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**MOZAMBIQUE**

**COUNTRY STRATEGIC PLAN**

**FY 1996 - FY 2001**

REPUBLIC OF MOZAMBIQUE

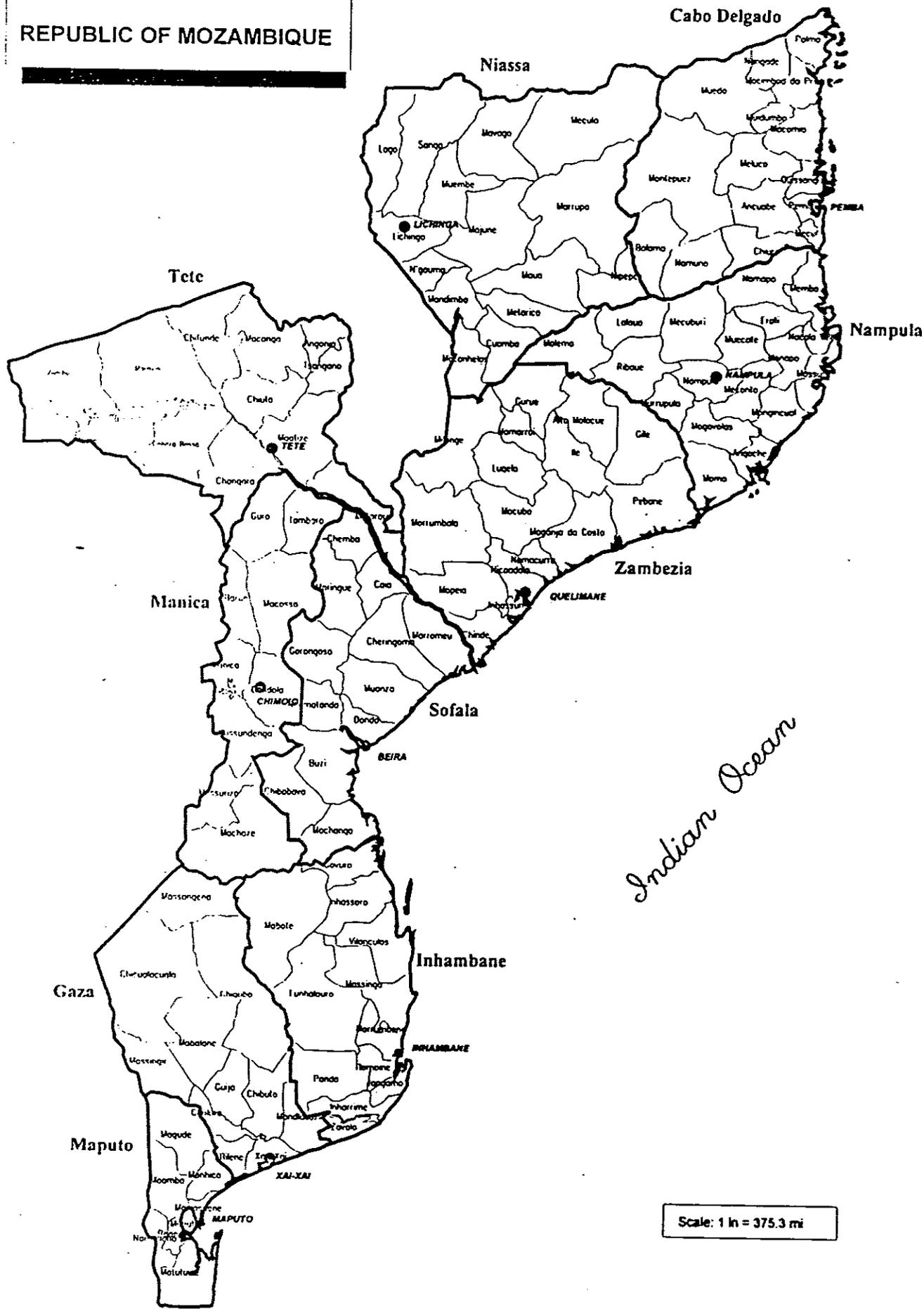


TABLE OF CONTENTS

Executive Summary . . . . .	i
I. Historical Background and Assistance Environment . . . . .	1
A. USG Assistance Objectives . . . . .	1
B. Development Environment . . . . .	2
1. Macroeconomic Trends . . . . .	2
2. Socio-political Trends . . . . .	5
C. Overall Development Prospects . . . . .	7
D. Analysis of Constraints and Opportunities . . . . .	8
E. Other Donor Programs . . . . .	12
F. Accomplishments and Lessons Learned . . . . .	14
G. Accountability Environment . . . . .	15
H. Assessment of Life of Development Assistance . . . . .	16
II. Proposed Strategy, Rationale, and Key Assumptions . . . . .	17
A. U.S. Assistance Objectives . . . . .	17
B. Overview of USAID Strategy in Mozambique . . . . .	18
1. FY 1990 - FY 1992 Country Program Strategic Plan . . . . .	18
2. FY 1993-1995 Transition Program . . . . .	19
C. Post-election Development Environment . . . . .	20
D. Country Program Strategy Goal . . . . .	20
E. Strategic Objective 1.0: Rural Household Income Increased in Targeted Areas . . . . .	21
1. Rationale . . . . .	21
2. Program Outcome 1.1: Increased Access to Markets . . . . .	23
3. Program Outcome 1.2: Rural Enterprises . . . . .	27
4. Program Outcome 1.3: Increased Agricultural Output . . . . .	28
F. Strategic Objective 2.0: Government More Accountable to Citizens . . . . .	31
1. Rationale . . . . .	31
2. Development Needs, Constraints, and Opportunities . . . . .	31
3. Potential for Sustainable Development . . . . .	32
4. GRM Commitment . . . . .	32
5. USAID Comparative Advantage . . . . .	33
6. Strategic Objective Indicators . . . . .	34
7. Program Outcome 2.1: Role of Government in Social Sectors and in Economic Management . . . . .	34
8. Program Outcome 2.2: Sustained Informed Public Debate on Public Policy . . . . .	35
9. Program Outcome 2.3: More Sustainable Electoral Process . . . . .	41
10. Program Outcome 2.4: Government Decentralized in Selected Districts . . . . .	46
G. Strategic Objective 3.0: Use of Essential MCH/FP Services Increased . . . . .	48
1. Rationale . . . . .	48
2. Development Needs, Constraints, and Opportunities . . . . .	48
3. USAID's Comparative Advantage . . . . .	49
4. Potential for Sustainable Development . . . . .	49
5. Indicators . . . . .	50
6. Program Outcome 3.1: Increased Supply of Quality MCH/FP Services . . . . .	50
7. Program Outcome 3.2: Improved Family Health Knowledge and Changed Behavior . . . . .	54
8. Program Outcome 3.3: Strengthened Provincial Management of MCH/FP Service Delivery . . . . .	55
H. Target of Opportunity: Humanitarian Relief and Food Security . . . . .	59
J. Key Assumptions and Assessment of Risk . . . . .	61
K. Consultations . . . . .	61
L. Objective Tree . . . . .	61
III. Action Plan FY 1995 - FY 1997 . . . . .	66



LIST OF ACRONYMS

ADB	African Development Bank
AGRICOM	GRM parastatal agricultural marketing enterprise
ANC	African National Congress
APE	Community Health Worker
API	Assessment of Program Impact
BASICS	Basic Support for Institutionalizing Child Survival Project (USAID)
BCM	Commercial Bank of Mozambique
BM	Bank of Mozambique (GRM)
BUCEN	Bureau of the Census (USG)
CDIE	Center for Development Information and Evaluation (USAID)
CFM	Ports and Railways Authority (GRM)
CFW	Cash for Work
CG	Consultative Group (Paris Club)
CIDA	Canadian International Development Agency
CIP	Commodity Import Program (USAID)
CNE	National Elections Commission
CPI	Investment Promotion Center (GRM)
CPSP	Country Program Strategic Plan
CSP	Country Strategic Plan
DA	Development Assistance
DANIDA	Danish International Development Agency
DFA	Development Fund for Africa
D/G	Democracy and Governance
DHS	Demographic and Health Survey
DIP	Mozambique Democratic Initiatives Project (USAID)
DNEP	National Directorate for Roads and Bridges (GRM)
DPT3	Diphtheria, Polio, Tetanus (series of 3) vaccine
ERP	Economic Rehabilitation Program
ESRP	Economic and Social Rehabilitation Program
FAO	United Nations Food and Agriculture Organization
FFW	Food for Work
FINNIDA	Finnish International Development Agency
FRELIMO	Mozambican Liberation Front
FY	Fiscal Year
G/HP	Global Bureau, Office of Health, Population, and Nutrition (USAID)
GAO	General Accounting Office (USG)
GDP	Gross Domestic Product
GPA	General Peace Agreement
GRM	Government of the Republic of Mozambique
HIS	Health Information System
ICM	Mozambique Cereals Institute (GRM)
IEC	Information, Education, and Communications
IFES	International Foundation for Electoral Systems
IMF	International Monetary Fund
IMR	Infant Mortality Rate
INIA	National Agronomic Research Institute (GRM)
IPC	Implementing Policy Change Project (USAID, Global Bureau)
IRI	International Republican Institute
IUCN	International Union for the Conservation of Nature
JHU/PCS	Johns Hopkins University/Pilot Child Survival Project (USAID)
LINK	NGO Coordination Unit
LMIS	Logistics Management Information System
LTC	Land Tenure Center, University of Wisconsin-Madison
MAE	Ministry of State Administration (GRM)
MCH/FP	Maternal and Child Health/Family Planning
MEDIMOC	GRM parastatal for import of pharmaceuticals
MER	Monitoring, Evaluation, Reporting
MMR	Maternal Mortality Ratio
MOA	Ministry of Agriculture (GRM)
MOF	Ministry of Finance (GRM)
MOH	Ministry of Health (GRM)

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MOH	Ministry of Health (GRM)

MSU Michigan State University  
 MULEIDE Women's Association for Law and Development  
 NEMP National Environmental Management Plan (GRM)  
 NDI National Democratic Institute  
 NGO Non-Governmental Organization  
 NORAD Norwegian Development Agency  
 NPA Non-Project Assistance  
 ODA Overseas Development Agency (United Kingdom)  
 OFDA Office of Foreign Disaster Assistance (USAID)  
 ORT Oral Rehydration Therapy  
 PESU Emergency Seeds and Tools Program (GRM)  
 PVO Private and Voluntary Organization  
 RAP Rural Access Project  
 REDSO/ESA Regional Economic Development Support Office/East and Southern Africa  
 (USAID)  
 RENAMO Mozambican National Resistance  
 RHUDO Regional Housing and Urban Development Office (USAID)  
 ROCS Roads and Coastal Shipping Project (World Bank)  
 SAF Structural Adjustment Facility (IMF)  
 SCF/UK Save the Children Fund/United Kingdom  
 SEMOC GRM parastatal seed production and import enterprise  
 SIDA Swedish International Development Agency  
 SO Strategic Objective  
 STAE Technical Secretariat for Elections Administration  
 TBA Traditional Birth Attendant  
 UD Democratic Union  
 UN United Nations  
 UNDP - United Nations Development Program  
 UNFPA United Nations Family Planning Agency  
 UNICEF United Nations Children's Fund  
 U.S. United States  
 USAID United States Agency for International Development  
 USDA United States Department of Agriculture  
 USG United States Government  
 WHO - United Nations World Health Organization

## Executive Summary

### A. Introduction

In 1984 in response to a request from the Government of the Republic of Mozambique (GRM), the United States made the decision to begin a development assistance program and substantially increase emergency food assistance to Mozambique. Three factors contributed to this decision. First, the number of Mozambican refugees and displaced persons had swollen into the millions as people fled the spreading civil war in search of security and food. This mounting human catastrophe suddenly commanded worldwide attention and concern. Second, failed Marxist-Leninist economic policies had left the country bankrupt and unable to manage itself out of the economic and political crises it had created. The GRM was ready for a tentative move toward a more open, free-market economy and improved contacts with western democracies. Third, destabilization by South Africa, through its support to the National Resistance Movement (RENAMO), had contributed to the economic sabotage of Mozambique. The 1984 Nkomati Accords signaled a willingness by both governments to begin to work toward peaceful political solutions to their problems.

All three factors contributed importantly to the 1984 U.S. decision to help Mozambique. It is important to note that the USG did not start a development assistance program in Mozambique because development prospects were good or because the GRM pursued enlightened policies. Quite the contrary. The program was designed from the start to strengthen regional ties and support the early stages of policy reform leading from a Marxist-Leninist economy to a more liberal, free-market one. Continued improvement in the policy environment was a critical factor in maintaining significant U.S. assistance over the last decade--and remains so today.

The launching of the Economic Rehabilitation Program in 1987 was an important benchmark of the GRM's commitment to the necessary reforms--the maintenance of that program is essential to the USG's continued assistance. The 1992 Rome Peace Accords provided a benchmark in the progress toward a politically-free, open society. The successful outcome of the 1994 elections furthered progress toward that goal.

It is clear that the massive international humanitarian aid effort of the past ten years has been enormously successful. It has almost wound down as nearly four million people have found their way home and begun to return to productive lives. Peace and security in the region have also dramatically improved, with successful elections and transitions in Namibia, South Africa, Zambia, Malawi and Mozambique. Only Angola remains poised between peaceful compromise and a further collapse into war and anarchy.

In spite of a decade of dramatic progress, peace and security remain fragile commodities--as can be readily seen in other parts of the continent as well. It is imperative that peace and security in Southern Africa not fail. The next steps in consolidating peace involve increasing regional cooperation, strengthening regional trading ties as well as ties between the U.S. and the region and promotion of an open, free-market system throughout Southern Africa. Only in that way can U.S. aid flows gradually be replaced by trade and commercial ties between the United States and the region's markets. In Africa today, the best prospect for such a successful transition from aid to trade is in the southern part of sub-Saharan Africa--with its better infrastructure, natural resource base, human capacity, and improving economic policy environment. It is, therefore, in the United States' interest to assist in transforming a fragile peace into real economic growth and cooperation.

With Mozambique's natural resource potential and important trade routes to the sea, the country's stability and economic progress are vital to regional growth. But, after decades of war, Mozambique's economy is shattered, trust between the

previously warring parties has not been fully achieved, and the country remains one of the poorest in the world.

What will it take for Mozambique, where the prospects for continued political and economic liberalization are precarious, to succeed? First, adherence to a strong policy reform agenda: this is essential both to Mozambique's survival and to justify substantial U.S. aid flows. A reform agenda enabling private sector expansion is a critical element of the proposed strategic objective to increase rural incomes. Increasing resources in health and education, and adopting new social service delivery mechanisms are essential to achieving the strategic objective of increasing use of essential maternal and child health care and family planning services through innovative service delivery and more direct community participation. National reconciliation and expansion of democratic processes are the *sine qua non* for a government more accountable to its citizens, the Mission's third strategic objective.

The southern Africa region also has a stake in these objectives. Increased production will permit Mozambique to play an important role in growing regional markets; increased incomes will discourage economic emigration. Continued reconciliation and growth in democratic processes will strengthen political stability and the prospects for regional and international investment.

In early October 1994 it became clear that the government that would eventually emerge from the elections at the end of the month would be unable to prepare for the annual Consultative Group meeting in Paris. The electoral timetable was such that it was doubtful that the elected president would be sworn in my that time. It was also clear that the existing economic team was not going to be able to consider serious economic reforms in the midst of a political campaign or in the post-electoral uncertainty as to whether they would retain their positions.

