

MOZAMBIQUE

COUNTRY ASSISTANCE STRATEGY 2009 - 2014



Acronym List

ADEA	Association for the Development of Education in Africa
APE	Community Health Workers
ATA	Anti-Terrorism Assistance Program
CDC	Centers for Disease Control and Prevention
CLCs	Community Leadership Committees
DA	Development Assistance Funds
DOD	Department of Defense
DOJ	Department of Justice
DOS	Department of State
EGWG	Economic Growth Working Group
ESF	Economic Support Funds
EXIM	Export-Import Bank of the United States
FADM	Armed Forces of Mozambique
FAO	Food and Agriculture Organization
FMF	Foreign Military Financing
GDP	Gross Domestic Product
GFSI	Global Food Security Initiative
GOM	Government of Mozambique
ICITAP	International Criminal and Investigative Training Assistance Program
IMET	International Military Education and Training
INL	Bureau of International Narcotics and Law Enforcement Affairs
MCC	Millennium Challenge Corporation
MDG	Millennium Development Goals
MOE	Ministry of Education
NADAR	Nonproliferation, Anti-Terrorism, Demining and Related Programs
NGO	Non-governmental organization
OPDAT	Overseas Prosecutorial Development, Assistance and Training
OPIC	Overseas Private Investment Corporation
PEPFAR	President's Emergency Plan for AIDS Relief
PMI	President's Malaria Initiative
SADC	Southern African Development Community
U.S.	United States
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USG	United States Government
USTR	United States Trade Representative

U.S. Government Country Assistance Strategy for Mozambique

The problem of the bottom billion is serious, but it is fixable....But like most serious problems it is complicated. Change is going to have to come from within the societies of the bottom billion, but our own policies could make these more likely to succeed, and so more likely to be undertaken....We will need a range of policy instruments to encourage the countries of the bottom billion to take steps toward change.To make government policy coherent will require what is termed a “whole of government” approach.

– Paul Collier, *The Bottom Billion*

Paul Collier identifies four development “traps” that prevent the countries that make up the “bottom billion” of the world’s population from breaking out of abject poverty and improving the quality of life for their citizens. Of this “bottom billion”, 73% have been through civil war, 29% are in countries dominated by the corrupting politics of exploiting the country’s natural resources, 30% are in landlocked countries, and 76% are in countries that have suffered long periods of bad governance and poor economic policies. Many have fallen into more than one of these traps. Though Mozambique resides near the bottom of the bottom billion (Mozambique is 175 of 179 countries in the latest UN Human Development Index), the country is fortunate in that its diverse resource base (energy, mining, agriculture, fisheries, forestry, and tourism) and its 2,500 kilometers of coastline with three major ports help Mozambique avoid the “traps” associated with dependence on a single, major resource or being landlocked. In fact, these areas offer significant development potential. Mozambique is still recovering from the effects of a protracted civil conflict that ended sixteen years ago and destroyed much of the country’s key infrastructure while delaying investment and development of basic services. Continuing peace and stability, however, coupled with economic growth averaging nearly 8% for the last five years, offer hope for a more prosperous Mozambique.

The primary danger for Mozambique is the “bad governance trap.” Relative to governance problems in many countries in Africa and judged by its record of stability and growth since the end of its civil war in 1992, Mozambique appears to be a success story. But its political stability and democratic progress could eventually be compromised by the limited space for political pluralism. Riots in February 2008 sparked by sharp rises in food and transportation costs highlighted frustration with the status quo, particularly among the growing numbers of urban youth. The challenges of democratic and accountable governance in a country with such pervasive poverty and low education levels make it highly vulnerable to the governance trap. Successfully addressing the governance challenge is critical to ensuring the deepening of democracy, harnessing resources for development, and realizing the country’s significant economic potential.

This Country Assistance Strategy provides a “whole of government” approach to addressing the development needs and potential of Mozambique by providing a guide for aligning our policies and our aid to best promote development in Mozambique and combining the strengths of various USG agencies to achieve key U.S. foreign policy objectives. Strategically focusing the significant level of foreign assistance expected over the next five years, combined with strong policy dialogue and cooperation with the Mozambican government and other international donors, will bring significant positive change to Mozambique.

Visualizing Mozambique’s future

U.S. interests in providing foreign assistance to Mozambique are reflected in the prospects of what might be achieved over the next five years:

- **Progress toward shared geopolitical interests:** Development progress can place Mozambique in a position to promote mutual foreign policy interests. A democratic and politically strong Mozambique experiencing steady growth will continue to model a successful post-conflict transition, contribute to regional stability in southern Africa, and promote further consolidation of democracy in the region. As Mozambique develops, it can increasingly play a more important

role in the Southern African Development Community (SADC) and the African Union on important political and economic issues. Mozambique can be a dependable ally in stopping the spread of terrorism and the growth of trafficking and organized crime. Mozambique's geographic location, transit corridors, and ports are of strategic importance for world trade.

- **Regional leadership in energy and food production:** Recent increases in global energy and food prices underscore the importance of developing Mozambique's potential in these key areas. Mozambique is one of the few countries of the region that has significant untapped energy resources (hydro-power, coal, natural gas, bio-fuels, possibly petroleum) that could address energy shortages in neighboring countries and stimulate development in much of the region. It also has the potential to become a major net food exporter in the region and could be well along that path in the next five years – only 12% of its arable land is now under cultivation and low productivity levels in areas of current production can expand considerably.
- **Improved governance, increased jobs, and continued growth:** Within Mozambique, the elections of 2009, 2013, and 2014 will usher in new leaders. To the extent these new leaders have participated in open debate and discussion of ideas, options, and alternatives and experienced transparent and accountable government, the political system will be more responsive to citizens. Governments at both the national and local level should be increasingly able to provide quality services to ensure public safety, quality education, and public health – the necessary conditions for economic development and improved quality of life. By that time, significant reforms aimed at improving the business environment and increasing productivity in agriculture, tourism, and energy sectors could generate significant investment that creates thousands of jobs, expands exports, improves Mozambique's profile as a growing economic force in the region, and increasingly positions Mozambique in a leadership role to address environmental challenges.

Alignment with Mozambican strategies and plans

This strategy is aligned closely with GOM strategies – the Poverty Reduction Plan, Agricultural Production Strategy, Food Action Plan, Private Sector Development Plan, Strategy for Business Enabling Environment, HIV/AIDS Prevention Strategy, Ministry of Health Human Capacity Development Strategy, and others – and is coordinated with the programs of other international donors. We have discussed the primary elements of this strategy with our key government counterparts as well as representatives of civil society who are both beneficiaries and partners in its implementation. Our ongoing dialogue on these development issues has allowed us to develop a fruitful partnership with the Government creating mutual confidence in our joint commitment to ensure the success of U.S. foreign assistance programs and promote Mozambican development.

