

AGENCY FOR
INTERNATIONAL
DEVELOPMENT



MOZAMBIQUE

COUNTRY DEVELOPMENT
STRATEGY STATEMENT

FY 82

APPROVED FOLLOWING
4-11-88
DATE

SMALL FARM AGRIC P9
MANPOWER P9
HEALTH DELIVERY P9
TRANSPORT P9

LT 3/6/80

January 1980

BEST AVAILABLE

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523

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COUNTRY DEVELOPMENT STRATEGY STATEMENT

FY 1986

**USAID/Yemen
Sana'a, Yemen Arab Republic**

January 1984

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MOZAMBIQUE
INTERIM CDSS

I. Overview*

A. Recent Bilateral Background

A.I.D. does not, at this time, provide direct assistance to Mozambique. A non-waivable provision of the FY 1979 Foreign Assistance Appropriations Act prohibits such aid.** Under the terms of the Continuing Resolution, passed in lieu of the still pending FY 1980 A.I.D. Bill, conditions established in the 1979 legislation continue to prevail.

While the FY 80 Bill, as it stands (Mozambique is not considered a conference issue), maintains the prohibition on Mozambique, there are explicit provisions for a Presidential waiver "in the interest of U.S. foreign policy." It is A.I.D.'s operational assumption that such a waiver will be sought immediately upon passage of the 1980 Bill.

The planned FY 80 A.I.D. program level for Mozambique is \$3 million. This amount will be provided under the Economic Support Fund (ESF). The total \$3 million is slated to be obligated in an Agricultural Sector Program, which, though having components of technical assistance and participant training, will be largely directed at the purchase of key agricultural input commodities (e.g., fertilizer, small farming implements).

FY 1980 will be a start-up year for A.I.D. in Mozambique. To date, Agency contacts with the GPRM (Government of the People's

*A development Summary is included as an Annex to this paper.

**This prohibition, it has been determined, does not include food aid.

Republic of Mozambique) have been brief, but constructive and cordial. Such contacts can be separated into three categories: SADAP, PL 480, and program.

SADAP - While SADAP did not send sectoral research teams to Mozambique, several officers visited the country twice--once to review the nature of the studies and to collect whatever information the GPRM wished to share, and several months later to discuss a draft of the report on Mozambique. The GPRM was highly receptive to the draft and provided some useful observations as well as more recent data for several key subjects. The National Director for International Cooperation stated that, while other donors had looked at isolated segments of Mozambique's economy, the A.I.D. study was the first comprehensive overview of the nation's development needs. As such, the SADAP Mozambique report would be an important asset in helping the Government to prepare its First National Development Plan, an undertaking which was to begin within the following year.*

PL 480 - Over the past several years, Mozambique has experienced an unusual sequence of natural disasters (e.g., floods, drought, harsh tropical storms) which have exacerbated the country's already serious food supply problems. The United States has responded with emergency PL 480 Title II commodities (\$8.1 million in FY 1979). Title II has also been donated to World Food Program efforts within Mozambique to aid the more than 100,000 Zimbabwean refugees temporarily located in camps throughout the country. In July 1979, Mozambique signed its first PL 480 Title I agreement with the United States for the purchase of \$5 million worth of wheat and rice. Total FY 1979

*Mozambique press reports indicate that the First National Development Plan has been completed. However, the Plan has not been made available outside of the Government.