By March 1995, with strong donor support, the GRM signaled that it was serious about remaining on the path of political and economic reform. The new government appointed by President Chissano in December 1994 has already demonstrated a firmer commitment to economic and political reform than the previous one. Nevertheless, the path ahead is daunting and the capacity of government extremely limited. The two-year peace process from October 1992 to October 1994 has proven how critical international pressure was in keeping to the peace timetable and agenda, and to its key components--demobilization and elections. As was the case with the Consultative Group, Mozambique's development partners must continue to urge the GRM to sustain its policy reform agenda, and associated timetable, in the future.

Today, United States' aid to Mozambique is one of USAID's most, important development assistance programs in sub-Saharan Africa. If, in it's first year, the new GRM succeeds in meeting the policy benchmarks it has set for itself, and the IMF targets are substantially met for 1995, under those conditions we would propose a significant increase in U.S. resources to Mozambique. After South Africa, the success of Mozambique's experiment with democracy and a free-market economy may be the most important factor in sustaining peace in the region. To that end, the policy content to our program remains essential.

## B. Summary of Proposed Strategy

USAID/Maputo's strategy builds upon the GRM's commitment to creating a market-oriented economy, liberalizing markets, privatizing state-owned enterprises and banks, improving the investment climate for domestic and foreign investors alike, pursuing reconciliation between the former antagonists of the civil war, and promoting broad participation of Mozambicans in the political life of the country. Like Eastern Europe and the former Soviet Union, Mozambique's former mentors, Mozambique begins with a technologically out-of-date industrial structure not built to serve today's markets. Unlike its former partners, Mozambique has a small industrial base, has an exceedingly weak human resource base and is arguably the poorest country in the world. The recently-ended civil war has destroyed much

of the public infrastructure (roads, railroads, schools, clinics, communications, power lines) Mozambique's economy needs to grow. In comparison with Eastern European economies, Mozambique has less to lose in terms of the industrial base to be privatized, rehabilitated or liquidated, but has a weaker base of public infrastructure and human resources with which to accomplish its economic objectives.

This rural, largely agrarian, society can and will depend upon smallholder agriculture to propel export and overall economic growth for the foreseeable future. Mineral exploitation, expansion of electricity exports from the Cahora Bassa dam, and expansion of port and transport services for South Africa, Zimbabwe, Malawi and Zambia will also contribute to more rapid economic growth. Wisely used, the resources generated by these more capital-intensive activities can contribute to poverty reduction. USAID/Maputo will concentrate on policy dialogue with the GRM not only to ensure that the government's non-debt service resources are devoted to basic education and primary and preventive health care for the maximum impact on poor, rural populations, but also on growth. The Mission will direct its resources to creating the conditions for improving rural incomes through labor-intensive activities such as farming and expanding small and microenterprises to stimulate as rapid a growth as possible of the direct incomes of the rural poor. This approach will produce growth with equity.

Continuing, and broadening the base for, economic growth in Mozambique has depended first and foremost on the cessation of hostilities and the return of almost two million refugees and 4 million internally displaced persons to their sites of origin. Just as Rome was not built in a day, neither will a complex, primarily peasant-based agricultural system be restored in one season. It will take years to reestablish diversified cropping systems rather than relying on a limited number of crops, and years to rebuild the decimated domestic livestock herds, including livestock used as savings accounts.

Even without major policy changes beyond those already in place, the return of these producers to their land has brought about the beginning of a resurgence of investment in traditional housing, farm implements, storage structures, and rebuilding of the entire private infrastructure which makes peasant agriculture possible. Economic activity in rural areas is visible to the eye. It does not require sophisticated measurement to see whole areas being resettled, houses being built, roofs being thatched or re-roofed in zinc, and farms being reestablished in areas which had been abandoned years before.

For several years to come, the national economy will continue to benefit from the momentum generated by this return to "normal" rural economic life. Already, however, the policies which held back agricultural development before the war and the lack of marketing infrastructure are affecting the robustness of rural economic recovery. Farmers in Nampula say they want to grow cotton and are uninterested in growing maize for the market...but the country is dependent on corn imports! Cashew farmers face the lowest prices for their output of any cashew farmer in the world...but Mozambique used to produce 40% of the world's cashew exports! The rural areas are not well served by shops providing cloth, dry goods, or supplies of the kind found in the old general stores. Why should farmers produce for market? To buy what?

These results arise from both the lack of basic infrastructure and the poor macroeconomic policy framework which draws resources away from the rural economy into unproductive government services and money-losing state-owned industrial and service enterprises. The Mission's and the GRM's strategies, as well as those of other donors, address this implicit tax on agriculture by privatizing banking, reducing the "inflation tax" by cutting the government deficit, staying within credit ceilings, liberalizing agricultural markets, completing the privatization of state-owned industry, and promoting the privatization of state-owned service industries.

USAID/Maputo is pursuing these and other aspects of the macroeconomic policy agenda in common with the World Bank, the European Union and other donors. Recognizing that appropriate macroeconomic policies are a *sine qua non* for poverty reduction, the Mission will devote considerable staff and program resources to monitoring and assisting in the GRM's implementation of the reform agenda defined at the March 1995 Consultative Group meeting. The Mission will be an active participant in two different donor/GRM working groups which meet every other week, one for economic management chaired by the World Bank, and one for democracy and governance chaired by UNDP.

Macroeconomic concerns have been central to the choice of strategic objectives, guiding the Mission in its selection of priority sectoral policy issues and investment in public infrastructure. While not exactly a Jeffersonian democracy, Mozambicans are now defining their new roles in the building of a democratic society. USAID/Maputo will support growth of the agricultural sector, the engine for growth and the reduction of rural poverty. The strategy will support the development of a government more accountable to its citizens both at the national level and, through the devolution of authority, at the local administrative unit level. Finally, the Mission's strategy will help the GRM redefine the government's role in providing traditionally public social services, concentrating first on building sustainable replicable models of preventive and primary health care provision in selected areas of Mozambique.

The first Strategic Objective, increased rural household income in targeted areas, will be achieved if the Mission is successful in removing unnecessary regulation and licensing requirements for rural enterprises, ensuring that input and output markets are liberalized (as stated at the March 1995 Consultative Group meeting), privatizing the financial sector, and assuring equitable access to foreign exchange. Then, the rest of the Strategic Objective's program outcomes to increase market access (based on rehabilitated roads and the development of markets), expanded rural enterprises and increased agricultural output will have a greater chance of succeeding.

The Mission's second Strategic Objective, government accountable to citizens, will have a greater chance for success if the new political freedoms are accompanied by freedom of economic activity, with private interests developing their own political agendas in a democratic society. The policy framework, including public sector transparency and accountability, devolution of central authority to local government, protection of individual's rights, and freedom of information reinforce the functioning of a market economy, and are in turn strengthened by the development of a diversified economy independent of central authority.

The third Strategic Objective, increased use of maternal child health and family planning services in focus areas, depends on the rapid growth of the rural economy with an informed rural citizenry taking increased responsibility for the definition and resolution of their own social service delivery problems. USAID/Maputo's program seeks to empower communities and push decentralization of health care delivery to the lowest possible levels, redefining the roles of each level of government from the center to the province to the district to the traditional village authority to the community itself. The success of this approach depends critically on the ability of rural communities to participate in the economy and exploit opportunities in agriculture and rural enterprise as well as being free to participate in the broader political life of Mozambique.

These three strategic objectives are listed in their order of strategic importance to Mozambique. There have been many donors willing to provide resources without significant economic or political reform in the past. There are likely to be significant resources made available to Mozambique in the future even if progress is slower than it should be in economic policy reform and development of participatory democracy. These unconditional resources from other donors could support the slow expansion of health care coverage, for example, in the absence of deeper systemic changes. However, slow progress without systemic change would not

serve the Mozambican people well. Aggressive economic and political reform and robust economic growth are needed to set Mozambique on an irreversible course to eliminate poverty.

Finally, as the Mission moves ahead, it is important to realize that development in Mozambique must adhere to a short as well as long-term timetable. In Mozambique, history has shown that much can be accomplished in one decade (1984-1994), or even in two years (October 1992-October 1994). The long term development of Mozambique will not be successful unless the policy reforms announced at the March 1995 Consultative Group meeting are implemented over the next several months to two years. To that end, the strategy includes an important policy dialogue component to assist in implementing the 1995 and 1996 reforms.

In defining targets for U.S. assistance over the coming years, USAID/Maputo is taking a 2-6-10 approach. In two years, the Mission will have assisted the GRM in undertaking a significant policy reform agenda; in six years, we will have achieved planned results in the three strategic areas outlined in this strategy; and, in ten years, we will have a sustainable development process in place that could continue without high levels of U.S. assistance. Throughout implementation of this strategy, the Mission will be refining its targets and assessing the impact of exogenous factors on achievement of projected results.

The success of U.S. aid to Mozambique over the past decade was largely due to its relevance to policy change in the short and medium term. If the United States is going to assure that Mozambique contributes to regional peace, stability and growth in the future, attention to today's policy agenda is vital. And, it is key to the sustaining the contribution that U.S. foreign assistance in Mozambique can make to the USG's policy and trade objectives in Africa.

## I. Historical Background and Assistance Environment

The United States' interest in Mozambique's development cannot be understood without reference to the USG's historical involvement in the country and southern Africa. Accordingly, the first part of this section of the Country Strategic Plan provides this historical background with particular emphasis on the reasons for U.S. assistance to Mozambique. Part II describes the USG's current interests in Mozambique, analyzes the current economic and political situation as well as the most important factors that have recently affected the USG's strategic interests and USAID's proposed programming, and summarizes the Mission's strategy. Part III is the Action Plan.

### A. USG Assistance Objectives

In 1984 the United States began a development assistance program and at the same time greatly increased its food aid to Mozambique. This decision came about following several years of behind-the-scenes diplomatic contact between the two countries. Why the increase in the USG's commitment to Mozambique?

Three factors contributed to this decision. First, it was clear by 1984 that the growing RENAMO insurgency was turning into a devastating civil war. The number of refugees and internally displaced was swelling into the millions as people fled their homes searching for security and food. International attention had focused on Mozambique as never before, and the forgotten war suddenly commanded headlines. There was great concern that a human disaster of monstrous proportions was in the making. Several U.S. Congressional delegations to Mozambique that year underscored the United States' heightened concern and reported sobering findings back to the White House. Responding to the human suffering, the United States augmented its food aid programs and started direct feeding programs operating through the UN agencies, U.S. PVOs, and international NGOs.

Second, in the Cold War world, the United States was deeply concerned that the sudden collapse of the Portuguese colonial empire and the emergence of communist states in Angola and Mozambique would further contribute to political instability in sub-Saharan Africa, and provide opportunities for Soviet expansion in the region. Nevertheless, by 1984 the Marxist-Leninist political and economic model had clearly failed in Mozambique, a failure evident to the senior Mozambican leadership. A bankrupt Soviet system was unable to help Mozambique out of its morass. Offered the opportunity, Mozambique tentatively began a move to a more open free-market economy and strengthened contacts with Western democracies. U.S. diplomatic contacts paved the way for this to happen.

Third, South Africa's continued imposition of the apartheid system was galvanizing support in the United States and Western Europe for tougher opposition to South Africa's morally outrageous domestic policies, and to its aggressive destabilizing policies in Southern Africa (of which Mozambique was a special target, with South Africa funds flowing to the Mozambican National Resistance--RENAMO). To counteract these policies, by the mid-1980s, the U.S. Congress was earmarking \$50 million annually for economic support through the Southern Africa Development Coordinating Council.

The Nkomati Accords, signed in 1984, however, committed South Africa to cease support for RENAMO, and Mozambique to withdraw safehaven for the ANC. U.S. policy was to encourage such positive moves to lower tensions and work toward peaceful solutions in the region.

These three factors were major determinants in the decision to increase help to Mozambique. The Government of the Republic of Mozambique (GRM) decided at the same time to request direct development assistance from the U.S. both for the assistance itself and to help galvanize greater Western donor support for the beleaguered country.

Other significant reasons were factored into the USG's decision to respond to the GRM's plea. The reasons were both humanitarian and practical. Mozambique, bordering five of the then nine Southern Africa Development Coordinating Commission states, and with transport routes critical to most of them, was a key factor in determining whether a peaceful solution could be found to the region's problems. The USG's development assistance program in Mozambique did not start because development prospects were good or because the GRM pursued enlightened policies. Quite the contrary. The program was designed from the start to strengthen regional ties and support the early stages of policy reform transforming Mozambique from a Marxist-Leninist economy to a more liberal free-market one. From the start, continued improvement in the policy environment was a critical factor in maintaining significant U.S. assistance--and remains so today.

The 1987 launching and maintenance of the Economic Rehabilitation Program have been important benchmarks for continued USG assistance. The 1992 Rome Peace Accords have provided another benchmark indicating progress toward a politically-free, open society, while the successful 1994 elections have also furthered that goal.

As a result Mozambique has one of USAID's most significant development assistance programs in sub-Saharan Africa. The success of Mozambique's experiment with democracy and a free-market economy may be the second--after South Africa--most important factor in sustaining peace in the region. To that end, the policy content to the Mission's program remains essential.

## B. Development Environment

### 1. Macroeconomic Trends

Mozambique has demonstrated a strong responsiveness to macroeconomic policy signals in each of the three major economic periods of the country's history. One of the most important elements to keep in mind when thinking about post-independence Mozambique is that between 1977 and the end of 1992, the country was torn by an increasingly devastating and costly (in both human and economic terms) civil war. Particularly in the last five years, the economy has been based on a highly gerrymandered country, with an estimated 40% to 80% of the country outside the effective control of the government and a large proportion of that outside the recorded economy.

#### a. Colonial Period (1498-1975)

During the mercantilist colonial period, economic activity centered around the production (on concessions) and processing of agricultural commodities for export, export of labor, transport of goods between Mozambican ports and the landlocked areas of southern Africa, tourism services and subsistence agriculture. Food crops were grown largely by traditional agricultural systems for subsistence purposes. The concessions displaced native Mozambicans from large areas of the country's best agricultural land and effectively denied them future access. During the colonial period, less than 15% of the land was under cultivation; over 50% of that was in the hands of the concessionaires who produced cotton, sugar, tea, sisal and processed cashews; another 25% was occupied by small commercial farms managed by Portuguese settlers and a few African farmers. The majority of the population farmed traditional communal lands or were forced to work on large plantations.

In the 1930s, industrial production in Mozambique, initially based upon agroprocessing of locally produced goods, expanded into small-scale manufacturing for the small settler community. This process of industrial development continued for the next thirty years with some minor diversification. After 1965, the Portuguese opened the economy to foreign investment, forcing new enterprises to be competitive and discouraging the development of inefficient industries. The rate of growth of industrial output from 1957 to 1970 averaged between 6% and 7% per

year. The metals and engineering industry subsectors recorded annual growth rates above 30%. In 1973, total manufacturing value-added per capita was estimated to be the sixth largest in sub-Saharan Africa and by 1974, Mozambique was the tenth most industrialized country in sub-Saharan Africa.

#### b. Post-Independence (1975-1987)

From a macroeconomic point of view all of these positive trends suffered extreme shock and were reversed upon independence. During the fight for independence, the Mozambican Liberation Front (FRELIMO), in a complete rejection of the brutality and alienation of Mozambicans which accompanied colonial rule, opted for a Marxist-Leninist political and economic system. This entailed consolidation of the State's control of the productive sectors that exceeded that of the colonial government. The resulting economic orientation and mismanagement had profound deleterious effects on the economy.