Strategic Focus and Priorities

Development does not start with goods, it starts with people and their education, organization, and discipline. Without these three, all resources lie latent, untapped potential.

– E.F. Schumacher, *Small is Beautiful*

Creating conditions for rapid progress

This strategy is focused on creating the conditions necessary for critical dynamics to take root and promote Mozambican political, economic, and social development. A fundamental principle of this strategy is that expanded competition in the areas of ideas, politics, and economics will fuel an increasingly participatory democracy and bring greater accountability to government, accelerate private sector investment and expand trade to increase jobs and reduce poverty, and bring greater dynamism to education and health systems. This strategy is focused on ensuring that the conditions are in place for this competition to flourish.

The consultations, analysis, and discussions that produced this strategy made it very clear that the most critical conditions for progress in Mozambique involve the human resources that form the foundation for working institutions and implementation of good policies. This strategy must improve the education, organization, and discipline of Mozambicans to be successful:

- **Education:** Mozambique's literacy rate is only 47%; less than half of those enrolled finish primary school and of those only 8% go on to secondary school. Very few Mozambicans enrolled in universities receive university degrees each year – creating only a small pool to fill key technical and management positions in government, the private sector, and civil society. Therefore, we prioritize education and training in technical skills, management capacity, and leadership in every area of this strategy.
- **Organization:** Our analysis also clearly identifies the need to focus on the organization of people to improve communication and bring collective action to bear on development challenges— whether through farmer associations, advocacy organizations in the political system, or local NGO's promoting HIV/AIDS prevention.
- **Discipline:** A critical aspect of building systems and organizations is operating under the discipline of policies, rules, expectations, controls, and norms. Issues of transparency and accountability cut across this strategy and operate across political, economic, and governance realms. Improved management, financial systems, and oversight mechanisms will contribute significantly to Mozambican development.

In Mozambique our strategic focus must also necessarily include a response to the health needs of those people who are the primary actors in achieving development progress. When one-third of Mozambicans are affected by malaria each year and 16% of adults are estimated to be infected with HIV/AIDS¹, development progress is slowed. A sizeable number of Mozambican teachers die each year of preventable diseases and large numbers of police, military, health workers, and other workers at all levels of government and the private sector are also dying of diseases that can be prevented and treated. Over 74% of Mozambicans lack access to clean water. This strategy also recognizes and responds to differing circumstances of women and men that have development implications and highlights the importance of targeting youth in a country where over half of the population is under the age of 18.

Innovation

In developing this strategy we consciously endeavored to identify and promote innovative approaches to the development challenges facing Mozambique. We have considered and proposed various modalities for providing assistance (projects, budget support, fixed-amount reimbursement), a range of partnerships (public-private, both local and international NGOs, contractors), creative use of technology (cellular information dissemination, computerized systems, internet connectivity, increased computer access), and ensuring environmental sustainability (renewable energy sources, natural resource management, carbon credits). These approaches infuse and enrich this strategy.

Donor coordination

As this strategy is submitted we are deeply engaged in dialogue with the Government and other international donors regarding restructuring the “aid architecture” to facilitate improved aid effectiveness (implementing Paris Declaration and Accra Action Agenda principles), coordination among donors, and effective multi-donor dialogue on policy issues with the government. We have consulted with our donor colleagues throughout this process and will continue to do so. These efforts

¹ Prevalence estimate based on 2007 Ante-Natal Clinic survey in pregnant women aged 15-49 years.

should lead to increased USG engagement and interaction with other key donors in Mozambique and increased coordination of our efforts.

Strategy development process

The process of developing this strategy followed the guidance provided by the Office of the Director of Foreign Assistance and involved all agencies providing foreign assistance in Mozambique in a three-month process of consultation, discussion, and analysis with Government counterparts, partners, other donors, academics, and all Mission staff. As required, USAID conducted a 118/119 biodiversity analysis to inform strategic assistance direction.

The strategy development process has led us to prioritize five strategic goals for U.S. foreign assistance:

Strengthen democratic governance in Mozambique

Improve competitiveness of key economic sectors

Improve the health of Mozambicans

Expand opportunities for quality education and training

Enhance capabilities of Mozambican security forces

The rationale for these priorities and suggested programming approaches to achieve these goals follows:

Priority Goal One: Strengthen Democratic Governance in Mozambique

The relative peace and political stability in Mozambique since the end of the civil war rests on the fragile foundation of a state that has limited capacity to deliver quality services and address the needs of its 20 million citizens. Protests over transport and food price increases, which quickly turned violent in February 2008, suggest simmering discontent with the slow pace of change and frustration with leadership that seems unable to provide and ensure citizen safety, livelihoods, or health. Freedom House scores Mozambique 3.23 out of 7 points (2007) in anti-corruption and transparency and Transparency International's Corruption Perceptions Index ranks the country at 126 out of 180 countries (2008) with Mozambique dropping 15 places from last year. The governance challenges facing the country require targeted assistance to ensure that future trends are positive.

As a relatively young democracy, Mozambique faces the challenge of strengthening pluralism to ensure a dynamic exchange of ideas, provide policy options for consideration and debate, and put in place checks and balances to prevent the abuse of power or misuse of state resources. The increasing political dominance of the ruling party could create conditions that undermine the kind of pluralism that a thriving democracy requires. In an environment of limited oversight and effective competition, corruption flourishes; some members of the Mozambican political elite have increasingly become part of the economic elite through links to major investments and business ventures. Growing concern about both high-level and petty corruption may combine with frustration over the Government's inability to address the growth of crime, rising prices, unemployment, and widespread poverty to undermine the legitimacy of democratic governance.

Over the next five years, Mozambique's political leadership will begin to undergo a generational change, from those who participated directly in the independence struggle and the civil war to those

whose outlook has been forged during a period of peace, reconstruction, economic recovery, and democratic governance. Processes of decentralization, economic growth, and growing political involvement of civil society may nurture new leadership and political forces. Government capacity, limited by the scarcity of trained managers and technical staff and the inadequate educational background of Mozambique's workforce, needs to expand to respond to the development challenges of the future. Improved quality of governance is critical to success in the other priority areas of this strategy.

The greatest threats to Mozambique's stability, regional influence, and future potential lie in the realm of democracy and governance; because they coincide directly with U.S. interests, helping Mozambique address governance challenges is the highest priority for our foreign assistance strategy.

Critical Assumptions and Risks

The USG assumes that decentralization will continue at the same rate, with the same level of political will to empower the local governments, and that freedom of the press will expand and allow open dialogue between the citizens and institutions within the country.