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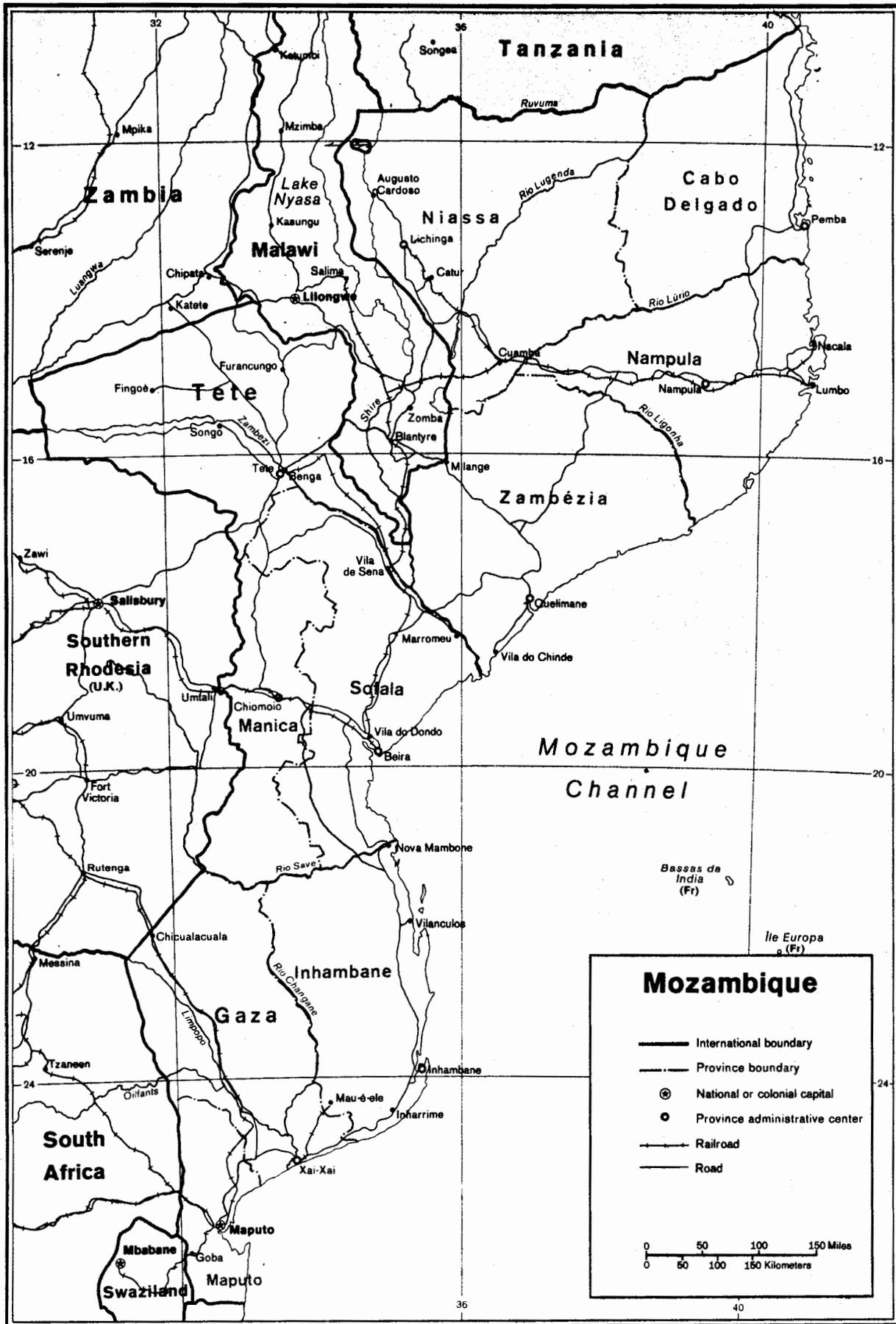
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MOZAMBIQUE DEVELOPMENT INDICATORSDemographic

Total Population	9,945,000
Annual Population Growth	2.5%
Percent Urban	7 %

Economic

Gross National Product (GNP) ^{1/}	1,360.00
GNP per capita ^{1/}	140.00
Real GNP Growth (Avg. 1970-77)	-4.3%
Economic Structure (% of GDP)	
- Agriculture	56 %
- Industry	12 %
- Manufacturing	6 %

Social

Adult Literacy Rate	15 %
Primary School Enrollment (% of age group)	25 %
Secondary School Enrollment (% of age group)	3 %
Life Expectancy at Birth	46 years
Percentage of Total Population of Working Age	54 %
People Per Doctor	16000

^{1/} Based on preliminary 1977 figures, millions of U.S. dollars.