Production dramatically collapsed between 1981 and 1986, falling about 30%, with exports declining by 75% and imports by 30%. External imbalances, aggravated by an increasingly overvalued exchange rate, led to substantial arrears in external debt service. Domestically, large fiscal deficits and unconstrained bank financing of enterprise losses led to a tripling of the money stock (within the context of shrinking output). Centralized control of prices and distribution further hindered the efficient allocation of resources, leading to shortages, inflation and a widespread movement to barter and parallel market activities for goods and foreign exchange. Ultimately, real GDP fell by an average annual rate of 3.5%.

Although the subsistence sector proved rather resilient, the decline in the agricultural sector was also severe, with a fall in agricultural GDP estimated at about 5% per year. Between 1981 and 1986, the marketed production of maize and rice declined by about 50%. Although it is difficult to assess the production of subsistence agriculture, it is estimated that climatic problems and the massive displacements of populations led to a substantial decline in food production and that per capita food production in the subsistence sector may have fallen by as much as 30% between 1981 and 1986. As a result, the country became heavily dependent on foreign aid to guarantee a minimum level of food security to its population in urban centers and also in some rural areas. Although the endemic insecurity due to the war and multiple natural disasters contributed to Mozambique's poor post-Independence economic performance, a clearly inappropriate policy regime also made a major contribution.

Most enterprises were nationalized or taken over by the state as "intervened" companies, with output only one-third of the 1973 level. The consequence was a sharp fall in Mozambique's import capacity as exports fell by over two-thirds. Aid dependency had become extreme: because of the sharp decline in production and exports, 90% of marketed grain in the country had to be provided through emergency assistance. External debt was unmanageable, with Mozambique's debt stock equal to 3.5 times GDP and 45 times its exports by 1986.

#### c. Adjustment Period (1987-present)

In order to stop the country's economic deterioration, the GRM adopted a comprehensive Economic Rehabilitation Program (ERP) in 1987, which represented a dramatic change in the country's economic development strategy. The ERP and the subsequent Economic and Social Rehabilitation Program (ESRP) of 1989-1992 introduced major reforms to move toward a market-based economy. Macroeconomic imbalances were reduced through a realignment of the real exchange rate, a reduction of the fiscal deficit and movement toward elimination of deficit financing by the banking system. The comprehensive administrative controls over prices and marketing that characterized the early 1980s began to be dismantled, and major steps were taken to improve the terms of trade in favor of agriculture. Measures were also begun to remove the structural bottlenecks inhibiting a supply

response, e.g., rehabilitation of the transportation network, availability of inputs and consumer goods. Enterprise reform succeeded in privatizing about 370 small and medium-sized parastatals. Although reform of large parastatals moved much slower, by February 1995, 19 of 56 large enterprises had been privatized and 10 more were in the pipeline. This degree of privatization reduced the level of State control of gross industrial output to about one-third of the total.

In the initial period of adjustment (1987-1989), the GRM's highest priorities were to start reducing financial distortions (prices and the exchange rate), decrease administrative controls over economic activity, rehabilitate state enterprises and mobilize domestic resources. In the next five years (1990-1994), the GRM accelerated and deepened the adjustment process in a number of areas: they established a more market-oriented foreign exchange system, initiated financial sector reform, freed domestic trade and controlled prices, continuing enterprise reform and strengthening public expenditure. The GRM's overall performance was relatively good, but implementation of the program was complicated by a number of deep structural problems and severe external shocks. Aid from and trade with the former Soviet Union collapsed in 1991 and Mozambique lost key markets, particularly textiles, in Eastern Europe. The civil war worsened, which caused an increase in the percentage of displaced households from 30% in 1988 to over 50% in 1992. The agricultural sector was devastated by the most severe drought of this century in 1991 and 1992, further exacerbating the situation.

The economic collapse of the previous period was arrested under the ERP and ESRP. Real GDP growth averaged 9.8% during 1987-1991. However, real GDP growth contracted by 0.8% in 1992, primarily because of the drought and a slowdown in industrial activity. All GDP expenditure components fell in 1992 except for public consumption, which increased by 8.9%, largely as a result of the emergency expenditures related to the drought. In 1993, real GDP grew by 19% in response to the end of the drought, the establishment of peace and increased demand for services related to expanded activities of the United Nations Peacekeeping Force in the country. Real GDP growth in 1994 was a respectable 5.4% and is projected to be 4.3% in 1995.

Mozambique will continue to need massive amounts of foreign aid for the foreseeable future, as well as additional debt relief on highly concessional terms from Paris Club and other official bilateral creditors. Despite significant debt relief, Mozambique still has an external debt of over \$5 billion, most of it owed to bilateral creditors. Debt rescheduling on concessional terms helped lower Mozambique's debt service ratio to 21% of exports of goods and services in 1993 but this still represents a heavy burden on the country's budgetary and external resources. In addition to these external sources of financing, and beyond the positive response of the small and microenterprise sector, the medium and large-size enterprises need to respond to current opportunities and to press the government on improving the environment which will allow them to exploit their comparative advantages and generate jobs and economic growth.

The GRM has had partial success in stabilizing the economy. The rate of inflation decelerated from 163% in 1987 to 33% in 1991, in line with tighter fiscal and monetary policies. In 1992, inflation accelerated and peaked at 55% in December 1992, mostly because of the drought. Despite normal rainfall and efforts to eliminate various financial leakages, inflation reached 43.6% by December 1993 (well above the program target of 30%). The situation deteriorated significantly in 1994, with inflation reaching 70.8% by the end of December. The program target for inflation in 1995 is an ambitious 24%.

The incomplete transition from a centrally-planned economy to a more free-market

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<sup>1</sup> Major creditors are: OECD countries (39% of total), Eastern Europe (19%), OPEC (9%), other bilateral (11%), and multilateral (22%).

one has preserved many opportunities for corruption and is part of the reason why the pace of reform must be accelerated. Parallel to the economic growth that has resulted from the liberalization (albeit incomplete) of the economy and the extraordinary amounts of external financing, much of it with little financial control, has been an increase in the reported incidences of corruption among government officials. The lack of transparency in economic and political management of the country, the lack of adequate numbers of competent employees, the complexity of budget and planning processes in the absence of adequate control systems have all contributed to the increasing opportunity for and relatively low risk of corruption. Not only is such corruption denying Mozambique the full benefits of its revenues (externally and domestically generated), it is undermining donor confidence and willingness to invest in the country. Monitoring and addressing this issue are integral to the Mission's policy agenda.

#### d. Projections (1996-2001)

Over the period of the Country Strategic Plan (CSP) (1996-2001), economic growth will probably be in the 5% to 6% range as the economy becomes more open and responds to liberalization measures and improved security. More rapid growth can be achieved but only if the country's human resource base has been strengthened and major industrial and service sector restructuring has been completed.

The agricultural sector will be the engine of short to medium-term growth. The potential for agroprocessing to contribute to growth will be significant as enterprises related to agriculture are privatized or restructured. Small-scale (microenterprise and small-sized firms) enterprises must also make a significant contribution to GDP growth. Because about 60% of the population is absolutely poor,<sup>2</sup> labor-intensive growth is essential for reducing poverty and increasing income. This requires, in particular, acceleration of growth in the agricultural sector. Given Mozambique's good soils and ample land, there is considerable potential for increased rural incomes.

Mozambique's extreme dependency on donor aid will diminish over time. The viability of Mozambique's balance of payments relies substantially on external assistance for import financing and debt rescheduling. Although Mozambique has received significant debt relief since 1987, they will continue to require special assistance over this period. Without debt relief, even assuming high levels of economic growth, short to medium-term viability will be difficult. Exports will have to increase substantially to overcome the current large trade deficit. As the agricultural sector responds to the improved environment, agricultural exports should increase dramatically, given the high production potential that exists in this sector. This will require success in stimulating private investment and attracting foreign investment which will play a major role in increasing exports.

Mozambique will continue to need a program of fiscal austerity with concomitant tight monetary policies to control inflationary pressures. The prioritization of public expenditures and reorientation toward the private sector will play a crucial role in this endeavor. During this time period, the need to broaden the revenue base becomes more urgent as donors gradually reduce their funding levels closer to the Southern Africa regional average (Mozambique currently receives almost twice the regional average). Substantial reform of the nascent financial sector will be required in the short-term.

## 2. Socio-political Trends

Almost 500 years of Portuguese colonial rule and FRELIMO's post-independence

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<sup>2</sup> Absolute poverty is defined by the World Bank in two ways: a) the cutoff point of monthly household income per person below which growth faltering in children is very common, or b) the cost of a basic monthly food ration (supplying 60-70% of caloric requirements) is 50% of income per person.

Marxist-Leninist ideology created in Mozambique an institutional cultural belief in the primacy of state power, authority and responsibility. As a result, human capacity, control and flow of resources, and all decision making (including even routine provincial and district-level functions) were centralized in the nation's capital, Maputo. With independence in 1975, FRELIMO sought to expand the central government's control over the country, including undermining the role of traditional leaders. Government resources continued to flow to and be controlled by an elite urban population (principally civil servants and party members). As part of this process, FRELIMO instituted a series of changes which were to have important repercussions in the rural areas. One of the most important of these was the shift to state farms and villagization, including both the establishment of communal farms and the forced move of people to create villages. This centralizing tendency was exacerbated by the RENAMO insurgency which--through destruction of rural infrastructure and terrorism directed at the population, especially government service providers--effectively restricted the government's influence to an archipelago of urban centers, major corridors and other secure zones. The few NGOs that existed were either thinly disguised FRELIMO organizations or nominally independent organizations founded and headed by government or party officials.

In October 1994, multi-party national elections for the presidency and National Assembly were held for the first time in Mozambique's history. Thirteen candidates contended for the presidency and fifteen political parties for the Assembly. Turnout was high (90% of registered voters), the number of spoiled and blank ballots were relatively low (under 10%) and the international community and political parties deemed the process free and fair.

These elections were the concluding phase in a process, begun with the signing of the General Peace Accord in October 1992, to end 16 years of civil war and introduce multi-party governance to the country. Because they were based on universal adult suffrage, the elections were also a major step in reversing the historic tendency towards centralized and statist governance. The significance of the elections for the long-term development of democracy in Mozambique, however, is questionable. The elections were heavily donor-financed and donor-driven, and, as implemented, too costly for Mozambique to replicate and sustain in the future.

Despite the severe strain exerted by the death toll (estimated at one million people) from the war, the psychological damage to communities and individuals (especially children), targeted by RENAMO and forced to participate in heinous terrorist acts, and the dislocation of over five million people, civic norms and the social fabric of Mozambique are in remarkably good shape. There are already indications that civic norms, the real foundation of civil society, have survived largely intact: the country did not slip into anarchy during the transition period (in spite of the almost total absence of any real police or security forces throughout the country); millions of displaced Mozambicans returned home peacefully; national institutions did function during the recent elections; and Mozambicans voted *en masse* and peacefully.

Although an active and apparently independent media has arisen, the GRM still owns, through shares held by a state-owned bank, the country's only two daily newspapers, the largest weekly newspaper, the only local wire service, the only weekly news magazine, the only AM radio station and one of the two television stations (the other being owned by a member of the FRELIMO Central Committee). Either because of GRM pressure or fear of government intimidation, self-censorship

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<sup>3</sup> One reason for the prominent role party and government officials played, and continue to play, in Mozambican NGOs is the lack of other qualified people to lead those organizations. Educated people, especially those with strong organizational skills, are in high demand in both the public and private sectors, and given the low government wages, there is a strong incentive to hold multiple positions in and out of government.

is exercised by the print and airwaves media. Unlike the government-owned media, the independent media (two weekly newspapers and two daily fax newsletters) have frequently featured critical, but not necessarily unbiased, articles about the GRM and its policies, as well as the international community, without being censored or banned. During the election process, opposition parties were provided relatively equitable access to the electronic media. A bolder, more critical independent press is likely to develop if the number of independent media groups grow, and as long as the GRM continues to be tolerant of a free press. Low literacy rates and the general level of poverty provide a severely limited market for expansion, however, especially when the independent media has to compete with the heavily subsidized, government-owned media.

As a result of the economic and political policies of post-independence FRELIMO, compounded by war and drought, 60% to 70% of the population is absolutely poor and Mozambique's social indicators are among the worst in the world. Much of the rural infrastructure was neglected or devastated during more than 16 years of civil war. A third of all health units and half of the primary schools were destroyed. Many of the remaining service networks were inoperative or barely functioned.

The current health status of Mozambicans is worse than in 1980 and worse than in almost all other countries in sub-Saharan Africa. Over the past 15 years, the life expectancy of a newborn in Mozambique fell and is now 13 years less than that of newborns in other less-developed countries. Infant mortality is estimated at 140-173/1000, which is above the 106/1000 average for Africa; under-five mortality, 260-273/1000, is significantly above the African average of 179/1000; and maternal mortality is equivalent to 1,100/100,000 live births when births from outside health facilities are included. Access to safe water is 30% and 40%, respectively, for rural and urban areas. Illiteracy is around 70%.

Traditional society, in both the matrilinear societies north of the Zambezi River and the patrilinear societies south of the Zambezi, clearly and unequivocally subordinates a woman to either her brother or her husband. Even in the prolonged absence of the male head of household, women are restricted by traditional society in their independence and ability to control resources. Neither independence nor the purportedly gender-blind Marxism provided significant opportunity for women to improve their status. Under the banner of Marxism, women's role in society was defined as mothers and educators of the new generations, and, like all citizens, they became objects rather than subjects in planning and decision-making. FRELIMO recognized class struggle but not gender struggle.<sup>4</sup> In general women have borne the brunt of the ill-effects of war, poor economic policies and Marxist political ideology.

### C. Overall Development Prospects

Almost half the population of Mozambique has been on the move over the last three years, including 1.7 million refugees returning from neighboring countries, 60% of the 5.7 million internally displaced, and 270,000 demobilized soldiers and their families. Most of these are returning to the more agriculturally productive rural areas of Mozambique to begin rebuilding new lives. Treading on the heels of the returnees has been nascent commerce trying to bring in consumer goods and extract surplus agricultural production. Although some of this private sector activity has been from the medium- and large-sized traders and merchants, much of the activity has been fueled by the informal sector and small-sized firms.

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<sup>4</sup> "Country Gender analysis Mozambique," Kajsa Pehrsson, prepared for the Swedish International Development Authority (SIDA/ASDI), November 1993 and And Still They Dance, Stephanie Urdang, 1988

<sup>5</sup> Pehrsson, ibid and "Cults of Violence and Counter-violence in Mozambique," Ken Wilson, Refugees Studies Center, Oxford University, 1992

GDP grew by 19% in the first post-peace year as people moving back onto their land were able to produce surplus for the first time in 5 to 16 years. This dynamism, however, starts from an exceptionally low economic base and occurred in spite of some serious macroeconomic structural problems. The IMF estimates that growth will level off to around the 5% level in the near term. The openness of the newly elected government to discussing serious economic changes is a positive indicator for Mozambique's economic future, although performance over the next year is particularly critical. Of particular importance will be: a) increased transparency and accountability, b) reorientation of the budget to health and education and away from defense, c) reform of the financial sector, d) increased privatization of large enterprises, e) recognition of the importance of the private sector, and f) increased exports and private investment to gradually reduce donor dependency. Not only are the aforementioned reforms necessary, the pace of implementation is equally important. The GRM tends to steady but very slow implementation. To maintain the necessary rates of growth, the GRM will need to accelerate the rate of change and the pace of implementation.