Assistance Approaches

Democracy and governance assistance will focus on increasing transparency by developing checks and balances within the political system to reduce corruption and by promoting debate and discussion about policy alternatives:

- ***Increase transparency and reduce corruption:*** Increasing government transparency and reducing corruption are priorities that cut across the entire strategy. The USG will advocate for reforms to reduce opportunities for corruption, expand independent oversight and improve investigation, and will help build the capacity of civil society organizations and the media to play an increased role in reducing corruption. While existing laws and treaty obligations provide a solid framework for promoting transparency and fighting corruption, much is yet to be implemented. The USG will work directly with key institutions to establish transparent and accountable systems (e.g. financial management and procurement systems in the Ministry of Health) to ensure compliance with international standards. At the same time, the USG will help build the capacity of audit and oversight organizations, including those in civil society and the private sector, along with improving the capacity of the judicial sector to investigate and prosecute corruption.
- ***Improve local governance and citizen participation:*** The Mozambican Government's efforts to promote decentralization include block grants directly to districts that have helped generate participatory processes of decision-making at the local level through consultative councils. Support to help local governments make and implement good decisions is important to the success of USG programming in other areas of this strategy and can help improve services and responsiveness to citizen needs at the level most citizens have their vital first contact with government. Where it will contribute to the impact of other USG interventions, support to local governments may be provided to improve their budgeting and financial systems, increase transparency, and involve citizens in decision-making.
- ***Promote development of civil society and media:*** Associations of interest groups, community organizations, and non-governmental advocacy organizations, as well as a strong and free media, bring important alternative perspectives and ideas to the process of political debate to help ensure the accountability of government and other political actors. The USG will support programs to improve investigative journalism, foster debates and forums to identify and analyze alternative approaches and ideas, and help build the capacity of key organizations to analyze and advocate for policy reforms associated with other aspects of this strategy. The USG intends

to provide training, exchanges, and conference opportunities to journalists and civil society leaders as well as support efforts to ensure legal protection for media and civil society organizations.

- **Improve the capacity and professionalism of the police:** The inability of the police to ensure the basic safety of Mozambican citizens can rapidly undermine the legitimacy of democratic government. The police are frequently cited as a source of petty corruption. The USG will support efforts to ensure that the police are well-trained and professional through a combination of improved practical training, other educational opportunities, and bilateral exchanges. USG-financed trainers will reinforce opportunities for basic education and English language training and help lead civics and human rights discussions. Equipment and support to improve police response, investigation, and effectiveness will also be provided.
- **Nurture emerging political and economic leaders:** The USG will offer programs to help develop Mozambique's next generation of leaders (political, civil society, economic, youth) and promote activities that can build their knowledge and skills: exchanges, scholarships, conferences, debate clubs, civic education programs, and on-line training and information exchange. The USG will also support programs and institutions where future leaders may be formed such as student governments, private sector associations, local government associations, civil society organizations and associations, parliamentary research services, junior achievement-type activities, and internships in government agencies, the parliament, or other target institutions.
- **Promote democratic elections:** Elections offer an opportunity for competing groups and parties to offer their ideas and plans for governing to the Mozambican public. As part of a larger effort to expand the range of ideas and information, the USG will support forums, debates, and information exchanges in future elections and contribute to multi-donor efforts to ensure that those elections are free, fair, and participatory. The USG expects to monitor national elections in 2009 and will undertake expanded election activities for the 2013 local elections and 2014 national elections.

Role of Host Country/Regional Organizations/Private Sector Partnerships

The GOM will be a partner in those activities focused on increasing government performance, at the central, provincial, and municipal level. Civil society, non-governmental organizations, media, rural and youth associations, private sector organization, and schools will be partners in all other areas.

Anticipated Results

If this strategy is fully implemented over the next five years, we will see increased availability of information about government procurement processes and budget implementation. Improved systems to manage funds and procurements to prevent corruption will be in place in key Ministries and local governments and will provide quality information for oversight and performance evaluation. Measures to prevent conflict of interest and reduce opportunities for corruption will be in place and corruption indicators will show increased levels of confidence in Mozambican institutions. Investigations and reporting by civil society organizations and the press will bring to light acts of corruption or potential vulnerabilities and the judiciary will have successfully prosecuted some major corruption cases. A new generation of leaders will have the skills and knowledge to promote enlightened policies and reforms to stimulate Mozambican development and will increasingly hold public discussions and debates about major issues of public policy. More competition of ideas and space for free and open dialogue will exist and Mozambican citizens will be free to debate ideas and policies without concern or fear.

Priority Goal Two: Improve Competitiveness of Key Economic Sectors

Mozambique has high levels of poverty (54.1% in 2008) and child (0-59 months) malnutrition (46.2% in 2004) and currently faces escalating staple food prices. Only limited numbers of viable jobs are being created by the private sector. Key economic sectors where Mozambique demonstrates strong potential (e.g., agriculture, plantation forestry, and tourism) are neither well-developed nor sufficiently competitive in the global economy and will require substantial private investment and know-how to flourish. Strategic partnerships can accelerate the transfer of knowledge and technologies, build human capacity, and develop markets for value-added products.

Although there have been modest recent improvements, the business climate is still not conducive to attracting the needed levels of private investment. High transaction costs negatively affect business and trade competitiveness. Agricultural productivity is extremely low, agricultural products are often of poor quality, and most small-scale farmers are not market-oriented. The potential for commercial farming has not been realized. Economic infrastructure (i.e., transport, roads, water, market, and energy) is improving but still inadequate. Credit and financial services for agriculture and agro-industry are non-existent or very expensive. Natural resources, biodiversity, and unique ecosystems, which are the foundation for long-term economic growth, are being severely degraded or lost.

Mozambique is endowed with extensive fertile land, abundant water resources, favorable climate, unique cultural and ecological assets, relatively low-cost labor, and proximity to major markets. Over 75% of the population derives their living from agriculture, which contributes 23% of GDP (2005). Mozambique's comparative advantages in value-added agriculture, forestry, and tourism offer excellent potential for private investment, job creation, and broad-based sustainable economic growth that is required to significantly reduce food insecurity, malnutrition, and poverty. Mozambique also has the potential to benefit from increased focus on global climate change, carbon credits, and renewable energy sources.

This strategy integrates the significant expertise and resources of various USG Agencies (e.g. USAID, USDA, Commerce, Treasury) with the ongoing implementation of a \$507 million MCC Compact focusing on roads and water infrastructure, land tenure issues, and revitalizing the coconut industry. The Compact was signed in June 2007 and entered into force in September 2008.