U.S. food assistance to Mozambique was \$13.1 million (exclusive of refugee programs). This amount, ironically, led the U.S. to be one of the major Western donors to Mozambique in that year.

Program - Because of the legislative prohibition, well understood by the GPRM, A.I.D.'s program level discussions in Mozambique have, by political necessity, been limited. Brief conversations on the possible nature of A.I.D. programs have been held. The GPRM is small farmer, basic human needs oriented. Nevertheless, the identification of specific projects is not considered desirable by either country at this time. Because the timing of the end of the Congressional aid ban cannot be predicted with accuracy, Mozambique cannot risk the preclusion of other, more reliable donors from important project areas on the chance that the U.S. might be able to assist. Thus, the bilateral projects proposed for Mozambique in both the FY 1980 and 1981 Congressional Presentations are illustrative and are subject to revision pending the normal bilateral A.I.D. project negotiation and development procedure.

B. Political Considerations

Mozambique's President Samora Machel has stated that the bilateral aid prohibition is the most negative aspect of the relationship between his country and the United States. While Mozambique has declared itself to be a Marxist State, its approach to political relations, economics, and development is essentially pragmatic.

The Soviet Union was a principal supporter of FRELIMO (the political party of the GPRM) in its long struggle for national

independence from Portugal and, currently, its principal supplier of arms. Accordingly, the GPRM feels a debt of obligation to the Russians, which is most evident in the hard line rhetoric Mozambique uses in international fora (e.g., the United Nations, the Non-Aligned Conference). Nevertheless, the GPRM has refrained from granting the Russians permission to establish naval bases in any of Mozambique's excellent Indian Ocean ports. In addition, despite the enormous pressures of the Rhodesian conflict, no Eastern Bloc (combat) troops have operated on Mozambican soil.

The GPRM has actively encouraged foreign investment. The General Tire Company inaugurated a plant last year, which has regularly exceeded production targets. Texaco has worked with the GPRM to evaluate potential petroleum resources.* Foreign investors have been treated favorably with regard to their Mozambican operations. Data indicate that the United States was the second largest importer (after Japan) of goods from Mozambique in 1978.

The GPRM's commitment to development is well-established. School enrollments have doubled since independence, and preventive medicine and vaccination programs have reduced child mortality. Nevertheless, development progress has been severely hampered by Mozambique's involvement in the Zimbabwe conflict. The number of trained and experienced manpower is very small, and vastly limits the Government's program capacity. The Zimbabwe conflict drained manpower and other scarce resources that are critical to Mozambique's development needs. Now that a resolution of Zimbabwe's internal problems is in sight, Mozambique will be able to afford a greater concentration of effort on its own development.

*To date, there have been no significant discoveries.

Politically, the reduction or elimination of Zimbabwe-related hostilities may also have a significant impact on Mozambique. The presence of one of the two principal Zimbabwe independence forces (ZANU) on its soil and related armed Rhodesian attacks served to reinforce both leftist radical tendencies and militancy within the GPRM. This militancy is likely to decrease if there is peace in Zimbabwe. The probable concomitant redoubling of development effort in Mozambique could lead the GPRM toward a more balanced relationship with the West, since the Western nations are best able to provide development assistance. U.S. willingness to support Mozambican development priorities would provide the GPRM with an opportunity to move toward more genuine non-alignment

II. A.I.D. Assistance Strategy

A. Rationale for U.S. Socio-Economic Development Assistance to Mozambique

1. Mozambique is poor. A per capita GNP of \$140 places Mozambique in the 17th position on the World Bank's list of Low Income Countries. Its PQLI of 27 is among the lowest in the world. Humanitarian concern for those who suffer abject poverty is perhaps the most compelling reason for assistance to Mozambique.