With the successful completion of the first multiparty elections in October 1994 and the scheduled 1996 municipal elections, Mozambique has moved forward on the democracy and governance front. A greater openness among the development ministries (agriculture, health, education) to nongovernment organizations is also a positive harbinger. Nonetheless, a number of challenges remain before Mozambique can fully take advantage of the energy unleashed by the increased economic and political participation of its citizens. Significant potential synergy exists for activities contributing toward the Agency's objectives in economic growth, democracy and governance, and population/health.

#### D. Analysis of Constraints and Opportunities

Given the scarce human and financial resources of the country (even including donor assistance), achieving sustainable development requires both the GRM and its foreign partners to make hard decisions about priorities.

Despite Mozambique's tremendous agricultural (and consequent economic) potential, Mozambicans are among the poorest in the world. Because the breadth and depth of the poverty in Mozambique (95% are poor by generally accepted definitions) make it difficult to fully address the problem of poverty, Mozambique's poor have been stratified: the absolute poor, the destitute, and the remainder. Sixty percent<sup>6</sup> of all Mozambicans live in absolute poverty<sup>7</sup>, while estimates of the destitute (a strata poorer than the absolutely poor) range between 10% and 20%<sup>8</sup> of the total population. Rural poverty is estimated to be significantly greater than the average, with up to 70% of rural households in absolute poverty. On the positive side, in rural areas where the causes of structural poverty (estimated by the World Bank in 1990<sup>9</sup> to encompass two-thirds of the rural population) have been linked to the 16-year civil war, Mozambique and its partners are in a position to begin to address some of the binding constraints. Much of the remaining conjunctural poverty is related to both the war and poor domestic economic policies.

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<sup>6</sup> Mozambique Poverty Alleviation Framework Paper, January 1990, World Bank

<sup>7</sup> Absolute poverty is the monthly household income per person below which growth faltering in children is very common and/or the cost of a basic monthly food ration (supplying 60%-70% of caloric requirements) is 50% of income per person. "Mozambique-Poverty Reduction Framework Paper," World Bank, September 21, 1990.

<sup>8</sup> "Towards a Targeted Urban Food Safety Net in Mozambique: An Assessment of Program Options," C. Teller *et al*, Pragma Corporation, October 1992, financed by USAID/Maputo

<sup>9</sup> "Mozambique Poverty Alleviation Framework Paper," World Bank, January 1990

The most critical underlying cause of structural and conjunctural poverty in Mozambique is the disruption and destruction of the economic link between rural households (80% of the population) and both domestic and foreign markets. Post-independence Marxist-Leninist economic policies disrupted or bankrupted the mercantilist colonial economic structure, while the civil war destroyed the Marxist economic structure FRELIMO tried to substitute. As a result, Mozambique's economic structure consists of a very costly, largely defunct industrial sector, an agricultural sector that for the most part regressed to subsistence (or less than subsistence in the most war-affected areas), a dysfunctional financial sector, a private sector principally focused on short-term transactions, and a public sector that can deliver neither basic services or goods to the vast majority of the country.

Economic growth is essential to mitigate Mozambique's pervasive poverty and, in the near to medium term, make possible greater private and public sector investments that are not feasible at current growth levels.

Growth, for the moment, is dependent on donor financing: foreign aid represents over 70% of GDP, 75% of import financing, and over 55% of the GRM's budget, including 70% of the investment budget and 35% of the recurrent budget. The export base is exceptionally low (13.8% of imports). Before Mozambique can transform its potential into real growth and real increases in household income, it must begin to address both the structural and conjunctural causes of poverty, i.e., the macroeconomic situation. In particular, removal of constraints to increasing the role of the private sector is crucial to reducing poverty in both the short and medium term.

Agriculture is the most important sector in the economy, accounting for about 60% of GDP, 80% of employment, and 80% of foreign exchange earnings.<sup>10</sup> Subsistence production accounts for almost 80% of total production. Under the poor macroeconomic policies of the pre-adjustment period, and exacerbated by the war and drought, agricultural production fell by almost 5% per year between 1981 and 1986. Failure of pricing policy, pro-State farm policies, and war-destroyed infrastructure all combined to thoroughly disrupt and destroy the marketing network.

Under the ERP/ESRP, the GRM liberalized pricing policy and dismantled (or allowed to become defunct) the State agricultural enterprise structure. Despite the war, production began to respond. Intensification of the war in 1990 and the onset of the 1991/92 drought, however, severely constrained the ability of the smallholder sector to broadly respond to the improved incentives. The lack of transport infrastructure (roads, bridges, ports, trucks, coastal vessels) further constrained surplus production in relatively secure areas, as the surplus could not be cost-effectively transported to consumer centers. Another factor impeding the transfer of food from surplus to deficit areas is the lack of adequate north-south transportation links (the colonial legacy was east-west linkages between Mozambique's ports and the landlocked countries of southern Africa).

With the initiation of peace in October 1992, the destabilizing impacts of the war on production and marketing, as a legacy of destroyed infrastructure and economic policies, virtually disappeared. In the first year after the General Peace Accord (GPA), agricultural output grew by 27.4%, while marketed production increased by 35% from 1991. The damaged and destroyed marketing infrastructure, however, has continued to be a major constraint to complete recovery of production as surplus areas remain de-linked from the consumer centers.

Both the colonial and the post-independence central planning approaches to economic and socio-political systems management were characterized by the lack of meaningful participation of citizens in the decision-making processes affecting

<sup>10</sup> See Annex 6, pages 21-26 and Annex 1, pages 24-34, for more detail.

their lives and well-being. In each case this lack was either the major cause of or a major contributor to the armed insurrections which led to independence and the 16-year civil war. The GRM's first steps toward multiparty democracy and decentralization were critical factors in convincing RENAMO to begin serious negotiations. The opening-up of the economy and the increased responsiveness of the GRM to the private sector have been essential to the economy's growth since 1987.

Although Mozambique's continued political stability will depend on broadening participation in political processes and civil society, structural constraints remain. Six factors must be in place for good governance<sup>11</sup>: political accountability, freedom of association and organization, an objective and efficient judiciary, bureaucratic accountability, freedom of information and expression, and efficiency within public institutions.<sup>13</sup>

Political accountability is achieved "through an objective system for periodically renewing the mandate of a government by changing the political leadership by peaceful and democratic means."<sup>14</sup> In Mozambique, the most serious constraints to accountability are: a) weak political parties (with a lack of articulated, distinct political platforms); b) the cost of elections; c) the institutional weaknesses both administratively and in human resource capacity; d) absence of bureaucratic accountability and e) the lack of an informed electorate. (See Annex 2 for fuller details.)

In the last election, none of the 12 parties and two coalitions had a *distinguishable platform*. Criteria for choice came down to recognizable faces and personal experience with the civil war and post-independence policies of FRELIMO. Although slate voting is an accepted principle in many democracies, the absence of any association of individual candidates with administrative subunits within provinces has two possibly negative implications for future elections. First, the candidates' allegiance to the party is greater than to their purported constituents. Second, the electorate have no sense that individual representatives have any responsibility or accountability to voters.

The relative cost of the first national elections is clearly unsustainable for the next elections, whether municipal or national. One estimate of the cost of the 1996 municipal elections (for less than a third of the municipalities) is \$16-20 million. Given that there is already a shortage of funding for the social sectors of \$24 million/year until 2003 (even with the GRM's increased spending on the social sectors), it is unlikely that the GRM will be able to fund a substantial part of the upcoming municipal or national elections. Exacerbating this trend will be the gradual decline of donor aid to Mozambique and the increase in demands for government spending on rebuilding destroyed social and economic infrastructure and debt service.

In terms of the municipal elections, a related problem is that the domestic financing will come wholly from the central government. This raises the specter

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<sup>11</sup> Dr. David Gordon defines governance as "the use of political authority and exercise of control over a society and the management of its resources for social and economic development." In "Governance and Democratization in Africa: Issues for USAID", David Gordon, Address to the USAID Africa Mission Directors' Conference, Baltimore, MD, May 19-24, 1991

<sup>12</sup> Democracy, according to Dr. Gordon, is "a far more narrow concept than governance, but has substantial overlap with it...It is a system that meets three essential conditions:...competition...for effective positions of government power; an inclusive level of political participation...; and a level of civil and political liberties..." *ibid.*

<sup>13</sup> *Ibid*

<sup>14</sup> *ibid.*

of untimely payment for necessary goods and services, as well as salaries for workers. For the moment, financial support for the political parties is also included in the national budget. The equitable and timely disbursement of those funds may also be an issue in the determination of free and fair elections at both the municipal and future national levels.

A significant factor in the success of the October 1994 elections was the substantial technical assistance provided by donors. This level of assistance will not be available for either the municipal elections or the next national elections. Nonetheless, some GRM institutional structure will be mandated to provide the necessary technical support, as well as an oversight unit. Even if the new structures drew upon former members of either the National Election Commission or the technical secretariats, these institutions form a relatively weak base as they require extensive outside technical assistance to perform their functions.

Another issue from the October 1994 national electoral process which can be expected to plague both the municipal elections and the next national elections is the extremely weak institutional base of the political parties, including RENAMO. The viability of opposition political parties suffers from weak organizational/administrative skills and lack of constituency building and campaign skills.

A serious, widely endemic problem is the lack of an informed electorate and nongovernment organizations whose purpose is voter education. At the moment, despite the extraordinary voter turnout for the October 1994 elections, it is extremely doubtful if the majority of voters understand that there is a link between the act of voting and government performance and accountability.

Several variables comprise the weak civil society that constrains Mozambicans from exercising their right to freedom of association and organization.

- a) historical repression and domination by the State, compounded by the dissolution of the normal social fabric through 16 years of a heinous, terrorist civil war and its consequent dislocation of six million people;
- b) lack of knowledge of the law, including the right to associate;
- c) lack of education from two perspectives: one, with literacy at only 30%, basic literacy and numeracy present formidable obstacles to communication and trust and two, education of public officials (such as police, prison guards, magistrates, security forces, attorneys, military); and
- d) lack of organizational skills, including knowledge of organizational management and membership building.

Within the legal sector, the constraints to good governance are more fundamental than the objectivity and efficiency of the judiciary. The dearth of legal professionals, outdated and conflicting codes, ignorance of codes by citizens and legal professionals, and barely functioning court systems and other legal institutions raise the question of whether the rule of law exists in much of Mozambique.

There are few mechanisms in Mozambique's governance system to ensure bureaucratic accountability. Transparency, legislative oversight, and internal control systems are weak or non-existent. (See Annex 6 for discussion of transparency problems in the budgetary process, customs, privatization, etc., and Annex 1 and 2 for transparency in such critical areas as land allocation.) Legislative oversight of the executive branch is weak, largely executed through what has been a rubber-stamp budget approval process. In addition, the National Assembly lacks a history of even superficial monitoring of the executive branch. Internal controls within the executive, judicial and legislative branches are extremely weak or non-functional. The Attorney General is responsible for both prosecuting and

defending the government. The Inspector General for Finance (Auditor General), under the Attorney General lacks autonomy and staff.

In a major shift from the historical past, however, in preparation for the March 1995 Consultative Group Meeting, the Ministry of Plan and Finance has been open to donor suggestions and receptive to our proposed working groups. They have also publicly released for the first time ever the current fiscal year proposed budget for discussion with the donors and public analysis. While it is too early to judge the depth of commitment to greater openness, this first step in transparency and accountability by the new government is very encouraging.

Constraints to freedom of information and expression range from simple economics and lack of a literate society, which limits the expansion of the media market, to government ownership. Such ownership gives them control, if they choose to use it, of nearly all media outlets. There is also the press law, that, while the Constitution prohibits censorship, "does go a long way towards regulating the press in a way which could certainly have a chilling effect on freedom of expression and information."<sup>15</sup> While the Press Law has not yet been used to directly stifle discussion, the independent press may practice self-censorship to avoid invoking the law. (See Annex 2 for more details.)

Efficiency in public institutions is constrained by many factors. Two of the most important are 1) the lack of human and financial resources and 2) the inappropriate role and size of the government. The bottom line for this government is that it cannot afford a pervasive, all-encompassing government providing total care for all of its citizens. The human resource capacity in Mozambique is one of the poorest in the world (see Annex 1 for data on the agricultural sector, Annex 3 for the health sector and Annex 2 for the legal sector). The capacity the government does have is crippled by over-centralization and byzantine, rigid procedures and processes.

The impact on people of the constraints to growth can be seen in both the level of poverty and the shocking rates of infant, child and maternal mortality. As a result of the destruction of the health infrastructure and assassinations of health care providers during the war, the pestiferous living conditions and the serious deterioration of standards of health care, Mozambique's social indicators are the worst or close to the worst in the world. About 50% of the deaths in Mozambique are of children under the age of five. Correcting the causes of these horrendous effects means establishing priorities, increasing access and use of essential services (including establishing innovative service delivery systems and changing behavior patterns), and improving the quality of services provided.

#### E. Other Donor Programs

A unique feature of Mozambique is the number of aid providers: it is estimated that more than 50 bilateral and multilateral donors and 70 international PVOs/NGOs operate in the country. During the latter years of the war, estimates were as high as 70 and 170 donors and PVOs/NGOs, respectively. (Tables showing other donors' investments related to the Mission's chosen strategy are included in the annexes related to discussion of the strategy.) Security concerns have severely restricted the areas in which donors and international NGOs could work. Many of these donors and international NGOs have been involved in supporting emergency and humanitarian relief. Since the end of the war and the lessening impact of the 1992 drought, a number of these donors/NGOs have either left, reduced their activities, or begun to shift their activities toward the development end of the relief-development continuum. There are still significantly large numbers of donors and NGOs operating in Mozambique.

Donor coordination, particularly over the last six years, has improved

<sup>15</sup> Williams, Anne, "The Mozambique Constitution and Human Rights", Annex J, Democratic Initiatives Project Paper, 1991.

tremendously. During the 1992 drought and the transition period (the three years following the peace accord), donor coordination has been particularly effective and notable. A recent GAO audit cited the outstanding coordination not only among the U.S. agencies but also among donors in support of the elections. This was only one of many successful coordination efforts through the various Commissions mandated by the General Peace Accord (GPA) and other donor efforts (e.g., demobilization, mine clearance, food distribution, etc.)

While the peace process brought special coordination challenges for the donors to Mozambique, they had already made significant progress before the GPA was signed. In the late 1980s, under the Minister of Finance, the GRM and donors established sector working groups. Each Working Group shared joint leadership between the particular Ministry involved and a lead donor.

Experience with the working groups has been mixed, largely depending on the particular Ministry's level of institutional competence and interest in working with donors. Under the aegis of the Roads and Coastal Shipping framework, the Ministry of Transportation and Communications, the Ministry of Public Works and Housing, and the World Bank have been effective in developing an investment (including recurrent costs for maintenance) framework within which other donors (such as USAID/Maputo's Rural Access Activity and UNDP's feeder roads project) plan and implement their activities. The Health Working Group has been consistently active in coordinating donors, reviewing some key policy areas (such as allowing private health service providers), and establishing an informal framework for health investments.