Critical Assumptions and Risks

Success in this area will require ongoing GOM commitment to economic policy reform and empowering farmers, communities, and industry organizations. Agriculture, sustainable plantation forestry, and tourism must remain as high priority sectors. Resource levels will need to be sufficient to ensure impact and allow the USG to continue as a leader among donors in economic governance, agribusiness/trade development, and tourism. The USG will rely on mobilizing substantial additional resources (funding, knowledge, technologies, and market access) through public-private partnerships, South-South collaboration, and enhanced donor collaboration. Failure to achieve competitiveness in key economic sectors will mean increased malnutrition, food insecurity, and poverty in Mozambique and will negatively impact other African countries that rely on trade, including staple foods, with Mozambique. Food shortages or further price increases could generate domestic political unrest, particularly in urban areas. Ecosystem degradation and biodiversity loss could lead to agricultural decline and would jeopardize future prospects for labor-intensive natural resource-based tourism.

Assistance Approaches

Mozambique has the potential to be a major food exporter in southern Africa. It has 36 million hectares of arable land with only 12% currently cultivated, 3 million hectares of irrigation potential with only 120,000 hectares currently irrigated, 3 major regional trade and transport corridors and multiple seaports, and a favorable climate for producing a broad range of products. Food crops and livestock, cash crops such as oilseeds, biofuels, tropical fruits, and plantation forests have considerable potential for expansion and increased productivity. There is strong interest by national and international investors in developing Mozambique's agricultural sector. Despite this great potential, agricultural productivity is low (less than 10% use improved seeds), 80% of small-scale farmers are not market-oriented, often products do not meet market requirements for quality and food safety, and most farmers lack access to credit, modern technologies, and markets. Through USG leadership significant levels of private investment will be mobilized, public-private partnerships forged, donor coordination strengthened, and more productive, market-oriented, competitive agricultural value chains will be developed for key products where Mozambique enjoys a comparative advantage. This will result in increased jobs and rural incomes, enhanced food security and nutrition, and reduced poverty levels.

- **Promote commercialization of agriculture:** The USG will support the development of a more productive, market-oriented, and higher value-added agricultural sector. Interventions will be concentrated in the Beira and Nacala trade and transport corridors for maximum impact through access to regional and international markets. Large commercial farmers, small-holder producers, agro-processors, transporters, financial service providers, wholesalers, and exporters will join forces to modernize Mozambican agriculture through a value chain, business cluster competitiveness approach. Linkages and business partnerships will be developed between large U.S. and other corporate investors and local producers. Key staple foods (i.e. maize, cassava, sweet potato, legumes, rice, and poultry) and export crops (i.e. fruits, cashew, coconuts, and oilseeds) where Mozambique has a comparative advantage will be emphasized.

The USG will provide support, through public-private partnerships where feasible, for the construction and/or improvement of key economic infrastructure (roads, water for irrigation and drinking, and market facilities). USG programs will introduce modern production, processing, packaging, storage, and marketing technologies and practices through partnerships with U.S. food industry and agricultural companies, use of innovation and applied research grants, engagement of international agricultural research centers, and strategic cooperation with research, educational, and business institutions in other countries (e.g. Brazil, Costa Rica, and South Africa). USG support will improve market intelligence, help meet product quality standards, and link producers, agro-processors, and traders to domestic, regional, and international markets. Government capacity to ensure animal and plant health and food safety will be strengthened. Planning for water infrastructure will be in the context of integrated water resources management and will promote water-efficient agricultural practices. Access to affordable finance and business development services will be provided to farmer associations, agro-industry, and small/medium enterprises linked to agriculture (i.e. agro-input dealers, service providers, processors, and traders) to strengthen farmer and industry associations.

- **Promote investments in “Green Growth”:** Mozambique has excellent potential to develop high-quality “destination” natural resource-based tourism due to its exceptional marine ecology, pristine beaches, and other unique terrestrial and lake ecosystems. Currently, tourism provides only 1.8% of GDP compared to 9.7% of GDP in Tanzania, 7.6% in South Africa, and 32% in Mauritius. Tourism's current undeveloped state is due to the absence of large, international investment capable of driving high-value markets and building local supply chains, high input costs, low productivity of current tourism businesses, and sub-optimal use of resources and other attractions. The USG will support tourism sector planning, related policy reform, and promotion of investments in “destination” tourism, with a focus on the Northern Arc (Cabo

Delgado, Nampula, and Niassa provinces), and strengthen efficient governance of areas that have tourism potential. An estimated 141,000 direct and indirect tourism-related jobs are expected to be created. Public-private partnerships will support the conservation of key natural areas (i.e. Gorongosa National Park, Limpopo National Park, Lake Niassa, and Pemba Bay) along with eco-tourism development. Access to affordable finance and business development services will be provided to tourism-linked small and medium enterprises, such as handicrafts, tour operators, and tourist activities (i.e., boating, fishing, diving, wildlife observation).

The USG will promote private investments in sustainable plantation forestry, another labor-intensive sector in which Mozambique has a comparative advantage given its extensive unused land, favorable climate, relatively low labor costs, and port facilities with access to international markets. Efforts to develop sustainable certification of plantation forestry will help Mozambicans tap into high value markets for certified wood and wood products. The FAO estimates that plantation forestry in the next 10 years could directly employ up to 100,000 people if investment continues in this area. USG support will ensure secure land-use rights for required large tracts of land, and develop value-chains and business clusters in the forest products industry by engaging the full range of stakeholders. The USG will explore opportunities for carbon trading related to forestry investments. Access to affordable finance and business development services will be provided to forestry-linked small and medium enterprises.

The USG will promote investments in renewable energy with a particular focus on contributing to energy needs of the agriculture and tourism sectors. Access to finance and business development services will be provided for small and medium enterprises providing technologies and services in renewable energy, especially wind, solar, and small-scale biofuels. In connection with its ecosystem conservation, plantation forestry, and renewable energy interventions, the USG will explore opportunities for public-private partnerships and use of carbon credits.

- **Address cross-cutting economic growth issues:** Success in the above approaches will require attention and support in critical cross-cutting areas:

Economic governance: The USG will support analysis, dialogue, and advocacy for key policy reforms required to improve the business climate, attract investment, strengthen commercial ties with the United States, and enhance the productivity and competitiveness of agriculture, tourism, and related small and medium enterprises. Farmer and industry associations will be strengthened, thereby empowering them to be effective advocates for policy change, benefit from economies of scale, provide services to their members, and access competitive markets. USG programs will seek to reduce corruption affecting business competitiveness, improve government transparency and accountability, enhance intellectual property protection and enforcement, establish effective conflict resolution mechanisms, and build the capacity of related government institutions in the country.

Human capacity development: A major development challenge to achieving competitive economic sectors is the extremely weak human capacity in agriculture, businesses, and government. Business and entrepreneur skills will be emphasized along with technical and vocational training to improve farm, enterprise, and industry productivity and the effectiveness of government services to strengthen workforce development. Through strategic partnerships (e.g. U.S. food industry research and educational institutions in select countries such as Brazil, Costa Rica, and the U.S.), the USG will build the capacity of Mozambican institutions in providing practical training that is needed for the growth and competitiveness of the agriculture, tourism, forestry, and related small and medium enterprise sectors.