2. The GPRM is firmly committed to a policy of equitable development. Principal governmental development concerns include small farmer agriculture, primary and secondary education, and rural-oriented preventive medical services. Inequality of income distribution is not a problem in Mozambique. Corruption within the government is virtually unknown.

3. Mozambique is pivotal in any strategy that seeks to influence development in the southern African region. The landlocked countries of Zambia, Malawi, Swaziland, and Zimbabwe depend, to varying degrees, on Mozambique's three Indian Ocean ports (Maputo, Beira, and Nacala) and connecting rail systems. Thus, Mozambique's stability and development are important factors in the stability and development of these neighbors. In addition, Mozambique has the potential to export food and energy (hydroelectric) within the region, two factors that could have a substantial impact on regional quality of life. Mozambique has demonstrated pragmatism and moderation in its support of a peaceful settlement in Zimbabwe and in its relations with South Africa. The U.S. will wish to be supportive of such attitudes by offering improved public and private sector relations with the West.

4. U.S. development assistance will provide Mozambique with an active option to dependency on the Eastern Bloc. In the medium to long term, the attractions of Western economic assistance, trade, and investment could induce the GPRM to adopt a more genuine, non-aligned posture. U.S. assistance to Mozambique's development would provide a certain degree of reassurance that such posture would be materially supported by the West.

B. GPRM Absorptive Capacity and Attitude Toward Foreign Assistance

The observations contained in this section are largely the result of conversations held with various Western donors already active in Mozambique.

Absorptive capacity for technical assistance is, at present, limited. The shortage of qualified project counterparts appears to be acute in all sectors. Furthermore, decision-making within the GPRM is centralized to the extent that it can seriously interfere with project

implementation. At issue, often, is the political intent of technical assistance. Foreigners, Westerners in particular, are not widely trusted, may have travel restricted within the country, and may be perceived as a threat to corrupt or subvert. As internal security is likely to improve in the aftermath of a Zimbabwe settlement, many of these attitudes and conditions could be subject to rapid improvement.

These same problems, tendencies also constrain the extent to which participant training may be part of a program in Mozambique. The few qualified candidates cannot be released because there is no one to replace them; and there is also the unspoken fear the trainees will be corrupted in/by the foreign environment.

With the above as background, there have been some positive indications within the last nine months. Two Mocambican delegates (sponsored by Norway) attended a Women in Development Conference in Washington; the GPRM (through the U.S. Embassy in Maputo) has sought information on short-term training in seed industry development at Mississippi State University; and official interest has been expressed in working with a U.S.-accredited PVO in the development and promotion of native crafts and culture. In addition, GPRM negotiation and execution of the provisions of the PL 480 Title I agreement were not only carried out expeditiously, but rated as unusually competent by senior officials of the USDA. Mozambique has demonstrated an active interest in continuing and expanding the Title I program as well as possibly undertaking a government-to-government Title II effort.

C. A.I.D. Objectives

Until the prohibition on direct assistance is ended, it will

not be possible to be too specific about A.I.D. program objectives in Mozambique. These are to be collaboratively established between the two nations. Nevertheless, some general observations can be made that are virtually certain elements of A.I.D.'s future strategy in Mozambique.

1. Support the needs of small farm agriculture. Inadequate food supply is Mozambique's most pressing concern. Its grain import requirements for 1979 totaled 452,500 metric tons. Agriculture is the country's number one priority development sector.

Food supply problems can be considered in two categories: production and distribution. GPRM agricultural production programs are classified as small farmer communal villages, family plots, or large scale state farms. The GPRM gives priority to the communal villages, which will probably also be A.I.D.'s main concern.

Communal villages are voluntary (i.e., not forced) groupings of small scale producers who farm both on their own private plots and on community held land. The GPRM views the village concept as being an efficient means of delivering necessary farm inputs (e.g., seeds, fertilizer), agricultural extension and other basic community services (e.g., health, education).