Other working groups have been weak, such as the Agriculture Working Group. A relatively weak institution under poor leadership over the last five years, the Ministry of Agriculture (MOA), while unable to fully assert its own leadership, has strongly resisted usurpation of leadership by any donor. As a result, donor coordination is done in a much less organized basis, generally through individual consultations related to issues and/or new designs. USAID/Maputo coordination with the World Bank is quite good, with frequent (every 6 to 8 weeks) consultations with the Country Team. Coordination with the UNDP, FAO and the SIDA is also good, but less frequent. Without in-country representation, the African Development Bank (ADB) ensures that supervision teams visit all the major donors during their regular visits. While not as ideal as a strong Working Group, the more piecemeal and issues-oriented coordination in agriculture and rural development has been adequate. Its strong presence in-country has provided USAID/Maputo a relatively influential role.

Concern among donors that the March 1995 Consultative Group Meeting was a watershed event requiring a statement of bold government action, combined with the GRM decision to involve donors in CG preparation led to the GRM in creating two working groups to help the GRM prepare for the March 1995 Consultative Group Meeting. The Budget Working Group has been particularly effective and will continue after the Consultative Group Meeting, expanding into a macroeconomic working group to address a wide range of interdependent issues. The Transparency/Governance working group is having less success. The role of this working group, including its terms of reference, is unclear to the GRM as well as to participating donors.

A new national-level mechanism exists for PVO/NGO coordination. Known as LINK, it initially provided a regional approach to agencies working with Mozambican refugees following the GPA. It is now formalized as a broader-based PVO/NGO coordination unit that counts 55 international and 22 indigenous nongovernment organizations among its active members. LINK sponsors a busy schedule of discussions among PVOs/NGOs and donors and has placed a special emphasis on improving the capacity of Mozambican NGOs to assume more leadership in development activities. It is too soon to tell if LINK will be effective or able to stay the course. At the provincial level, fortunately, NGO coordination among themselves and with the GRM is reasonably good in all provinces. This coordination has been

useful for the NGOs and the government, as the GRM confronts the legacies of the war with extremely scarce resources. On a more practical level, such coordination has enabled the international NGO community in the provinces to resolve technological differences (although not always to square philosophical stands on development) and cost-effectively increase coverage of basic services. Although USAID/Maputo does not participate directly on these provincial coordination committees, the Mission has been able through our substantial involvement with U.S. PVOs, to monitor and indirectly participate. During on-site visits, project managers are able to participate in meetings.

#### F. Accomplishments and Lessons Learned

This section draws not only upon USAID's experience in the strategy areas identified, but also on USAID/Maputo's experience in Mozambique since 1984. The Mission's experience coincides with all of Mozambique's major post-independence economic and political phases.

Since the inception of a non-OFDA program in Mozambique, USAID/Maputo has explicitly programmed along the full range of the emergency-development continuum. As codified in the FY 1990-1992 Country Program Strategic Plan, the Mission pursued concurrent impacts in three primary areas: assuring food security, increasing the role of the private sector in the economy, and facilitating improved governance. Before the Transition Program (FY 1993-1995), this program generally pursued policy reform intended to remove economic policies constraining the private sector (particularly as related to agriculture) from fully participating in the economy; broad food security safety nets through providing critical levels of food aid and basic inputs like seeds and hand tools to increase food production; improving market structure and articulation; improving the health status of children under five and their mothers; and pilot support to selected democracy-related activities.

The 1994 evaluation of the Private Sector Support Program drew the following conclusions.

- Despite occasional backsliding, liberalization of agricultural prices had progressed to cover nearly all agricultural products and had a significant impact on production and the availability of farm products in the market.
- Divestiture of state farms, which had been an enormous drain on the budget and on investment, has been largely accomplished. New issues have arisen which will be crucial to the development of agriculture, food security and exports in the future, as well as for political stability.
- The CIP provided a considerable amount of appropriate farm equipment and trucks to the private sector. This contributed to increased farm production and ability to get people and products to market centers. Input supply was also enhanced. Policy dialogue promoted long-term efficiency by seeking privatization of state-owned enterprises.
- Significant exchange-rate distortions of the past had been eliminated and improved private-sector access to foreign exchange was partly attributable to USAID/Maputo policy dialogue.
- A functional free-market trade in food grains and other foodstuffs developed. Private sector wholesale and retail trade in food grains, beans and other non-perishable agricultural products was reestablished. Retail trade was also liberalized and expanded as small-scale itinerant traders scoured the countryside for farm products and retailed them in increasing numbers of open-air markets.
- Substantial policy reforms occurred in the importation, pricing and marketing of petroleum products.

Other evaluations further noted that

- Acute malnutrition declined in targeted areas due to food aid distributions; vaccinations in other areas covered by the PVOs doubled; and PVOs increasingly shifted programs away from emergency toward sustainable development, with over 2.5 million beneficiaries receiving agpaks (seed and tool packages).
- During the peace process, 90,000 former combatants were demobilized; 90% of eligible voters were registered, of which 81% voted; global acute malnutrition decreased and then stabilized; resources for PVO activities shifted from decreasing dependency on food aid to facilitating reintegration; and over 1400 km of roads were cleared of mines, while almost 2000 km of roads were rehabilitated for passage of returnees and commerce.

The March 1995 Assessment of Program Impact presents the accomplishments to date of the Transition Program.

#### LESSONS LEARNED

PVOs/NGOs are effective deliverers of service

GRM has extremely weak human resources

Decentralization (deconcentration) is essential (more performance at provincial and district levels than in center)

Mozambicans respond to economic liberalization and market signals, particularly when accompanied by the means to respond

The formal private sector is small and weak and in the short term the informal and small enterprise sectors will be the area of greatest potential growth

Donor attention to implementation is essential

For some reforms (such as pricing, foreign exchange, land, food security, etc.), given a critical (but variable) level of empirical data, the GRM will change policies, albeit initially as *de facto* implementation

A generation of Mozambicans learned and believed that the State was, and ought to be, responsible for the welfare (economic, social and political) of its citizens--even when convinced that change was necessary in one area, that conviction is not *a priori* applied to other areas

Political will is highly variable, depending on the perceived political and economic gains-- "Winner/ loser" analysis is very important

#### G. Accountability Environment

USAID/Maputo has established a fully staffed Financial Analysis Division within the Mission's Office of Financial Management. One of the primary functions of this division is to assess the accountability environment of our implementation partners. Initially these assessments have focused on U.S. and non-U.S. PVOs, a few indigenous NGOs, and several government agencies. With the exception of indigenous NGOs, acceptable levels of accountability have been found in these organizations. Having had past dealings with USAID, the U.S. PVOs are familiar with USAID's financial and administrative requirements and only in a very few instances has guidance been required to bring them into compliance with USAID regulations.

While indigenous nongovernmental organizations have so far not been directly involved in implementing emergency or development activities funded by USAID/Maputo, under the new strategy, the Mission will encourage U.S. PVOs to partner indigenous NGOs in carrying out assistance programs. This partnership will be essential in building the programmatic and financial management capacity of indigenous NGOs to a level where they may one day also be able to receive funding through USAID/Maputo.

Under our current program, no U.S. dollar assistance is being channelled through Mozambican government agencies. All funds are disbursed directly by USAID/Maputo to grantees or contractors. In those cases where host country contracting is utilized (e.g., construction activities), direct letters of commitment are issued by the Mission to the contractor and payments are made directly to the contractor by USAID after the government approves the contractors' invoices.

Both public and private-sector audit capacity is limited. The effectiveness of the Inspector General of Finance is hampered by a lack of independence and is severely restricted by a lack of adequate resources. In the private sector, only three of the "Big Six" audit firms have offices in Maputo. They are primarily interested in consultancy and management-type contracts. Audit activities are a low priority for the existing firms and are invariably very expensive, with relatively poor results.

In accordance with USAID policy, the Mission will be conducting a General Assessment of the accountability environment of the GRM during 1995.

#### H. Assessment of Life of Development Assistance

As is clearly stated above, Mozambique will need massive donor assistance for the foreseeable future in addition to significant debt relief. Even with annual GDP growth increasing from 5% currently to as high as 10% by 2010, GDP growth will barely be adequate to return Mozambique by 2020 to the per capita income levels and minimum quality of life standards it achieved in 1975. Nonetheless, this strategy was developed with the understanding that the USG might wish to phase out in a much shorter timeframe.

There are three critical determinants of Mozambique's ability to successfully pursue sustainable development: 1) human resource capacity, 2) rate and pace of economic growth, and 3) debt relief. Not even a minimum level of these determinants will be met over the six years of this strategy at any level of assistance. Mozambique is far from achieving the per capita income levels, primary school enrollment rates, and literacy rates from which the South East Asian "baby tigers" took off in the mid-1960s. This strategy, however, intends to begin helping Mozambique establish a base from which, if necessary, it might have a chance of achieving sustainability (albeit at a socioeconomic level much lower than that which it enjoyed at independence). The Mission hypothesizes that the base for this lower standard of living might be established over a second strategy period of four to five years. By that time, with no appreciable setbacks (and assuming the necessary debt relief, which is beyond the Mission's control), the percent of the population in absolute poverty may drop to below 30% and the destitute to less than 10%.

This would place Mozambique in the range of a "normal" underdeveloped country. In defining targets for U.S. assistance over the coming years, USAID/Maputo is taking a 2-6-10 approach. In two years, the Mission hopes to have assisted the GRM in undertaking a significant policy reform agenda, in six years to have planned results in the three strategic areas outlined in this strategy, and in ten years have a sustainable development process in place that could continue without high levels of U.S. assistance. Throughout implementation of this strategy the Mission will be refining its targets and assessing the impact of exogenous factors on achievement of projected results.

## II. Proposed Strategy, Rationale, and Key Assumptions

### A. U.S. Assistance Objectives

Before looking ahead to the next six years of assistance, it is important to assess the impact of past efforts. Among the factors cited earlier in this paper in deciding to start an aid program were humanitarian concerns, and the practical necessity for peace in the region. On the humanitarian side, at least one million people have died over the past twenty years as a result of war and natural disasters in Mozambique. Yet, the tragedy would have been on a far larger scale without more than \$1 billion in international food and emergency assistance (the U.S. has been the largest humanitarian donor). This massive humanitarian aid effort is now winding down as nearly five million people have found their way home and are beginning to return to productive lives.

But, what about regional peace and security? The results over the last ten years are truly dramatic. The 1994 South African elections resulted in a black majority government and relative domestic peace. South Africa's aggressive foreign policy has been replaced by cooperation with its neighbors, and it is rapidly establishing contacts throughout sub-Saharan Africa. South Africa is the newest member of a transformed Southern Africa Development Community. Namibia, through democratic elections, has now achieved majority rule, and is showing signs of political and economic stability and maturity. Malawi and Zambia have had successful, peaceful elections and transitions of power. Mozambique has successfully demobilized its armies and carried out free and fair multi-party elections. Only Angola remains on the precipice between continued war and anarchy and peaceful compromise. Nonetheless, the successes clearly outweigh the failures.

What next? In spite of a decade of dramatic progress, peace and security are fragile commodities--as can be readily seen in other parts of the continent. The achievement of peace and security in Southern Africa cannot be allowed to fail. The next steps in consolidating peace and security involve increased regional cooperation, strengthened trading ties and promotion of an open free-market system throughout Southern Africa. Only with such progress can U.S. aid flows be replaced by trade and commercial ties between the U.S. and the region's markets. In Africa today, the best prospect for a successful transition from aid to trade is in the southern part of the continent--with its better infrastructure, natural resource base, human capacity, and improving economic policy environment. It is, therefore, in the United States' interest to assist in transforming a fragile peace into real economic growth and cooperation.

With its natural resource potential and important trade routes to the sea, Mozambique's stability and economic progress are vital to regional growth. But, after decades of war, Mozambique's economy is shattered, trust between the previously warring parties has not been fully achieved, and the country remains one of the poorest in the world. Apart from Angola, the prospects for continued political and economic growth are more precarious in Mozambique than anywhere else in Southern Africa. Only hard work, a commitment to political reconciliation and implementation of economic reforms, and good international cooperation with Mozambique's aid partners can stabilize the process over the next decade.

What was true in 1984 remains true today. A strong commitment by Mozambique to political liberalization and economic reform is necessary to justify a large U.S. assistance presence. The region has a stake in this outcome as well. Increased production will permit Mozambique to play an important role in growing regional markets, while increasing household incomes will arrest economic emigration. Continued reconciliation and growth in democratic processes will strengthen stability and the prospects for regional and international investment.

Adherence to a strong policy reform agenda, therefore, is essential. A reform

agenda that permits private sector expansion, commits to increasing resources to health and education, adopts new social service delivery mechanisms essential to achieving stronger maternal and child health care delivery through community participation, and commits to reconciliation and growth in democratic processes is the *sine qua non* for effective U.S. assistance.

At the March 1995 Consultative Group Meeting in Paris, the GRM provided a strong signal that it is serious about remaining on the path of political and economic reform. The new government appointed by President Chissano in December 1994 has already demonstrated a much stronger commitment to economic and political reform than the previous one. Nevertheless, the path ahead is daunting and the capacity of government extremely limited. Given the importance of Mozambique's economic growth and political stability to the Southern Africa region, however, it is vital that this process continue. Strong, united donor pressure to meet the benchmarks and timetable established by the GRM, as has been learned from past experience, is essential to helping the GRM stay the course of reform.

Cameron Hume, in his recent book, "Ending Mozambique's War", has made the point that third party intervention was vital in keeping the parties to the peace process moving to a successful conclusion in October 1992. The transition from October 1992 to October 1994 has proven how critical international pressure was in keeping to the peace timetable and agenda, and to its key components--mobilization and elections. So, too, must Mozambique's development partners help the GRM sustain the policy reform agenda and its timetable in the future.

Finally, it is important to realize that development in Mozambique must adhere to a short as well as long-term timetable. History in Mozambique has shown that much can be accomplished in one decade (1984-1994), or even in two years (October 1992-October 1994). The long-term development of Mozambique will not be successful unless the policy reforms announced at the March 1995 Consultative Group meeting are implemented over the next several months to two years. To that end, the Mission's strategy includes an important policy dialogue component to assist in implementing the 1995 and 1996 reforms.

If, in its first year, the new GRM succeeds in meeting the policy benchmarks it has set for itself, and the IMF targets are substantially met for 1995, under those conditions we would propose a significant increase in U.S. resources to Mozambique. To assure that Mozambique contributes to regional peace, stability and growth in the future, attention to today's policy agenda is vital. And, it is key to sustaining the contribution that foreign assistance in Mozambique can make to U.S. policy and trade objectives in Africa.

## B. Overview of USAID Strategy in Mozambique

Since USAID's program began in 1984, it has implemented three short-term strategies. Between 1984 and 1990, the Mission responded to humanitarian crises and initiated an economic policy reform agenda focused on liberalizing the agricultural sector, encouraging the GRM to reduce restrictions on the private sector, and liberalizing exchange rate management. Beginning in 1990, USAID/Maputo implemented its first Country Program Strategic Plan (CPSP).

### 1. FY 1990 - FY 1992 Country Program Strategic Plan

The goal of this CPSP was to ensure access for all Mozambicans at all times to sufficient food for a healthy and productive life. The strategy consisted of four strategic objectives contributing to two subgoals: the first, to meet the subsistence food and basic health requirements of the absolute poor; and the second, to increase food supplies through private sector production and trade to levels that meet domestic consumption requirements. The four strategic objectives were:

One: Sustain an effective food safety net for the urban poor and those

displaced and severely affected by war.