Mobilization of financial resources: Lack of affordable financial resources for farmers, agro-industry, service providers, and tourism enterprises will be addressed through mobilization of financial resources from various sources. These include innovation grants, public-private partnerships with a credit component for enterprise development, and a private agribusiness credit facility now being established with equity from U.S. and Mozambican companies as shareholders. USAID's Development Credit Authority loan guarantees could also be expanded and linked to EXIM and OPIC financing as appropriate.

HIV/AIDS: This epidemic is having devastating impact on household food security, agricultural and business productivity, and industry competitiveness. HIV/AIDS interventions need to be closely integrated into the three proposed economic sectors. Support for HIV/AIDS-impacted rural communities and households is required to meet the nutrition needs of those affected, address adult labor shortages for agriculture, and provide income-generating opportunities.

Gender: Of the 3.6 million farm households in Mozambique 24% are headed by women, and women are the principal producers of food crops for household consumption. With most of the household production handled by women, and women's access to improved agricultural technologies and credit traditionally less than men's, USG programs will highlight training and credit opportunities for women. Targeting women in agricultural programming has proven effective as their concerns about nutrition (especially for children) often make them more amenable to changes in agricultural and nutritional practices that will benefit their family. Lack of access to water and sanitation disproportionately affects women and girls as the brunt of the responsibility for procuring household water weighs most heavily on them.

Role of Host Country/Regional Organizations/Private Sector Partnerships

The GOM is responsible for establishing policies and regulations, conducting applied research and extension, strengthening human and institutional capacity, and developing economic infrastructure. USG commercial efforts (USAID/Southern Africa, USDA, and the Foreign Commercial Service) will contribute to integration of Mozambique into SADC regional initiatives, including the free-trade area. The Southern Africa Global Competitiveness Hub will assist the GOM on regional issues (transport infrastructure, trade corridors, SADC railway concessions, WTO trade facilitation assessments, energy, bio-security, and agricultural market linkages) and also assist GOM efforts to diversify Mozambican exports, including products and sectors with potential under the African Growth and Opportunity Act. Several public-private partnerships will be instrumental in improving business opportunities and the creation of jobs. The USG will pursue potential South-South collaboration with select institutions (research, education, private sector) in Brazil, Costa Rica, and South Africa.

Anticipated Results

Successful programs would increase private investment and job creation, protect and preserve unique ecosystems and biodiversity, and put Mozambique on a path to become the regional bread-basket for staple foods while reducing the need for imports of those commodities. USG efforts to increase value-added agricultural products for domestic use and export to regional and international markets will contribute to reducing poverty and malnutrition and improving food security. Economic improvements in Mozambique will strengthen regional economic integration and support continued political stability. The USG anticipates that, after five years of these interventions, millions of Mozambicans will benefit from improved access to markets and opportunities for access to secure land tenure.

Priority Goal Three: Improve the Health of Mozambicans

Life expectancy in Mozambique has declined to 41 years – primarily due to the impact of such major preventable and treatable diseases as malaria, HIV/AIDS, water-borne diseases, and tuberculosis. One hundred out of every 1,000 Mozambican children will die before their first birthday. Mozambique has only 3 doctors and 21 nurses per 100,000 people, reflecting one of the most dire health personnel shortages in the world. The World Health Report 2006 projects that a minimum of 2.3 health workers per 1,000 persons is needed to achieve the Millennium Development Goals (MDGs). In Mozambique, this ratio is 1.26 and for skilled health workers it is 0.09 per 1,000. An estimated 50% of Mozambique's entire public health sector infrastructure was destroyed during the civil war and most still has not been rebuilt. Currently, many Mozambicans in rural areas have to walk over 15 kilometers to reach the nearest health center. Approximately 80% of existing health centers lack water or electricity. The World Health Organization estimates that only 31% of Mozambicans have access to improved sanitation, and, at an average of less than 10 liters per day, Mozambique has one of the lowest levels of per capita water consumption in the world.

Critical Assumptions and Risks

U.S. leadership and impact in the health sector follows from current USG initiatives focused on HIV/AIDS, malaria, and other infectious diseases. We assume that these initiatives will continue to provide significant resources that can be used flexibly to build the capacity of the health system. Global Fund resources and other donor funding for health programs will need to continue at projected levels to ensure adequate funding for key commodities and government programs. Additionally, Mozambique has a high total fertility rate of 5.2. The overall estimate masks important differences in urban and rural areas (where the fertility rate is probably over 7) and the nearly 45% of the population which is under the age of 15 years. This high total fertility rate exacerbates other health risks.

Assistance Approaches

This strategy integrates the major programming efforts undertaken by the USG under the President's Emergency Plan for AIDS Relief (PEPFAR), the Presidential Malaria Initiative (PMI), and ongoing maternal-child and reproductive health programs. It incorporates the progress made in developing a concept paper for a 5-year PEPFAR Partnership Framework to align USG programs with Ministry of Health priorities and builds on the experience and achievements of previous activities.

- **Prevent and treat major infectious diseases:** USG HIV/AIDS prevention efforts will focus on reducing multiple concurrent partnerships and risky behavior (with a focus on key transport corridors). USG projects will help expand access to antiretroviral treatment, and improve clinical and community care for those infected and affected by HIV, including orphans and vulnerable children. The USG will also continue to expand efforts to support the diagnosis and treatment of tuberculosis, malaria, and common childhood diseases. Activities to address malaria will center on indoor residual spraying, distribution of insecticide-treated bednets, and promotion and distribution of malarial drugs. Other disease prevention efforts will focus on education, immunization, and behavior change.
- **Improve maternal-child and reproductive health:** The USG will improve maternal-child health through the expansion of immunization and child survival services to the community level, greater focus on reducing maternal mortality by increasing rural access to health facilities, and expanding reproductive health services and access to family planning counseling and contraceptives at the health facility and community levels. The USG will also leverage existing HIV/AIDS and malaria initiatives to develop integrated systems that improve comprehensive support for health needs.

- **Improve the capacity of the public health system:** Prevention, care, and treatment of major diseases require a functioning public health system that can provide services to all Mozambicans. To build the capacity of the Mozambican health system, the USG will provide technical assistance, training, and commodities to:

Increase the number and quality of trained doctors, nurses, technicians, and health workers: The USG will increase the number of trained doctors, nurses, and community health workers by supporting training at all levels (pre-service, in-service, scholarships) through construction and operation of training facilities combined with faculty development, supporting the development of an improved incentive package to attract and retain quality workers, and supporting the institutionalization of the Community Health Workers (APEs) program as part of the Mozambique health sector. Support for training will also be provided to key cadres including laboratory technicians, pharmacists, nutritionists, public health practitioners, counselors, and social workers. In addition, the USG will support continuing education programs and workplace programs that provide ongoing investment in health worker skills and competencies and their health and well-being. Investments in incentive structures to improve retention of current health workers may include housing for personnel in rural areas. .

