service delivery
- Collaborate with community and client groups and networks of community-based health agents to refer cases requiring higher levels of skill
- Provide care and counseling in the community for health needs not requiring formal services or facilities

In partnership with local communities, USAID will educate families and individuals to seek out and demand essential services, and to adopt healthy behaviors. Increased use of primary health services depends not only on those services being available, but also Mozambicans understanding the need for them, seeking them out, and demanding the best. Increased awareness of the benefits of essential services, like family planning and child immunization, will prompt individuals to demand services. Widespread knowledge of where, when, and under what conditions one can obtain specific services will facilitate service utilization. Adoption of healthy behaviors, such as prolonged exclusive breast feeding, knowing effective home treatment for diarrhea, and awareness of disease "danger signs," will be achieved through community education initiatives using a full range of media and partners. USAID will improve accountability for health services by stimulating participation of local, provincial and national leadership in advocacy for and management of health resources. Communities will participate in local decisions pertaining to their own health services and demands. Communities will also support improvements in quality through more direct accountability.

At the central level, the program will support coordination and program planning, and strengthening of resource management systems. Strengthened management systems will help to ensure improvement in the allocation of scarce financial and human resources. To further expand community-level programs, USAID will investigate and test new approaches to service delivery, financing, decentralization, and community involvement. USAID will also devise approaches to expand meaningful coordination among donors in order to program resources as equitably and effectively as possible to meet national needs.

Overall, the program will have a special focus on the two most important diseases: malaria and tuberculosis. Existing malaria activities will be expanded and extended, and a new tuberculosis activity will be initiated. Special attention will be given to the integration of HIV/AIDS activities in tuberculosis, malaria, antenatal, and pharmaceutical logistics activities. The implementation of these activities will be closely coordinated with the USG PEPFAR team.

This strategic objective directly supports the Strategic Framework TD operational goal of “fostering a healthier, better educated and more productive population” as well as the following sectoral objectives:

1. Prevent and control infectious diseases of major importance (including malaria and tuberculosis);
2. Reduce child mortality;
3. Reduce maternal and newborn mortality;
4. Improve reproductive health;
5. Reduce corruption and strengthen the anti-corruption environment;
6. Increase participation of marginalized populations in decision making;
7. Address critical urban health problems through community-based approaches;
8. Improved access to productivity-increasing job skills; and
9. Increase access to and use of basic health services (including HIV) for youth

The principal program components of this SO are:

1. Build Health Systems Capacity;
2. Improve Child Survival, Health, and Nutrition;
3. Prevent and Control Infectious Diseases of Major Importance;
4. Reduce Unintended Pregnancy and Improve Healthy Reproductive Behavior;
5. Improve Maternal Health and Nutrition; and
6. Support Family Planning.

Required financial resources total approximately \$10 million (Child Survival and Health) per year to be provided through grant agreements with the GRM.

HIV Transmission Reduced and Impact of the AIDS Epidemic Mitigated (SO9) (fully funded by GHAI account)

For further information see the President’s Emergency Plan for AIDS Relief, Fiscal Year 2005 Operational Plan (<http://www.state.gov/documents/organization/58499.pdf>).

Models for Democratic Governance Developed (MDG, SO10)

Improvements in municipal governance offer the best opportunity to repair the longstanding disconnect between Mozambican citizens and their governance bodies. It is essential that municipal governments, civil society, and individual citizens get the skills and opportunities to work effectively together in identifying and addressing agreed upon priorities. To facilitate this, USAID, in selected municipalities, will: (a) support local governments, civic organizations, and communities in the creation of models of effective democratic governance, characterized by accountable elected officials, increased civic action, more ethical public servants, and more administrative and financial capacity; and (b) support the expansion of civil society led initiatives to foster good governance and improve transparency in selected government operations.

With USAID assistance, Mozambican local governments will implement more inclusive community decision-making processes as well as become more responsive, transparent, and capable. As a result, citizens will enjoy efficient and effective public service delivery, social and political stability, economic growth, and poverty reduction. USAID will support local community groups and civic organizations that increase citizen and civil society capacity to participate in community and municipal decision-making in order to create more inclusive decision-making and bottom-up pressure for increased transparency and accountability.

Support for anti-corruption initiatives is an area of special emphasis for the MDG SO. In addition to municipal level activities to address corruption in service delivery and management of public resources, anti-corruption activities will also be conducted at the national level. National level activities will strengthen the enabling environment for local leaders to reduce corruption, promote civil society advocacy, and strengthen enforcement mechanisms.

This strategic objective directly supports both Framework Goals as well as the following sectoral objectives:

1. Reduce corruption and strengthen the anti-corruption environment;
2. Increase civil society effectiveness in advancing reforms;
3. Strengthen institutions of democratic governance and rule of law;
4. Increase participation of marginalized populations in decision making;
5. Increase fairness of political processes;
6. Improve government transparency and accountability
7. Improve governance capacity, accountability, and integrity in key African cities and regional market towns;
8. Improve the urban environment; and
9. Enhance youth civil and political participation.

The principal program components of this SO are:

1. Strengthen Civil Society
2. Support Democratic Local Government and Decentralization
3. Promote and Support Anti-Corruption Reforms
4. Reduced Trafficking in Persons

Required financial resources total approximately \$2 million (Development Assistance) per year to be provided through grant agreements with the GRM.

III. Cross-Cutting Themes

All of USAID's programs in Mozambique seek to benefit women and men equally, promote good governance, build Mozambican capacity, and prevent the spread of HIV/AIDS. Measurable impact on each issue is essential to the overall success of USAID's program in Mozambique.