- Two: Reduce, among target population groups, dependence on external food aid to meet subsistence requirements.
- Three: Establish a policy environment conducive to private agricultural production and marketing.
- Four: Increase the role of the market in allocating productive resources to private producers.

Policy reform was central to the success of the strategy, as was the participation of U.S. private and voluntary organizations. By FY 1992, the Mission had largely achieved its strategic objectives and made notable progress toward both subgoals.<sup>16</sup> Even as the Mission began preparations in early FY 1992 for its first medium-term strategy, the worst drought in a century in Southern Africa hit.

#### *The 1992 Drought*

By January 1992, the Mission recognized that Mozambique was suffering under a particularly bad drought. By the end of February 1992, it was clear that one of the most vulnerable countries in the world in terms of food security was being threatened by the specter of becoming another Somalia or a 1984 Ethiopia. To avoid this catastrophe, USAID/Maputo shifted almost all of its staff and financial resources to mitigating the effects of the drought. USAID/W and the USDA were extremely forthcoming in providing enough additional resources, to--when combined with those of other donors--avert death and famine.<sup>17</sup>

#### 2. FY 1993-1995 Transition Program

On October 4, 1992, in the midst of the drought, the GRM and RENAMO signed the General Peace Accords (GPA), bringing peace to Mozambique for the first time in 16 years. The USG responded quickly to the imperatives of the GPA by developing a new short-term Transition Program to help Mozambique complete a successful war-to-peace transition (superseding, but not entirely displacing, the FY 1990-1992 CPSP). This strategy, encompassing FYs 1993-1995, had three strategic objectives:

- One: Avoid drought-related and war-related famine and death.
- Two: Contribute to successful implementation of the peace process.
- Three: Contribute to reintegration of populations into stable and productive social and economic activities.

The FY 1993-1994 Assessment of Program Impact clearly documents the USG's successes and progress toward achievement of USAID/Maputo's strategic objectives and Mozambique's own exciting successes in completing the terms of the GPA.

The successful fulfillment of the terms of the GPA is a significant achievement that should not be underplayed. The watershed event in this process and in Mozambique's development, however, may well be the election of a new government with a significantly changed optic. This government has the opportunity to make a long-overdue bellwether change in Mozambique's development strategy. The possible constraints to successful completion of this change are the lack of human resource capacity and political commitment.

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<sup>16</sup> See the Assessments of Program Impact for FY 1990, FY 1991 and FY 1992.

<sup>17</sup> See the Assessments of Program Impact FY 1990 through FY 1992, the Assessment of Program Impact FY 93-94, and the 1993 SADE evaluation.

### C. Post-election Development Environment

Whether part of the tenth most industrialized country in Africa, as in 1975, or the world's poorest by 1994, the majority of Mozambicans have been locked out of real participation in the economic and political life of their time. Over the last 30 years of war (including the fight for independence and the civil insurrection), Mozambicans have been impoverished to the point where this fact becomes the overwhelming character in Mozambique's landscape. The developmental challenge facing Mozambique and its partners is to identify the causes of and solutions to impoverishment and the alienation of both the government from its citizens and the majority of Mozambicans from participation in the country's political and economic life.

In the recently completed Consultative Group Meeting, the GRM presented a significantly improved economic and political development agenda. Most notable was a strong commitment from key officials to increasing transparency and a real willingness to tackle fiscal austerity while making substantial commitments to improving governance and economic management. The degree to which these key officials are able to meet their commitment will be dependent on human resource and institutional capacity, and the degree to which the donors remain committed to insisting that the GRM meeting benchmarks and timetables.

In the post-election environment, food security is no longer the immediate, overwhelming development issue in Mozambique. It remains, however, a much more complex and subtle counterpoint. Before and during the drought, donors' primary concern was to ensure massive enough food aid to avoid widespread famine and death among the internally displaced--both rural and urban--and the urban families falling below the absolute poverty line. During the transition period after the signing of the General Peace Accords and the elections, the concern was to prevent starvation and acute malnutrition among the five million returnees moving back to areas with no support systems and few or no means of production, still using relatively massive levels of aid.

In the post-election period, however, the GRM and donors will have to manage food aid with a great deal more finesse than in the past. In addition to issues related to domestic production disincentives, the GRM and donors must integrate concerns about:

- 1) local purchases for the residual emergency program distorting the developing markets by crowding the market-dependent population out of the market--thereby increasing food insecurity in urban areas;
- 2) narrowly targeting direct feeding programs in rural areas;
- 3) the impacts of cash for work/food for work (CFW/FFW) on local and national market development;
- 4) loss of government revenue (and its impact on social sector spending) from declining commercial food aid levels; and
- 5) the near to medium-term interregnum between strengthening policy and market signals to increase production and expansion of an effective private sector market distribution system that assures adequate supplies at an affordable price for the urban absolutely poor--or how broad and in what form to establish a broad safety net (60% of the urban population is absolutely poor).

### D. Country Program Strategy Goal

During the analytical process undertaken to develop the strategy presented in this

document, USAID and several of its stakeholders<sup>18</sup> identified a number of variables that were intrinsic to sustainable development in Mozambique. Most of those variables were linked to three potential goals: 1) broad-based, market-oriented, sustainable economic growth; 2) food security; and 3) enhanced human productivity. Strong links exist among the three. In analyzing those links and trying to establish cause-effect relationships in Mozambique, USAID and its stakeholders came to several conclusions.

- With the end of the war and the drought effects, food insecurity is becoming more a lack of income resulting from slow growth than an issue of production constrained by war-related devastation.
- Economic growth was constrained by inappropriate economic policies, lack of infrastructure and low human productivity, exacerbated by the devastation of war.
- Truly broad-based economic growth was not achievable even in the longer timeframe because of the pervasiveness of poverty and the deleterious impacts of that on human productivity.
- Constraints to human productivity included some critical economic policies, the political system, and the educational and health status of the majority of Mozambicans.

Based on these analyses and conclusions, USAID and its stakeholders chose Enhanced Human Productivity as the strategy goal.

The two most important keys to surmounting the daunting challenges confronting Mozambique are economic growth and the consolidation of improved governance and democratic processes. However, the extremely poor health status of most Mozambicans, particularly of women and children, is a serious impediment to their participation in and reception of the benefits of growth and a more responsive government.

#### **E. Strategic Objective 1.0: Rural Household Income Increased in Targeted Areas**

##### **1. Rationale**

Increasing rural household income is central and fundamental to enhancing human productivity and fueling economic growth. By helping households increase income, the Mission will enable individuals and households to make important consumption and investment decisions to improve their wellbeing, increase the availability and consumption of food, and increase their access to and use of education and health services.

This Strategic Objective (SO) complements and will be implemented in conjunction with the Mission's other two strategic objectives: increased use of essential maternal child health/family planning services in focus areas, which will directly and indirectly increase the productivity of the household; and government more accountable to citizens, which includes empowerment of local communities to resolve many of their own problems.

Increasing household income will contribute to the alleviation of food insecurity,

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<sup>18</sup> In April and November 1993, the Mission, cooperating PVOs, key institutional and university contractors, and REDSO staff participated in one to two-day workshops. The objectives of the workshops were to broadly define Mozambique's development needs and constraints and to identify critical topical areas to which the Mission should focus its analysis and resources. These workshops also led to the Mission's working goal as well as three primary topical areas: household income, social service delivery and democracy/governance.

a perennial problem in Mozambique. As has been seen elsewhere, health and education are highly correlated with income at both the individual and societal levels. The potential impact on rural households will be significant as people resettle in rural areas and increase production beyond subsistence needs.

Rural household income is defined as the cash value of production for own-consumption plus remuneration from the sale of goods and services, including in-kind payment and remittances by those rural people who ate together on a regular basis in the last year in a specific location. The sources of rural household income include:

- on-farm crop and livestock production consumed by the household;
- off-farm income<sup>19</sup> from the sale of agricultural produce (crops, livestock, forestry and fisheries);
- wage earnings and in-kind income from off-farm labor;
- earnings from off-farm, non-agriculturally related activities (e.g., from services or sale of consumer goods); and
- remittances.

The conditions necessary and sufficient to increase Mozambican rural household income are:

- increased access to markets;
- increased earnings from off-farm activities;
- increased agricultural output; and
- increased remittances.

Increasing remittances is beyond the manageable interest of the Mission and is also a relatively minor component of household income in the targeted areas. The targeted areas the Mission has chosen include the primarily maize-based cropping system areas from the Beira Corridor (parts of Northern Sofala and Northern Manica), Zambezi and Nampula provinces, and the cashew tree/cropping systems of the coastal regions of Sofala, Inhambane and Gaza. The Mission expects to make few direct interventions in the cashew tree system in the coastal areas south of Zambezi. Nonetheless, these areas will directly benefit from the policy changes which will be sought. The choice of the two crops is based on the expectation that some concentration on key agricultural commodities that are widely-grown and associated with high demand, existing markets, and rural income will bring quantifiable benefits in terms of income and household food security to a large number of rural households. Although the two crops are important contributors to household income at the moment, the strategy's intent is to diversify and increase household income. The areas identified for targeting have good agricultural potential, including as they do part of the nation's breadbasket; are potential suppliers for Mozambique's principal domestic and export markets; and have been severely affected by the war. Roughly 33% of Mozambique's population are encompassed by the identified areas.

#### a. Development Needs, Constraints, and Opportunities

For a discussion of the macroeconomic constraints, refer to Part I. Sections A.3. and D., above. See also Annexes 1 and 6. Overall, the current policy and regulatory environment suffers from a lack of implementation and transparency. The inherent uncertainties and disincentive effects of these weaknesses are significant constraints to both increased household incomes and a vibrant, competitive private sector. Of particular concern are policy and regulatory

<sup>19</sup> Off-farm includes any activity other than on-farm subsistence crop and livestock production.

obstacles to more effective and efficient marketing of agricultural products, especially of export crops. Smallholders are the most significant producers of two of the most important exports, cashews and cotton.

In addition to those described above, a number of constraints related to market organization, rural enterprise development and expansion, and agricultural output exist or persist. See Section II of Annex 1 for detailed discussions of the range of constraints. The constraints which the Task Force has judged to be the most binding during the strategy period are briefly described in the appropriate sections below.

#### b. Potential for Sustainable Development

This Mission's strategy proposes to increase rural household income by combining a top-down and bottom-up approach. Focusing solely on a top-down approach (i.e., get prices right and everything else will follow) has not been effective in sub-Saharan Africa. On the other hand, focusing solely on the household level has not succeeded where serious macroeconomic distortions exist. Two of the program outcomes allow the Mission to combine both approaches and address both the supply and demand components of markets.

The areas identified for targeting have good agricultural potential, as they include part of the nation's breadbasket, are potential suppliers for Mozambique's principal domestic and export markets, and were severely affected by the war. Roughly 33% of Mozambique's population is encompassed by the identified areas.

The strategy also seeks a redress of the former dependency on the extremely weak institutional capacity of the GRM. Increasing the role of the private sector, including NGOs, in the provision of necessary goods and services related to market access, rural enterprises and agricultural output, and supporting the GRM in a more focused policy and coordination role will improve the sustainability of increased household income.

#### c. Indicators

1. Percentage of increase in the average rural household income
  - female head of household
  - male head of household
  - both male and female head of household
2. Off-farm income as a percentage of total household income

#### 2. Program Outcome 1.1: Increased Access to Markets

##### a. Nature of the Problem

Over the last seven years, the GRM has made substantial progress in liberalizing producer and consumer prices. Nonetheless, the few remaining price policies (e.g., floor price system) continue to be repressive as implementation impedes market response and depresses producer prices. Also constraining the market's ability to provide price signals (incentives) to producers are licensing impediments, such as restricting the number of export licenses for cashew nuts and the overall number of licenses in a given administrative area.

The lack of an efficient and cost-effective marketing network is a major constraint. Much of the "hard" marketing infrastructure (roads, bridges, electrical transmission lines, and railroads) was destroyed by the war, with the result, that much of the "soft" infrastructure (i.e., service network--market information, transport, marketing, and social sectors), became inoperative.

Only 6% of the unpaved main highways links were rated "good" in 1989. Less than 10% of entire national network, comprising some 5,300 km of paved and 23,900 km of

unpaved roads were in "good condition at the beginning of the 1990s. One third are not accessible on a regular basis. Despite the excellent quality of the basic road construction, the feeder roads are in poor to impassable condition. Lack of maintenance due to non-access during the war and lack of resources contributed to the severe deterioration of the transport network. Consequently, vehicular traffic is low and sporadic, constituting a serious bottleneck to the marketing of domestic production for consumption and export, as well as the supply of consumer goods and production inputs. In addition, reports of mines discourage commercial traffic to areas with marginal to medium-potential returns.

Poor management and an aged fleet are the major constraints to more efficient and cost-effective coastal shipping, as is the rudimentary and poorly maintained infrastructure. Poor management is also the major obstacle to transforming the rail system (although only of limited use to domestic marketing because of its east-west rather than north-south orientation) into a competitive, cost-effective alternative to road transport. The moribund, aged parastatal truck fleet is no longer the constraint it was during the war; however, the protectionism the GRM provided the fleet through fees, licensing, restrictions on entry to ports, axle weight limits, etc. are still in place and still unnecessarily increase the cost of transportation.

Underdeveloped communications, when considered in terms of the large distances between markets nodes and between producer and buyer, inhibits market performance. In the absence of a market information system and a viable telecommunications system, traders, wholesalers and producers are not alerted to existing surplus or deficit markets. The lack of this basic information leads to inefficiencies and higher marketing costs to the trader and consumer. It also puts the rural producer at a serious disadvantage in negotiating a sales price for her/his surplus production.

Credit appears to be a major constraint to improving trading networks. Very high nominal interest rates make it very unattractive to borrow money and even more difficult to repay loans in the 90 to 180 day loan period. This lack of credit, however, is not a major constraint to smallholder production in the near term (or over the period of this strategy)--at least not until the level of technology used by smallholders improves and the relative costs of purchased inputs decline as marketing costs fall.

Mozambique has one of the world's weakest institutional and human resource bases. According to UNDP, in 1992 there were only 130 university graduates in the Ministry of Agriculture (MOA), 62% of whom were based in Maputo. In the same time period, the MOA was managing 180 donor projects (reduced from 500) as well as its own extension and research systems. Lacking any real capacity to collect, analyze, and disseminate reliable, pertinent data, the Ministry made agricultural policy in an information vacuum.

Implementation has been very slow by any standards; donor and private sector competition for trained staff to work on projects has been stiff. Compounding this problem, the current administrative system centralizes all planning, financial and administrative authority. While the institutional weaknesses may be amenable to amelioration by changing the structure and role of the institutions, the human resource capacity will remain a serious constraint for the strategy period and beyond (e.g., the primary enrollment rate is 55% of eligible students, with only 50% of those going on to the next level of which only 34% go on to pre-university. Of an age cohort only 1% reach university<sup>20</sup>).

#### b. Programmatic Approaches and Feasibility

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<sup>20</sup> "Education Sector Assessment," prepared for USAID/Maputo by the Improving the Efficiency of Educational Systems Project, Florida State University, July 1992

This strategy proposes to strengthen markets by increasing access to markets through joint investments with the GRM in infrastructure and by improving the enabling environment that encourages opportunity and choice for private sector investments. Specifically, the Mission is proposing a combination of project assistance, non-project assistance (NPA) and food aid to address these constraints to access.