Internal distribution (i.e., marketing) of agricultural production is also an important element of the food supply problem. Mozambique's food shortages have most frequently occurred in urban areas. Before independence, marketing was largely controlled by expatriate traders who subsequently fled the country and either took with them or destroyed their transport vehicles. Food storage is also either insufficient or inadequate. Thus, domestic transport and storage problems constrain the incentives for farmers to produce in

excess of the effective demand perceived in the immediately surrounding communities.

2. To the extent that there is receptivity, support GPRM needs for trained manpower development. It appears neither politically feasible nor desirable that U.S. assistance be involved with Mozambique's formal educational programs. What may be possible is the joint development of more technically oriented training requirements (e.g., agronomists, veterinarians) as well as vocational needs (e.g., mechanics, machinery operators). Some training needs may be more appropriate to consider through A.I.D. regional program mechanisms (e.g., railroad training).

3. Support GPRM rural health delivery needs. Technical assistance for health programs is presently being channeled through the World Health Organization (WHO). A.I.D.'s direct entry into this sector or in support of WHO could be welcomed especially as a supplier of medicines, vaccines, and "consummable" health commodities (e.g., bandages, small medical equipment).

4. Support important Mozambique transport needs through the Southern Africa Regional Program. The Government of Mozambique has approached the USG for assistance in the rehabilitation and upgrading of its major rail lines and ports involved in regional transit trade. As this infrastructure relates more to the development needs of the southern Africa region than it does to Mozambique's own domestic requirements, A.I.D. will primarily consider the GPRM's transport requests in the context of an overall regional assistance strategy.

D. Other Donors

Data on other donor assistance to Mozambique is incomplete and inconsistent. The major donors are the Nordic countries (a large,

multi-element agricultural program), Sweden (transport, planning), Norway (fishing, energy), Great Britain (energy, feeder roads), and the United Nations System (UNDP, FAO, WFP, WHO, etc.). The nature and amount of development assistance Mozambique receives from the Eastern Bloc countries is not known.

Mozambique belongs to neither the World Bank (IBRD) nor the International Monetary Fund. The GPRM has indicated that it will consider membership in both institutions at some future time.

Similarly, Mozambique has been offered, but has not accepted, ACP status under the Lome II Convention of the European Economic Community (EEC). The EEC has done some development work in Mozambique (e.g., in conjunction with its Zambia Coastal Links Study), and is very positive about doing more when the GPRM becomes a part of Lome.

As a matter of general policy, A.I.D. will collaborate closely with other Western donors active in Mozambique* so as to maximize the development impact of available program funds. During the first years of operation in country, A.I.D. programs will especially seek ways to cooperate in other donor projects which have parallel funding requirements. Known possibilities include the purchase of medicines, vaccines and consummable medical materials in support of a WHO rural health program, and the construction and/or rehabilitation of food storage facilities identified as part of an FAO Food Security Project. Serious programming discussions with other donors have, however, been delayed until the U.S. ban on direct assistance to Mozambique is lifted.

III. Assistance Planning Level (APL)

A. Adequacy of the APL

The FY 1986 APL for Mozambique is \$90 million. (Congressional

*A precedent for such collaboration is the use of PL 480 Title I local currencies in support of GPRM/Nordic agricultural programs.

Presentation levels for 1980 and 1981 are \$3 million and \$9 million, respectively). Because A.I.D. has no operational experience in this country, it would be permature ^{to} comment on the adequacy of the planning level. Judging by Mozambique's GNP, PQLI, population, importance to the rest of southern Africa, and commitment to development, the APL is certainly not too high. This is especially true when the \$90 million to be programmed in 1986 is reduced to its present value worth of \$43.2 million (using a 13% inflation factor).

Little can be said, at present, of Mozambique's potential foreign assistance absorptive capacity. The GPRM's ability and willingness to accept non-commodity aid should significantly increase once peaceful independence is established in Zimbabwe.