Strengthen key management systems: The USG will help build the management and financial capacity of the Ministry of Health and Ministry of Women and Social Action. More functional systems at these Ministries will ensure better use of donor funding, improve staff retention, reduce commodity shortages, improve transparency, and ensure that basic quality health services are increasingly available and accessible to all Mozambicans. Effective policy reform will need to accompany improvements in systems. For example, to maximize the utilization of cadres of newly-trained health workers, a Human Resources Information System is needed to ensure these workers are assigned where the needs are greatest. Essential systems for the delivery of quality health services include supply chain and commodity management, efficient and transparent procurement processes, integrated health information systems, and monitoring and evaluation programs to support data-driven decision-making.

Promote and strengthen community participation: Improving community participation is critical to increasing access to healthcare for rural, isolated populations and ensuring sustainability and success of new programs. The USG will increase community participation by establishing sustainable Community Leadership Committees (CLCs) and training community-based health workers in behavior change communication to prevent common illnesses, provide care for common health issues, and increase demand for health services through community mobilization and education. An important component of community participation is nutritional education to improve the overall health of the population.

Expand health infrastructure: Building up the country's physical infrastructure will contribute to achievement of USG strategic priorities in health. The USG will focus efforts on the construction of key infrastructure projects to improve Mozambique's ability to deliver basic health care. Priorities include the expansion and construction of health facilities and housing for health workers to improve rural retention, installation of water and electricity for existing health centers, improvement of laboratory capacity, increased commodity warehouse capacity, and construction of training facilities crucial to expanding and improving the health workforce. Additionally, USG interventions will provide improved water systems, wastewater disposal, and storm water drainage in three provinces.

Role of Host Country/Regional Organizations/Private Sector Partnerships

Currently, the GOM is committed to building the health sector with strong and coordinated international donor support and has worked closely with the USG to establish priorities, work collaboratively, and implement activities effectively. Through additive funds and possible public-

private partnerships it will be possible for the USG to expand the scope of current health activities to directly support our priority goals and programming approaches.

Anticipated Results

With five years of sustainable systems development in the health sector, it should be feasible to lower the under-five mortality rate and maternal mortality rate by 20% and 10% respectively. The proportion of children under five years old sleeping under Long-Lasting Insecticide Treated Nets will increase by 30% and number of persons suffering from malaria will decrease by 50%. The proportion of persons with advanced HIV infection who have access to antiretroviral therapy will increase by 25% and fewer people will become infected. USG investments in improved water supply and sanitation infrastructure are expected to contribute to the significant reduction of debilitating water-borne diseases, decrease the amount of time needed to collect water, and facilitate access to improved services. It is expected that nearly two million Mozambicans will benefit from improved water and wastewater disposal.

Priority Goal Four: Expand Opportunities for Quality Education and Training

The education system in Mozambique is slowly being rebuilt after the civil war which destroyed at least half of the primary schools in the country and delayed modernization of the educational system. Rural learners must travel an average of 4.5 kilometers or more to the nearest school. Female literacy rates lag far behind those of males (60% male and 28% female) and more than a million school-age children do not regularly attend school. To meet the increased demand for teachers, the Ministry of Education has resorted to the use of unqualified teachers – their numbers have risen from 30% in 1997 to 40% in 2005. The HIV/AIDS pandemic has a major impact on the teaching cadre: an estimated 2,700 teachers were lost to HIV/AIDS between 2002 and 2006.

Drop-out rates remain high with rates of completion of primary school remaining well below the regional average. To meet the demand for schooling many teachers work double or triple shifts which has degraded the quality and education many students receive. Large disparities remain when it comes to gender equity; less than a third of girls currently complete their primary education, with 54% of female pupils dropping out by 5th grade.

The proposed USG strategy builds upon experience gained from current support to eleven teacher training schools throughout the country and the development of teacher trainers at the One World University recently constructed with USG support (through monetized USDA Title I food assistance). Various USG programs provide scholarships for study in Mozambique and abroad including Fulbright and youth scholarships, master's degrees in public health, agriculture, and economics as well as physician, pharmacy, and nursing training, clinical lab training, and agribusiness. Significant training support in technical areas is provided through U.S. Presidential Initiatives in health and the USG supports a number of English-language teaching and enhancement programs.

The GOM fully supports the USG increasing its involvement in the education sector. Some international donors have reduced their levels of education technical assistance and training as they move toward greater levels of general or sector-specific budget support, opening an opportunity for the USG to complement their assistance through support to the education sector with strategically focused and targeted interventions. Mozambique's growing economy, political development, and social needs all create a demand for expanding the pool of educated Mozambicans and improving the quality of their education. Continued development progress requires improved learner outcomes and sustained participation of girls in the education system.

Assistance Approaches

The USG has vast experience worldwide in providing assistance to improve the quality of basic education (pre-K through 12) through improved training for teachers and education administrators, curriculum development, and evaluation and monitoring systems (e.g. education management information systems). USG efforts will focus particularly on improving educational opportunities for girls and young women. Mozambique was granted Fast Track Initiative² status in 2004 that helps orient the work of various donors. In order to expand access and enhance the quality and relevancy of education in Mozambique, it is imperative that the USG help fill existing gaps to ensure that Mozambique will reach its goal of all children completing a full cycle of primary education by 2015. With expected population growth rates and the so-called “youth bulge” in primary schools, the need for qualified, well-trained teachers and education administrators is amplified. Only after an extensive education sector review and development of a strategic implementation plan would definite areas of intervention be set, but some initial programmatic opportunities exist:

- **Improve the quality of basic education:** This will become the overarching objective of the USG education intervention and would be realized by improving the quality of pre-service and in-service training for teachers and education administrators and by providing essential teaching and learning materials. Current USG teacher training efforts will continue and would be complemented by the following areas of intervention.
- **Promote a virtual education network and interactive exchanges:** The USG will support a local education commons linked with the African Education Commons that connects Mozambican educators with teacher groups, technical colleagues, and related education resources in Eastern and Southern Africa and worldwide. The Ministry of Education will become a resource to other Mozambican Ministries and share resources throughout the country. This network will also promote ongoing exchanges and expanded participation through the Association for the Development of Education in Africa (ADEA) representing Ministries of Education throughout Africa.
- **Support education policy reform:** The USG will support the GOM's policy reform efforts to strengthen school management, foster improved teacher practices and work conditions, increase community involvement in education, improve school access to water and sanitation, protect teachers and students from HIV/AIDS, and strengthen accountability for improved school quality.
- **Innovative approaches:** The USG will work together with Brazil to promote South-South partnerships that support technical solutions and expand public-private partnership opportunities. Discussions have identified exchanges for teacher training, curriculum development, and literacy as early potential areas of collaboration. Building on the existing fiber optic network, innovative public-private partnerships will work to expand the use and availability of computers to schools, youth organizations, and individuals, especially girls, and build a network of young people and educators who have access to computers and can use them to increase their learning opportunities.