Project assistance will be directed principally toward three major constraints:

- the physical constraints to market access, such as roads and bridges and on-farm storage;
- weak or almost non-existent service networks, such as market information, private sector providers of general contracting services, and transport services; and
- weak management of market infrastructure, including the National Directorate of Roads and Bridges, the provincial road construction companies, coastal shipping, and possibly other entities, as identified during results package design.

Non-project assistance, conditionality to project assistance and food aid will be directed toward such policy constraints as those related to, among other issues, completion of pricing liberalization, transaction costs of market entry and access, road maintenance and privatization of GRM functions related to road construction and maintenance, increasing transport capacity (e.g., fees, tariffs, non-tariff barriers, etc.) and broadening financial services. In the early part of the strategy, the Mission expects that the NPA will use the CIP mechanism. In that case, the NPA may also directly address the lack of equipment and supplies necessary for improving market access (e.g., computers, trucks, heavy equipment, processing equipment, etc.).

The Mission will work through a small inter-ministerial policy group to develop and monitor implementation of a reform agenda. Depending on the nature of the policy constraint, the Mission will address it through policy conditionality for the NPA or project assistance and/or project finance joint studies or research with the GRM and other partners.

Commercial food aid will have the added benefit (beyond providing the forum for policy dialogue and directly contributing to food security) of physically strengthening market networks by its actual flow through a variety of private sector suppliers just as it does now. As Title II food aid also moves up the emergency relief development continuum from emergency to mitigation, the PVO sponsors are expected to increase the share of resources going into Food for Work (FFW) or Cash for Work (CFW). The Mission has already had informal discussions with the GRM and PVOs about the potential for CFW to help villages provide basic maintenance on feeder roads used by their producers. During the design of the Rural Access Project, the issue of a role for community maintenance will be explored.

#### c. USAID's Comparative Advantage

Although the United States has no comparative advantage in providing assistance to rural infrastructure projects, in general, such investments have had significant long-term impact.<sup>21</sup> In Mozambique, USAID/Maputo has a comparative advantage in rapid implementation, from conceptualization to completion, of rural road rehabilitation. Based on past experience in the country, the Mission also has a

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<sup>21</sup> "Assessment of A.I.D. Activities to Promote Agricultural and Rural Development in Sub-Saharan Africa," USAID/PPC/CDIE, Chapter 6.3.1, "Rural Infrastructure: Transportation and Irrigation"

comparative advantage in sector-based policy analysis related to private sector market entry. U.S. universities, which do have a comparative advantage in food security-related research, are expected to continue to be involved in the research underlying the policy dialogue, as well as in the strengthening and expansion of market information systems and improving analytical capability.

#### d. Consistency/Complementarity with Other Donors

USAID/Maputo's investments in road rehabilitation are planned and implemented within the framework of the Roads and Coastal Shipping (ROCS) project, a multi-donor sector program coordinated by the World Bank and GRM. Coordination is close, with the proposed roads to be rehabilitated (from the universe identified in the ROCS project) approved by National Directorate of Roads and Bridges (DNEP) and cleared through the World Bank. Consultations with the other donors providing either direct financing or parallel financing have been, and will continue to be, integral to the strategy implementation and project design.

There are no other donors financing any activities related to the development of a market information system. As can be seen in the Table "Other Donor Activities in Strategy Areas", in Annex 1 there are a number of donors who are involved in statistics, capacity-building in the public sector, and, hidden within the general rubric of rural development/ agricultural development, on- and off-farm storage.

USAID/Maputo has been in the forefront of fostering an expanded role for the private sector and, consequently, a reduced role for the public sector. Not all donors are comfortable with the U.S. position that the public sector should leave the productive sectors to the private sector. The Nordics, Britain, and the Netherlands have been the least accepting. However, after 10 years of discussions with the other donors and relatively widespread acceptance by the GRM (based on successful research and policy dialogue), some acceptance of the Mission's position has been obtained, notably by SIDA and the Netherlands. Less agreement has been gained from Norway and the UN family.

#### e. Commitment of the GRM

It is difficult to accurately assess the commitment of the new government leadership, many of whom have only been on the job since early to mid-January 1995, to this Program Outcome. However, the Mission has a history of working with DNEP, which is very committed. The GRM's financial commitment to road maintenance is being assessed as part of the design of the Rural Access Project. Strengthening the market information system builds upon an on-going effort to which the GRM has already proven its commitment. USAID/Maputo's experience with policy reform in Mozambique has been that while agreement to change may be slow in coming, depending as it does on accumulating a critical mass of empirical data, once the GRM has made a change, it tends to abide by that change. Constant monitoring is, nonetheless, required as there is still discomfort at many levels of the government about abandoning central planning.

#### f. Partners and Delivery Mechanisms

USAID/Maputo has several partners in achieving this Program Outcome. Within the GRM, the Mission will be working with the Ministry of Public Works and Housing (roads), the Ministry of Transport and Communication, the Ministry of Commerce, Industry and Tourism, the Ministry of Plan and Finance, and the Ministry of Agriculture and Fisheries. In addition, the U.S. university community, the World Bank, and a few other key donors are significant partners. Depending on the design of the Rural Access Project and Title II proposals, USAID/Maputo may also have PVO partners. As mentioned above, assistance will be provided through project assistance, NPA and food aid.

#### g. Program Indicators

1. Percentage increase in volume of marketed goods<sup>22</sup>
2. Percentage decrease in transportation costs:
  - cost per ton/km
  - cost per passenger/km
3. Program Outcome 1.2: Rural Enterprises Expanded

- a. Nature of the Problem

Growth in agricultural production and access to markets for the sale of that produce are not sufficient for increasing household income. Rural households also depend on processing, manufacturing and services in their direct income earnings and consumption expenditure patterns. Explicit promotion of processing agricultural products and other manufactured goods, in light of the incentive role they play and their forward and backward linkages to the economy, offers an important addition to rural household income.

Two historical factors are notable problems. First, the history of community associations (such as farmers' associations for marketing or bulk purchases of inputs or women's associations for the marketing of cottage industry products) has been one of sometimes violent prohibition. The colonial regime allowed almost none; FRELIMO allowed only government organized and managed "cooperatives." As a result, most Mozambicans have a strong distrust of "cooperatives." It remains to be seen if that distrust extends broadly to other associations. Second, the war ravaged whole villages and communities, and sent community members fleeing--sometimes slipping away individually, sometimes able to move as a group. With the exception of the latter groups, Mozambicans were alienated from the communities with whom they would normally develop the kind of economic associations necessary for the development and fostering of small and microenterprises, including informal credit systems and other informal ways of mobilizing capital.

- b. Programmatic Approaches and Feasibility

The Mission will provide project assistance to promote small and microenterprises, including assistance to individually- and group-owned enterprises, and, if significant employment generation is possible, to medium-sized enterprises based in rural areas. Of particular interest to the Mission are enterprises which not only contribute to food security by increasing household income but also increase women's access to land, employment, capital and technology. Other than policies that generally affect the private sector (licensing, taxes, pricing policies, land tenure security, financial intermediaries), the Mission has identified few specific policies which only affect microenterprises, although arbitrary implementation or regulation leaves microenterprises vulnerable to rent-seeking regulators.

Over the last several years, a number of donors have financed small and microenterprise projects with varying degrees of success. The more successful efforts use NGOs rather than GRM institutions as intermediaries. In deciding which enterprises to target, USAID/Maputo will look at the potential numbers of rural households affected and the potential increases in rural household incomes, and its assistance will be directed at achieving the greatest impact. This strategy will work through PVOS, except as policy reforms are necessary. Depending on the nature of the policy constraint (e.g., entry, regulatory, tax regime, etc.), the Mission will include it in its overall policy agenda for NPA or will use project-financed joint studies with the GRM and other partners.

In March 1995, the Mission began a survey to inventory the types of rural enterprises that currently exist and assess their developmental needs. Together with the GRM and NGOs, the Mission will conduct research to refine approaches to

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<sup>22</sup> Marketed goods include food and other consumer goods such as kerosene, soap, clothing, etc.

assisting rural enterprises and inform policy-makers of reforms necessary to stimulate growth in numbers and output.

c. USAID's Comparative Advantage

USAID has mixed experience with microenterprise development. However, several PVOs who are in-country or have expressed an interest in establishing programs in Mozambique have good to excellent experience. Pilot projects under several PVO grants are already underway, or will shortly be underway.

d. Consistency/Complementarity with Other Donors

Tracking donor and NGO assistance to small and microenterprises is almost impossible in the Mozambican context today. Nonetheless, based on discussions with most of the major donors, almost all of the bilateral donors and many members of the UN family have a few but widely scattered microenterprise projects. Almost all of the bilateral donors use NGOs as intermediaries. Although there are differences of opinion among donors as to whether subsidized and/or directed credit should be provided or not and whether to use public institutions rather than the private sector for training, the inconsistencies are not a major cause for concern at this time. On this subject, the Mission has had close consultations with the World Bank on the development of small and microenterprises, especially related to the constraints to growth of these enterprises.

The extraordinary level of poverty in Mozambique and the need for serious attention to equity issues require measures that might in the near to medium term be unsustainable, particularly where lending is seen as a solution. USAID/Maputo does not intend to have a significant credit component to this Program Outcome, but will focus on other ways to mobilize capital and activities within the parameters of the resources that can be mobilized. Nonetheless, as part of its strategy for this program outcome, the Mission will be monitoring the credit situation.

e. Commitment of the GRM

The GRM recognizes that until the economy has adequately grown, poverty alleviation requires direct assistance to small and microenterprises. Based on the success of the NGOs in reaching the rural poor during the war and drought, the GRM is opening up to participation of NGOs in a broader range of activities. Continued commitment to allowing the NGOs to operate rather freely will depend on the NGO and donor community keeping the GRM informed on their assistance programs.

f. Partners and Delivery Mechanisms

This strategy proposes working with PVO and GRM partners to promote enterprise development. Two important subsets of beneficiaries of this component are expected to be demobilized soldiers and/or their families and women.

g. Indicators

1. Increase in number of small and microenterprises and associations
2. Percentage increase in the value of micro- and small enterprises:
  - investment
  - sales

4. Program Outcome 1.3: Increased Agricultural Output

a. Nature of the Problem

Land policy and issues arising from it are very complex. A number of variables

constrain the effective use of land for productive purposes, including colonial patterns of settlement, villagization, intervened agricultural enterprises, state farms, informally "divested" state farms, interim settlements of the internally displaced, returnees (refugees, internally displaced, demobilized soldiers), and concessions (granted by central government, provincial or local authorities, legal and extra-legal). In almost every phase of Mozambique's history, smallholders have lost rights to land, yet the most productive unit of production in Mozambique over the strategy period will continue to be the smallholder. The two largest constraints to smallholder food self-reliance are labor and land. Results from a Michigan State University/Ministry of Agriculture survey<sup>23</sup> show that household income is highly correlated with the size of land holding, irrespective of the number of adult family members.

A number of constraints to technology development and transfer exist, including fragmented and generally ineffective extension services (due to the impact of the war on access, limited financial resources, low educational level of agents, lack of mobility), weak links between research and extension, lack of clear research priorities, and limited financial and human resource capacity in the research system.

Because of the war, natural resource management practices have deteriorated as people, crowding onto more fragile but secure land, were unable to apply traditional management practices. In critical areas near secure mangrove ecosystems, deforestation for fuelwood and soil erosion and runoff present a major threat. In areas like Angonia (in Tete, near the Malawi refugee camps) and along the Beira Corridor, deforestation for fuelwood has reached major proportions; meanwhile, intensification of agricultural production without the traditional fallow system or access to inputs and improved technology has resulted in loss of soil fertility.

After the initial production gains from expanding land under cultivation, and the secondary gains from the adoption of existing improved technology, rural households will depend increasingly on the use of inputs. The inefficiency and lack of resources (human and financial) of the public sector makes an expanded role for the private sector paramount. Despite progress in the GRM's acceptance of an enlarged role for the private sector, a number of obstacles remain. Reference has already been made to licensing, tax reform, credit, and infrastructure.

Two other impediments exist. The first is the parastatal seed company and the protection it receives through a *de facto* monopoly, which increases the price of seed to a level the majority of farmers cannot afford. This is a particularly difficult problem as the monopoly and the company are supported by a major bilateral donor. The second impediment is an artifact of the ten-year emergency: free distribution of seeds and tools. Again, there is a difference among donors as to whether free distribution is justified today, and if not, how to phase in sales.

#### b. Programmatic Approaches and Feasibility

Assistance will be delivered through project assistance to the GRM, grants to the PVOs and NGOs, and indirectly to the private sector through NPA policy reform related to the trade and investment climate. The Mission has had great success in moving toward achievement of this program outcome through grants to PVOs under the PVO Support Project. The strategy proposes continuing a similar approach as its major programmatic approach. In addition, the Mission proposes tapping PRIME and SAEDF resources to provide direct assistance. Further, however, the Mission will

<sup>23</sup>"The Determinants of Household Income and Consumption in Rural Nampula Province: Implications for Food Security and Agricultural Policy Reform," MOA/MSU/JA Research Team Working Paper No. 6, August 1992

provide project assistance to strengthen the private sector, possibly through assisting the replication of models involving private and mixed capital companies to provide inputs and technology transfer to smallholders, and modest investments in public sector research related to sustainable agriculture, particularly where the research institutions are partnered with NGOs. The Mission will continue to pursue policy reform of critical constraints through the NPA.

c. USAID's Comparative Advantage

USAID and the U.S. university community have a comparative advantage in dealing with land tenure issues. More specifically, USAID/Maputo and the Land Tenure Center (LTC) have a particular comparative advantage, based on experience over the last three years, that is recognized by the GRM and other donors. An advantage is also recognized related to agricultural pricing. The U.S. university community is generally recognized as having a comparative advantage in applied policy research and agricultural research. USAID has a comparative advantage in support to the private sector, which is also generally recognized in Mozambique.

d. Consistency/Complementarity with other Donors

The Mission and the LTC are coordinating closely with the World Bank, whose proposed strategy related to land tenure closely reflects that of the Mission. Several other donors have pilot activities related to land tenure. While monitoring each other's activities, none of the other donors, with the exception of the World Bank, are ready to tackle the most serious of the policy issues related to land--legal reform and private ownership. This leads to inconsistency between efforts. Because so few donors are involved, this has not yet been a problem. There are a few hopeful signs, however, that other donors are beginning to recognize the seriousness of these issues. The Mission and the LTC are monitoring the situation and are in discussions with the others.

The major inconsistencies related to this Program Outcome are directly due to the United States' preference for private sector-led market development over State involvement in productive sectors. The Mission has had some success in convincing other donors to let the private sector operate, but debate has to be on a sub-sector by sub-sector case.