Because of the absence of A.I.D. experience in Mozambique, no Proposed Assistance Planning Level (PAPL) is provided herein.

B. PL 480

The GPRM has been very receptive to PL 480. Emergency Title II programs have been handled with only minor difficulties. Interest has been expressed in undertaking a regular government-to-government Title II program, possibly for application in school lunch, day care, or food for work programs. Because discussions on a regular Title II effort are only at a preliminary stage, it is not possible at this time to project realistic budget levels for the 1982-86 planning period.

The GPRM has shown itself to be a competent and interested user of PL 480 Title I. Title I is primarily used as a means to supplement urban food needs which are not fully met because of domestic production and distribution impasses. Limited foreign exchange resources spent on food imports are already a constraining factor on development programs.

PL 480 Title I

Fiscal Years (\$000)

<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
15,000	20,000	20,000	25,000	25,000

C. A.I.D. Administrative Implications

At present, A.I.D. has no resident staff assigned to the American Embassy in Maputo. Such staffing will be actively considered only after the Congressional aid prohibition is lifted.

PL 480 activities are now monitored by the American Embassy, with essential backstop provided by the Regional Food for Peace Office in REDSO/EA (a responsibility soon to be transferred to the Southern Africa Regional Food for Peace Officer to be located in Lusaka). Other A.I.D. backstopping for Mozambique is the responsibility of the Office of Southern African Affairs (AFR/SA) in AID/W.

Initial A.I.D. start-up staff in Maputo would be limited to 1 or 2 officers with local (or contract) hire secretarial backstopping. The adequacy of such a small staff would depend in large part on the nature and size of both the bilateral and regional program management load, factors which are, at present, unknown. Backstopping from regional manpower pools (e.g., REDSO/EA, USAID/Mbabane) would be of limited utility, given the need for competency in the Portuguese language in working in Mozambique.

ANNEX

I. Development Summary*

Mozambique's economic development was, for centuries, related to the needs of Portugal and to the provision of services for neighboring countries. Its transportation infrastructure gave South Africa, Rhodesia, Swaziland, Zaire, and Zambia access to the Indian Ocean. Labor was exported to work in the mines and on the farms in Rhodesia and South Africa. Large and medium sized farm estates were made available to Europeans, with Africans largely confined to subsistence agriculture. A number of industries were developed, including food processing, textiles, beverages, refining, chemicals, tobacco, glass and cement. Mineral resources were developed to a very limited extent.

Upon gaining independence in June 1975, the Government of Mozambique embarked on a major transformation of the country's political and economic structure, applying a socialist-oriented philosophy. The new constitution provided for "farming as a basis and industry as a dynamic and decisive factor" for economic development; State ownership of land and natural resources; and collective forms of production.

Independence resulted in the massive departure of Europeans. Of the approximately 280,000 Portuguese who lived in Mozambique before independence, less than 25,000-30,000 remain. Those leaving included most of the country's technicians, managers, professionals, commercial farmers, and skilled workers. Mozambique, in compliance with U.N. supported sanctions, closed its border with Rhodesia in March 1976. The U.N. has estimated that the closure of the border alone resulted in a loss to Mozambique of more than \$134 million annually.

*The following is an updated revision of a 1977 A.I.D. report. For greater detail, the reader is referred to Annex B "Mozambique" to the March 1979 A.I.D. "Report to the Congress on Development Needs and Opportunities for Corporation in Southern Africa."

These things combined with the disruptions from both the Rhodesian conflict and the coming of independence have left Mozambique faced with problems in declining production and employment, falling exports, and balance of payments deficits. Rough estimates indicated a fall of about 5 percent in GDP from 1970 to 1977. Production of commercial agricultural crops (tea, sugar, cashews, oils, etc.) in 1975 was estimated to be 17 percent below 1974 production. The value of industrial output fell 9 percent between 1970 and 1977. Balance of payments deficits of \$235 million in 1977 and \$219 million in 1978 have been reported.