Role of Host Country/Regional Organizations/Private Sector Partnerships

The GOM is committed to re-building the education sector. The Ministry of Education (MOE) has specifically requested the USG's assistance in the education sector. The MOE has an oversight role for technical teacher training in various fields, but much of the technical training will need to be coordinated with other Ministries. Through additive funds and possible public-private partnerships it will be possible for the USG to expand the breadth and depth of current education activities to directly support our priority goals and programming approaches.

² The Education for All—Fast Track Initiative (FTI) is a global partnership led by the World Bank to help low-income countries meet the education Millennium Development Goals (MDGs) and the EFA goal that all children complete a full cycle of primary education by 2015.

Anticipated Results

If this strategy is fully implemented over the next five years, more children (especially girls) will enroll in and complete school and will be taught by healthier and better-trained teachers. The USG would support the goal that all children complete a full cycle of primary education by 2015 as well as help meet the Millennium Development Goals in education. Connectivity and transfers of information will increase in rural areas that are currently cut off from most means of communications. In five years, USG programming in all areas would benefit from a human resource pool of trained and qualified teachers that will continue to improve human capacity throughout the country.

Priority Goal Five: Enhance Capabilities of Mozambican Security Forces

Mozambique has a 2,500 kilometer coastline and shares borders with six countries. These mostly unguarded land and maritime borders serve as a transit opportunity for those trafficking in persons or illegal drugs and, potentially, for terrorists – and negatively affect incomes when unguarded waters are subjected to illegal, unregulated, and unreported fishing. The Armed Forces require additional training and equipment to modernize. The GOM is interested in developing its capacity to participate in multilateral peacekeeping operations; this will allow Mozambique to assume more responsibility in regional peace and security efforts.

Critical Assumptions and Risks

The GOM support for improved control of its ungoverned spaces and openness to training opportunities and provision of equipment from donor nations are critical. Failure to improve border security, both maritime and land, could result in the loss of valuable resources (e.g. fishing habitats, wildlife preserves), expanded trafficking in persons and illegal substances, and transiting for terrorist activities. The GOM will need to continue to actively support the development of a peacekeeping capability by committing the necessary human resources; however, additional assistance from the donor community for training and equipment is required.

Assistance Approaches

The USG will need to improve the capability of the GOM to establish maritime security, including training and equipping of Mozambican Naval Forces, coastal monitoring, and infrastructure improvements that will reduce ungoverned maritime spaces. Training of border guards will increase land border security for the entire region. Africa Contingency Operations Training and Assistance (ACOTA) training and equipment will support the development of a capacity to participate in multinational peacekeeping operations.

- ***Increase professionalism of security forces:*** Security sector capabilities, both military and police, will be improved by emphasizing professionalism through training, educational opportunities, bilateral exchanges, and personal contacts. The USG will support the modernization of the Armed Forces of Mozambique (FADM) including the development of a GOM peacekeeping operation capability as well as continued support for the members of the FADM to improve their English language skills. Additional professional military education and technical training will be pursued as will efforts to improve the capacity of the FADM to support humanitarian needs such as disaster response operations. Border guards are part of the national police force and would receive training as part of a broader effort to improve police capacity (see Priority Goal One). It should be noted that training of border guards will increase land, air, and sea border security for the entire region. GOM border guards could benefit from U.S. Customs and Border Protection international assistance programs operating in other countries.

- **Improve the health and well-being of Mozambican security forces:** The incidence of HIV/AIDS among members of the armed forces and police is the same as the general population. The continued loss of personnel to sickness or death creates substantial challenges for recruitment and training. The USG will concentrate on health education among active duty security forces, police, and border guards in order to reinforce other training that will be provided. This effort will be integrated into other programming that will be proposed.
- **Support the deployment of Mozambican peacekeeping forces:** Efforts will focus on building support for deploying Mozambican security forces to help address regional security needs.

Role of Host-County/Regional Organizations/Private Sector Partnerships

Mozambican President Armando Guebuza recently reiterated the country's commitment to developing a peacekeeping capability. Senior members of the GOM have indicated their willingness to continue support of USG training and development programs for Mozambique's security forces, both FADM and police, by providing locations for training, attendees for courses, and identifying core needs. The Mission will continue existing activities and develop additional successful partnerships with other donor countries to provide training and equipment in support of this goal.

Anticipated Results

Proper training, sound advice, timely assistance, improved coordination of equipment and improved infrastructure will help Mozambique control their maritime and land borders and participate in multilateral peacekeeping operations. Additionally, Mozambique's military and police forces will be effective partners in peacekeeping operations, capable of responding to natural or man-made disasters with minimal assistance.

Resource Assumptions

Mozambique has received high levels of USG foreign assistance over the last few years (FY 2008 funding for all agencies exceeds \$300 million), but most of it comes from Presidential Initiatives (PEPFAR, PMI, and MCC), leaving only limited amounts of more flexible funding to address other program areas. When these limited funds are further restricted by earmarks, it has been difficult to align funding with post strategic priorities. With the transition to a new U.S. administration, assumptions about future funding are particularly unreliable, but we are hopeful that this Country Assistance Strategy, along with other pilot strategies, will highlight for the new administration the need for budget decision-making and processes that are responsive to country-level strategic priorities.

Financial resource expectations

During the next five years, budget levels for activities that have previously been part of the USG foreign assistance program are expected to be stable or possibly increase. We see most funding sources for health (HIV/AIDS, malaria, maternal-child health) remaining at levels similar to what Mozambique is now receiving (approximately \$200-250 million per year). We may see a significant increase in economic growth funds as Global Food Security Initiative (GFSI) funds are allocated - along with continued high levels of PL 480 Title II food resources. We believe that approximately \$50 million per year in combined resources for economic growth (not including Title II) will be needed to implement critical activities – additional development assistance resources would allow expanded larger-scale programs such as road or water infrastructure. MCC resources are committed through the Compact and will be expended over the next five years. We believe that IMET funding will have a slight increase and that we may see modest increases in INL and NADR

allocations. However, this strategy proposes activities in areas that have not previously been funded in order to respond to country needs and USG priorities.