Gender: The GRM has demonstrated some commitment to the integration of women into the political and economic processes of the country. Two examples include the creation of gender working groups in both the agriculture and health sectors, and the focus on gender in the PARPA. Despite these attempts to foster greater gender equity in Mozambique, the majority of women and rural women in particular, have yet to see a significant impact on their daily lives. Given the multiple economic, social, and political disadvantages that affect the lives of Mozambican women, USAID will emphasize gender awareness and integrate approaches to address gender inequalities into all sectoral programs. As an example, the Mission will participate in the USAID Women's Legal Rights Initiative (WLRI) to protect women's legal rights through improved legislation, enhanced capacity of the justice sector, strengthened civil society, and increased public awareness. The impact of activities on women will be measured wherever feasible and incorporated into the performance monitoring plan as disaggregated data.

HIV/AIDS: Mozambique's success in expanding both economic growth and the benefits of growth is contingent on an effective response to the HIV/AIDS crisis. The HIV/AIDS team will serve as a Mission-wide resource. In each sector, USAID will identify and initiate ways to mitigate the potential impact of HIV/AIDS. For example, food security activities will be linked to PEPFAR programs that benefit orphans and vulnerable children; private sector policy activities will continue to examine the issue of HIV/AIDS in the workplace and its affect on Mozambican businesses; and health activities will enhance the ability of the Mozambican health services system to provide HIV/AIDS treatment and care.

Governance: Governance issues, especially anti-corruption, are incorporated in many of our activities. USAID will "mainstream" anti-corruption activities to focus on improving transparency in selected government operations which may include access to land, business registration, procurement systems, and ARV distribution.

Human Capacity Development: The generally weak institutional and human capacity in Mozambique is recognized as a constraint under each of USAID's SOs. Each SO will include activities, such as long-term, short-term, on-the-job, literacy and numeracy training, designed to build the capacity needed to achieve results. Additionally, USAID is providing primary school scholarships to 6,000 Mozambican girls affected by AIDS to ensure that they stay in school.

IV. Regional Aspects

The Republic of South Africa (RSA) is the dominant economy of the Southern Africa region, and Mozambique's economic growth prospects are in many ways going to depend on its neighbor. Mozambique's giant hydroelectric dam, which it is in the process of buying from the Portuguese Government, sells 85% of its output to RSA. Mozambique will have to strike a fair deal with RSA if it is to be able to proceed with further hydro and coal-fired generation investments. Mozambique also exports natural gas to RSA, and provides rail, road, and port services for RSA's trade (as well as Malawi, Zimbabwe, and Swaziland to a lesser extent). RSA is the market for 18% of Mozambique's exports, and 30% of imports are sourced there. Mozambique has adhered to the SADC free trade zone agreement (FTA) and will reduce its top tariff rate to 20% in January, 2006, in accordance with the FTA program, but will do so on a most-favored-nation basis. Recent moves by RSA to increase its GDP growth rate to 6% p.a. (from about 3%) bodes well for Mozambique's trade with its neighbor. Relations with RSA are business-like, and a weakening of RSA's tendencies toward protectionism as part of its faster growth strategy will also strengthen the trade relationship. One area where there is some contentiousness is downstream water rights of the rivers originating in RSA. Storage dams upstream cause many of the rivers to dry up to a trickle during the dry seasons. This affects drinking water supplies and exacerbates the tendency to drought in southern Mozambique.

Health issues are also seriously affected by regional trends, especially in relation to HIV/AIDS and tuberculosis. Avian Influenza will also need to be addressed on a regional basis if prevention and/or containment are to be successful in the case of an outbreak. Human rights issues such as prevention of Trafficking in Persons must be addressed regionally as the majority of persons trafficked from Mozambique end up in South Africa.

V. Indigenous Expertise, Donor Coordination, and Public-Private Partnerships

Donor Coordination: Over 20 donors are active in Mozambique, and coordination is primarily at a sectoral level with close, cooperative, and collegial donor relations. Mozambique is expected to receive \$850 million in donor aid in 2005, representing approximately 13.6% of GDP, with similar levels expected in future years. About 35% of donor assistance is general budget support, accounting for 48% of the GRM budget; the remainder is project support. Almost all bilateral aid is in the form of grants, while multilateral credits are on very concessional terms. The largest program is that of the World Bank International Development Association (IDA), and the European Union also is a significant donor. In addition to the United States, the larger bilateral donors include the United Kingdom, Switzerland, the Netherlands, Norway, and Sweden. The UNDP and IDA chair a monthly meeting of mission heads to coordinate donor activities. The GRM and 17 donors (including IDA) have agreed on a general budget support program to further donor harmonization objectives of the Paris Declaration. This group of 17 donors works closely with other donors, including USAID and Japan, in 20 sector-specific working groups. USAID currently chairs the private sector and foreign trade policy working groups.

Public-Private Partnerships: USAID is actively pursuing the public-private partnership model in Mozambique. USAID has built or is building alliances with: TechnoServe and 16 corporations; the African Wildlife Foundation; the Cooperative League of the USA; Kingsley Holgate's Rainbow Coalition and five corporations; and the Carr Foundation for programs in malaria prevention, biodiversity conservation, and business development.

Indigenous Expertise: In addition to building Mozambican capacity, the use of Mozambican expertise is a key principle of the USAID program and is pursued whenever possible. Mozambican NGO partners are implementing major components of USAID's HIV/AIDS, Trade and Investment, and anti-corruption programs