Transportation and port and harbor facilities have also deteriorated. Carrying and handling capacity have fallen and traffic volume has decreased. Since 1974, Mozambique has been receiving help from the Republic of South Africa in the operation of ports and railways.

A. Long Term Development

While the country is now facing severe problems of internal adjustment and external relationships, basic conditions affecting Mozambique suggest that it has the potential for significant long-term growth and development.

- It has a large land area, as large as Nigeria, and a reasonably large population, about 10 million, relative to other southern Africa countries.
- It has a long coast line on the Indian Ocean and a number of good natural harbors. It is bounded by Zimbabwe, Zambia, Malawi, and Swaziland, which do not have direct access to the sea, and by South Africa and Tanzania.
- It has a well developed system of rail and road transport and port facilities. The Cabora Bassa Dam provides

a potential major source of power (virtually all of the present output is sold to South Africa). Hotel, restaurant, and beach facilities could support a significant tourist trade - in the past, tourism produced net earnings of as much as \$6 million in a year.

-- Mozambique's coal resources are among the largest in Africa. The U.S. Bureau of mines reports that there are economically exploitable, sizeable deposits of diamonds, diatomite, gold, fluorite, iron, titanium, and zircon. There are also exploitable bauxite resources.

-- Cultivated, fallow, and pasture land in use is estimated as being 16 million hectares as compared with 41.5 million hectares of cultivable land not being cultivated.

Water is not a constraint on agricultural production.

B. External Trade and Service Relationships

Expansion of external services and trade relationships offer important, and relatively immediate means of facilitating Mozambique's development. A UNDP mission report states that "independent Mozambique inherits a communication (transportation) system more developed than probably any other African country at the time of independence." There are three major deep water ports which handled more than 26 million tons of shipping in 1973. Rail systems provide direct overland service to the Republic of South Africa, Swaziland, Zimbabwe, and Malawi and indirect links through Zimbabwe to Botswana, Zambia and Zaire. Provision of such services accounted for 50 percent of export earnings in 1973. It is estimated that in 1973, 19 percent of the Republic of South Africa's seabound exports and 60 percent of Rhodesia's external trade passed

through Mozambique. About 85 percent of Swaziland's exports were shipped through the Port of Maputo and 80 percent of Malawi's external freight was shipped through Mozambique in 1974. Transportation services to South Africa amounted to about \$70 million in 1972. While transport revenues declined between 1975 and 1979, this trend has now been reversed.

C. Agriculture

About 3/4 of the labor force is engaged in agriculture. Land and water resources are adequate to support an expansion of agricultural production. The development of agricultural production and increases in productivity will require the bringing into effective production lands abandoned by their former expatriate holders, which constituted almost all of the commercial agriculture in the country. The government has begun attacking the problem by proclaiming that all abandoned properties revert to the State. Production units include State farms, communal villages, and small independent producers.

While an adequate supply of land for growth and expansion of crop and livestock production appears to exist, tsetse fly infestation in the northern part of the country may be a serious constraint in its utilization. Expansion of the internal transport and distribution system, especially roads and storage will also be needed if significant expansion of agricultural is to be obtained.

D. Mining and Minerals

The mining industry is now of limited importance. In 1971 mineral exports were valued at about \$3 million and total production at about \$3 million and total production at \$16 million. However, exploitation of large mineral resources will almost certainly be a major element in Mozambique's future development. The supply of power seems adequate

and skilled and unskilled labor is available, but there is a considerable lack of management and technical personnel. Transportation is adequate in some cases but, for some projects, provision of such facilities would be required.

E. Industry

Prior to independence, industrial production was 15-16 percent of GDP. In 1971, approximately 43,500 persons were employed in industry and employment has been estimated as now being 100,000. Industry is highly concentrated around the ports where employment and incomes are high. The most important industries are food processing, textiles, and beverages (beer).