New funding needed

The current mix of resources does not allow enough room to support strategic priorities that were not previously a major part of USG programming in Mozambique:

- **Democracy and governance:** While the cross-cutting nature of some activities that promote good governance (e.g. addressing corruption, building civil society) allows us to utilize funding from other sectors, we will need core democracy funds to develop key programs (particularly in developing support for the police) - which suggests increased levels of non-earmarked DA, ESF, or INL funding or other resources through ICITAP or OPDAT.
- **Education:** We will use funds from other sectors for sector-specific education and training but it is important to complement these activities with support for basic education, particularly for girls. Current monetized Title I funding for teacher training is expected to last for two more years but should be supplemented with other education resources from the African Education Initiative and funds that could leverage public-private partnerships in this area.
- **Improve capabilities of security forces:** We will leverage the DOD counternarcotics and counterterrorism authorities to appropriately resource the training and equipping of security and police forces. Due to the nature of these programs however, a recurring substantive allocation of FMF will be required to sustain the capability over time.

Impact of funding increase/decrease

Failure to obtain resources for democracy and governance activities would undermine our ability to address our highest priority foreign assistance goal and achieve key foreign policy objectives. Work in this area is a critical base for progress in other areas and sustainability of achievements in those areas over time. Under a scenario of increased funding with programming flexibility, programs for improved governance, economic growth, and education would be increased. Budget reductions would be most easily absorbed in the health area, where the high level of programming based on previous funding levels allows greater options for reducing the impact of cuts. Additionally, the current capability of Mozambican security forces to control the maritime domain will diminish over time if a direct allocation of FMF is not continued.

Management issues

To ensure a “whole of government” approach, more support from USDA, Commerce, and Treasury is proposed to address economic growth issues and DOJ assistance would be required to implement an effective training program for the police. Anticipated increases in the number of USAID Foreign Service Officers as part of Washington-based institutional efforts to build the capacity of USG diplomacy and development agencies may serve as a means of obtaining additional personnel who can focus on expansion of democracy and governance and education programs.

Conclusion

*To be sure, greater public resources, better physical infrastructure, and stronger public health and education are essential for development. But they are not enough, and they are not the most crucial factor. No amount of resources transferred or infrastructure built can compensate for—or survive—bad governance...Unless we improve governance, we cannot foster development.*³
—Larry Diamond

A USG foreign assistance program that is focused on the five strategic goals proposed above and implements the proposed programmatic approaches with sufficient resources will have a major positive impact on Mozambican development and will further mutual American and Mozambican foreign policy interests. The “whole of government” approach that integrates U.S. policy requires that various USG agencies, including some that are not represented at post, communicate and coordinate effectively in implementing this strategy. We are committed to continued close collaboration with Mozambican counterparts in the government, private sector, and civil society – as well as ongoing coordination with other donors. We are also committed to continued efforts to think creatively in designing our foreign assistance program to find new partners and try new modalities to improve the effectiveness and efficiency of our assistance.

Nonetheless, it is important to recognize that Mozambican development is a long-term effort. Key policy reforms and enlightened government action can have rapid impact, but the fundamentals of sustainable growth and poverty reduction require long-term investment in the human capacity of Mozambique, in improving the education, organization, and discipline of the people of Mozambique. This strategy attempts to focus both on the “quick wins” in policy reform and the dynamism of competition and global markets, while also investing in the fundamentals of training and organizing people, putting key systems and infrastructure in place, and ensuring accountability and transparency.

After consultations with the Government of Mozambique, international donor partners, non-governmental agencies, local civil society organizations, and numerous other international organizations currently working in Mozambique, we are convinced that the most critical area for USG foreign assistance is the area that has received the least funding in the past: democracy and governance. Effectively addressing the governance challenge is critical to ensuring that our investments in economic growth, education, health, and security are successful and have long-term impact. We are also convinced that our support for education can make a major contribution to Mozambican development. We are hopeful that this strategy, and our further work in communicating our strategic priorities and approaches with key partners in Mozambique and through an inter-agency process in Washington, will bring increased commitment and resources to these key areas.

We are excited about the prospects for development in Mozambique and we are eager to begin implementing this strategy to help Mozambique realize its incredible potential.

³ *Foreign Aid in the National Interest: Promoting Freedom, Security, and Opportunity* by James Fox, Larry Diamond, Michael Porter, Peter Timmer, Carol Adelman, et al. USAID, 2002 www.usaid.gov/fani/ p. 31.

Annex

Types of Programs and USG Agency Engagement in Economic Growth

	Agriculture & Agro-industry	Tourism
Economic Governance	<ul style="list-style-type: none"> • USAID - Trade & investment policy, agriculture, food security, transport, farmer & industry association development • MCC - Land administration, water & road sector policy • DOS - Overarching economic governance • USDA - SPS & food safety; farmer association development, agricultural policy • USTR - Trade & investment policy (TIFA) • Treasury - Tax policy & banking/financial policy (proposed*) • 	<ul style="list-style-type: none"> • USAID - Trade & investment policy, tourism management, transport, industry association development • MCC – Land administration, water sector policy • DOS - Overarching economic governance • USTR - trade & investment policy (TIFA) • Treasury - tax policy & banking/financial policy (proposed)
Economic Infrastructure Development	<ul style="list-style-type: none"> • MCC - Primary road rehabilitation, potable water infrastructure, sanitation infrastructure • USAID - Potable water infrastructure, irrigation, farm-to-market roads (proposed), market facilities • USTDA - Port facilities improvements • USDA – agricultural marketing systems; irrigation systems 	<ul style="list-style-type: none"> • USAID - Investment planning, public-private partnerships • MCC - Primary road rehabilitation, water supply and sanitation infrastructure
Technology Generation & Transfer	<ul style="list-style-type: none"> • USAID - Agriculture production, processing, marketing, post harvest storage & ecosystem conservation • MCC - Agriculture production, processing & marketing • USDA - Agriculture production, processing & marketing 	<ul style="list-style-type: none"> • USAID – Market information, branding, promotion
Human Capacity Development	<ul style="list-style-type: none"> • USAID - Agriculture, agribusiness, trade, business development, policy analysis & investment planning, sector monitoring, agricultural research & extension • MCC - Agriculture, agribusiness, water, roads & land administration • USDA - Agriculture, agribusiness • USTR – Trade (TIFA) • Treasury - Tax administration, banking/financial sector reform (proposed) 	<ul style="list-style-type: none"> • USAID – Investment planning, public-private partnerships • DOI & USDA – Capacity building and training in protected area management, visitor services and resource management
Financial Services	<ul style="list-style-type: none"> • USAID - Agribusiness credit facility, SME credit & DCA loan guarantee • Treasury - banking/financial sector reform (proposed) • DOS - promoting US investment & banking/financial sector reform • MCC – land, agriculture business funds • EXIM • OPIC 	<ul style="list-style-type: none"> • USAID – loan guarantees

* Proposed one long-term advisor from Treasury on tax administration and banking/financial policy and one long-term advisor from USDA on food safety/sanitary and phytosanitary capacity.