The Mission and PVOs that actively work with communities toward increasing agricultural output are coordinating closely and share many common strategies. Coordination between the PVOs and the Mission is good, while the PVOs coordinate with the GRM and with other NGOs at the provincial level.

e. Commitment of the GRM

The GRM recognizes that smallholder-based agriculture is the engine of growth for the economy. As it retreats from direct participation in and control of agricultural production, however, the GRM's lack of a comprehensive agriculture sector program framework and resulting ad hoc approach is an increasing problem. The GRM has indicated that it will present a detailed, comprehensive five-year investment plan at the next Consultative Group Meeting. USAID/Maputo has, to the extent there is a general concept of a sector plan, influenced the broad outlines of that future strategy and expects to continue its involvement in the development of the proposed framework and investment plan.

f. Partners and Delivery Mechanisms

The Mission's chief GRM partners in achieving this Program Outcome are the Ministry of Agriculture and Fisheries, the Ministry of Commerce, Industry and Tourism, the National Institute for Rural Development and the Ministry of Plan and Finance. Until it defines its role, the newly created Ministry for Coordination of the Environment is a more minor partner. Other major partners are the PVO/NGO community and the private sector.

g. Indicators

1. % increase in total production of selected crops:
  - Volume (metric tons)
  - Value (US \$ equivalent)
2. % increase in yield per hectare (kg/ha)
3. % decrease in post-harvest loss

F. Strategic Objective 2.0: Government More Accountable to Citizens

1. Rationale

The period of transition to and consolidation of democracy after conflict, as is the case in Mozambique, is frequently fragile--strained by unrealistic expectations of progress in political, sociological and economic spheres. Nascent democracies like Mozambique need time and assistance to expand and deepen democratic processes beyond periodic national elections to institutionalizing both community participation at the local level and an accountable, transparent style of governance that ensures citizens a modicum of control over their own lives.

A primary objective of U.S. foreign policy is the promotion of democracy and respect for human rights. USAID/Maputo's promotion of democracy and governance directly supports this primary objective. In addition, for USAID, democracy and good governance are inextricably linked to sustainable development, which requires informed participation, public sector accountability, and protection of human rights.

As indicated above, U.S. strategic interests in South and Southern Africa require politically and economically stable countries. As it transforms itself from a conflict-torn, economically bankrupt country, Mozambique is in a very fragile phase of transition. The economic weaknesses are being addressed by the income strategy. This strategic objective is concerned with strengthening the nascent democratic processes necessary for both political stability and development.

USAID/Maputo's goal of enhanced human productivity refers not just to improvements in individual capacity for physical wellbeing and economic production but also to the ability of individuals and groups in Mozambican society to more effectively address their needs and pursue their aspirations. This political aspect of human productivity is constrained by the traditional dominance of the State--i.e., the executive branch--in Mozambican society, with few if any checks and balances to that power.

2. Development Needs, Constraints, and Opportunities

The 1990 Constitution allowed for the creation of an independent judiciary, freedom of association, freedom of speech, greater press freedom, a multi-party National Assembly, devolution of central government authority to local government, and multi-party national elections. These provisions, as implemented by subsequent legislation, are important steps in limiting and balancing the power of the president. The presidency remains, however, overwhelmingly powerful and there are few real checks on executive action or inaction. There is, therefore, no assurance that these first steps away from state (executive) dominance will continue and that they won't be subverted by those entrenched interests with the most to lose.

A sustainable system of checks and balances requires relatively equal branches of government as well as a system of governance which provides countervailing forces to government. Such a countervailing system will be based on and responsive to popular participation and encourage individual and group initiative.

Balance between and among the countervailing forces is seriously lacking. While a

number of donors are giving significant assistance to the government structures (e.g., judiciary and legislature) which provide the checks and balances to the very strong executive branch (a legacy of Mozambique's colonial heritage and Marxist post-independence political and economic framework), USAID/Maputo is concerned that the accountability of the government to the people is being lost.

Accountability by the Mozambican government to its citizens is constrained by three factors. First, there is lack of clarity about what the government's role is in society, i.e., for what aspects of governance is government to be held accountable. Second, there is limited public debate about public policy and the implementation of government programs. Third, there are no effective countervailing forces--institutions and processes--to balance and check the power of the executive. Such countervailing forces include the National Assembly, the legal sector, municipal government, political parties, the media, other nongovernmental organizations and the electoral process.

### 3. Potential for Sustainable Development

While the constraints to good governance in Mozambique may appear overwhelming, the key to sustainability is in political will. Beginning in 1983, with the Fourth Party Congress' recognition that its political and economic policies were failing, FRELIMO (at the time one and the same as the government) began a process of cautious political liberalization (accompanied by a more aggressive economic liberalization--see overview sections in Parts I and II above and in Annex 6), including initiating a gradual process of decentralization and the creation of a Ministry of State Administration to oversee the process.

At the 1989 Fifth Congress, FRELIMO formally broke with Marxism-Leninism, and in 1990 passed a new constitution. This new constitution affirmed such democratic principles as multiparty democracy, delinking the FRELIMO party from the government, establishing three distinct branches of government (a strong executive, a weaker legislative and an independent judicial), guaranteeing protection of human rights, and decentralization of certain authorities to the district level. Implementation of the constitutional changes has been slow and complicated as the legal system is based on civil law.

While this objective will be pursued nationally, some interventions will be focused geographically in the provinces of Zambezi and Nampula, to maximize impact of USAID's assistance. These provinces were selected for three reasons. First, the population of the two provinces account for approximately 40% of the national population. Second, during the 1994 national election these were two of the most hotly contested areas in the country. Third, these two provinces overlap with the geographic areas in which the other two strategic objectives will be focused.

### 4. GRM Commitment

At the March 1995 Consultative Group meetings, the GRM declared its objective for the post-transition period is "to reduce poverty through economic and social development." The GRM went on to state that "one of the primary requirements in order to achieve [this goal] is to further consolidate democracy and governance. This means ensuring the effective functioning of democratic institutions, strengthening legal processes, reaching agreement on the role of the country's armed forces, and progressively decentralizing some of the functions of the central government to local governments."<sup>24</sup>

Under the heading of "Primary Areas for Immediate Policy Reform, the GRM stated

<sup>24</sup> "Establishing the Basis for Economic and Social Development: Key Policies", pp. 1 and 2, Government of Mozambique, Paris, March 1995.

its recognition that governance is a major determinant of the rate of economic and social development. The GRM "is therefore stressing the need to increase the effective participation of all Mozambicans (sic) in economic development" and identified "strengthening governance" as one of four areas that the "Government is giving special emphasis." While the GRM focuses on the linkage between improved governance and economic development, there is also a recognition the work of the transition period needs to continue.

"The successful conclusion of the General Peace Agreement in 1994 constitutes a crucial step towards national reconciliation and democracy. Nevertheless, the progress achieved so far remains fragile. The challenge facing the Government is to build upon the momentum resulting from the country's first multi-party elections to: i) consolidate democracy; and ii) develop legal processes and reduce corruption."

To consolidate democracy, the GRM specified several priorities: strengthening the National Assembly, consolidating procedures that guarantee the freedom of the press, creating a Presidential Forum of Consultation to facilitate national reconciliation. Furthermore, the GRM pledged to provide budgetary resources to the National Assembly and represented political parties; stated its desire to "increase its dialogue on economic and social policies with various social groups, trade unions and associations"; to improve transparency of the budget allocation process (including making public results of negotiations with the IMF and World Bank). These programs are to be complemented by government decentralization and ensuring the effective functioning of the new army.

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#### 5. USAID Comparative Advantage

Democracy and good governance only became an Agency objective in recent years. Nonetheless, USAID has decades of experience in all regions of the world strengthening democratic processes and good governance. While the emphasis and scale varied from region to region, USAID's experience in this area includes, *inter alia*, building grassroots participation in the development process; rationalizing budget systems; making government processes more transparent; strengthening local government; assisting with government decentralization; promoting and facilitating public-private debate and collaboration on public policy issues; strengthening the rule of law; and building electoral systems. With the establishment of an Agency democracy and governance objective, more attention and resources are being focused on democracy and governance issues.

Other donors increasingly look to the U.S.--as the only remaining superpower following the collapse of the Soviet Union--for leadership, particularly on sensitive political issues. U.S. influence on such issues within some of the countries USAID assists, including Mozambique, has also grown stronger in recent years.

USAID/Maputo is well positioned to play a major role in furthering democracy and good governance in Mozambique. Through the Democratic Initiatives Project, the Mission has gained considerable knowledge and influence in the democracy area and has been most active in supporting the electoral process and laying the ground work for decentralization through research on traditional authorities. In addition, the Mission's ongoing policy dialogue--through the Private Sector Support Program and Technical Assistance Project and pre-Consultative Group donor-government working groups on budget and governance--has also strengthened USAID/Maputo's understanding of and influence in pursuing good governance and aligning the government's role with Mozambique's development priorities.

USAID/Maputo has played a major role in donor coordination in the democracy area, primarily through the multi-donor Aid-for-Democracy Group. Inter-USG agency coordination has also been enhanced by a USAID-chaired inter-agency committee on democracy and governance.

## 6. Strategic Objective Indicators

1. Citizen perceptions of influence on government policies and actions
  - at the national level
  - at the district level

## 7. Program Outcome 2.1: Role of Government in Social Sectors and in Economic Management Publicly Debated

### a. Nature of the Problem, Programmatic Approach, Feasibility

The 1990 Constitution, which sets the stage for a dramatic shift in the government's role in society from control to regulation, is burdened with potential ambiguities. As a result government programs often maintain their historically heavy direct role. Ironically, the heavy role that the government still seeks to play is inconsistent with its generation and allocation of financial and human resources. Consequently, while the government is unable to deliver or sustain delivery of services, it restricts directly and indirectly private initiatives that might fill the gap.

The problem of heavy and unsustainable government intervention is most acute in the social sectors and in the management of the economy. A clear definition, and subsequent implementation, of a government role in these areas that is consistent with the resources available and the needs of the country is critical for accountability and for sustainable development.

Defining the role of government is an ongoing process in any democratic society. What is lacking in Mozambique are open, constructive fora in which these issues can be reviewed, discussed and analyzed by stakeholders from all parts of society.

Analysis and discussion are not enough, however. Such fora must lead to plans of action and commitment by participants to implement the conclusions reached. While donors and international nongovernmental organizations may play a role in such fora, Mozambicans must retain ownership of the process if sustainable changes are to be realized.

Even more so than most democracy and governance objectives, achievement of this objective must emphasize process rather than a priori definable certain outcomes. It must further emphasize engaging stakeholders (principally Mozambicans) in that process and building ownership in the process and in conclusions. That is not to say that the Mission and other donors and international organizations do not have a role to play. On the contrary, as was the case in the Rome peace negotiations and in implementation of the Peace Accord, donors have a critical role in guiding, facilitating and pushing the process forward.

To support this process, USAID/Maputo will provide technical assistance and other financial support to facilitate the creation and deliberations of working groups to analyze the role of government in providing social services and in managing the economy. The facilitation will emphasize a results-oriented, strategic management approach; aligning objectives, responsibilities, plans, processes, structures, and available resources. The structure of this process will be determined as the strategy moves into implementation. As discussed above, participants would include major stakeholders drawn from all sectors of society and sub-divisions and levels of government.

This is an ambitious program outcome. However, greater clarity of the role of government and its alignment with Mozambique's needs and constraints is fundamental to the consolidation and development of democracy and good governance in Mozambique. While this could lead to constitutional reform, the objective here

is simply to open up the discussion of the government's role to a wide cross-section of society and not leave it to executive decree.

**b. USAID's Comparative Advantage**

Initiating and supporting this process of examining the government's role builds on the Mission's extensive involvement in ongoing donor-government discussions about the government's role. USAID/Maputo's historical leadership and influence leading to a reduction of the GRM's participation in the economy and spinning off its perceived responsibility to the private sector has been effective well beyond the level of non-food aid resource levels. The Mission has also been a respected partner in the dialogue that has led to a law permitting private-sector health care providers and an acceptance of the greatly expanded role of NGOs in social service delivery. It also builds on USAID's experiences in other countries with facilitating similar processes through the Global Bureau's Implementing Policy Change Project.

**c. Consistency/Complementarity with Other Donors**

Over the last 11 years, USAID/Maputo has been the leader--consistently, strongly, and at times, as the lone voice--in the dialogue with the GRM and donors to reduce the government's role in the productive sectors of the economy and as the sole purveyor of health services. Over the last three years, other donors (most notably the World Bank, the European Union, SIDA, the Netherlands, the Germans, UNICEF, WHO, and Swiss Development) have increasingly begun to echo these themes. The Mission fully expects to remain in the vanguard for this Program Outcome.

**d. Commitment of the GRM**

At the 1995 Consultative Group meetings, the GRM stated that "the country has reached a logical juncture for re-assessing and re-orienting its development strategy." As noted earlier, the government also stated that it wanted to increase its dialogue on economic and social policies with various groups in society. While this does not necessarily demonstrate GRM commitment, it does suggest that the government may be receptive, more so than ever before, to the process of achieving this program outcome.

**e. Partners and Delivery Mechanisms**

Assistance will be delivered through the Mission's participation in fora such as the Budget Working Group and the GRM/Donor Health Sector Working Group as well as the Implementing Policy Change (IPC) Project in G/DG. Through the IPC, the Mission's partners will comprise the broadest spectrum of stakeholders possible.

**f. Indicators**

1. Working groups studying the role of government convene
2. Working groups agree to action plans for aligning government's role with government's resources and Mozambique's needs

**8. Program Outcome 2.2: Sustained Informed Public Debate on Public Policy**

For the executive branch to be held more accountable, citizens must be actively engaged in debating public policy. To achieve this, citizens need access to information on what the government is doing: what the government has decided or is considering, how decisions are made, who makes them, when they are made and on what basis they are made. Most Mozambicans have little, if any, access to such information, let alone any analysis of how government actions affect them. Dissemination of information from the center (e.g., Maputo) to the periphery (citizens throughout the rest of the country) is important for an informed

discussion, but it is not enough. Citizens must be able to share and debate views and analyses and citizen perspectives--opinions, analyses, concerns and preferences--must flow back to decision-makers in Maputo and in district and provincial capitals.

While both the first and the second Program Outcomes are intended to increase public debate, they are distinct. The first program outcome focuses on defining the role of government through public debate. This latter Program Outcome is intended to sustain and broaden public debate of public policy in general.

There are three constraints to achieving a sustained informed public debate on public policy. First, the government does not readily make information about decisions and actions widely available to the public. Second, analyses of available information--released by government or emanating from other sources--is often weak or inaccurate. Third, the dissemination of information and analyses is limited largely to educated elites in urban centers.

These constraints to increasing informed public debate will be addressed through the achievement of the following sub-program outcomes and activities.

#### Indicators

1. Increased citizen awareness and understanding of budget and land allocation issues, including alternative opinions
  - deputies in national and district assemblies
  - educated professionals
  - illiterate urban and rural population

#### a. Sub-Program Outcome 2.2.1 Increased Transparency of the Budget Process and Land Allocation Process

##### (1) Nature of Problems, Programmatic Approach, Feasibility

For Mozambique to reduce its dependence on donors to finance the national budget, the government must implement measures to improve control over its financial resources. This includes, *inter alia*, improvements in the collection of taxes and tariffs, alignment of budget allocations with the country's priorities (and with the role of government), and improvements in the expenditure process to ensure that payments are prompt and for intended purposes. This will not only contribute to the effectiveness of the government's meager non-donated funds but also will reduce opportunities for corruption and improve the government's responsiveness to citizen priorities.

Private ownership of land is constitutionally prohibited and the government (whether central or local) retains authority for allocation of land use rights. However, this authority is vested in multiple ministries and government agencies at the central, provincial and local level with overlapping jurisdictions. Land allocations are not publicly disclosed; they are poorly documented, and records of decisions are not well-maintained or coordinated. The result is often contradictory allocations of land to different users and abundant opportunities for widespread corruption at all steps of the process. Since land is the major productive resource in Mozambique, this lack of transparency has serious implications for investment, economic growth, and peace and stability.

In both areas there are technical and procedural issues that must be resolved to improve the transparency of the processes. The difficulty of physically producing a complete and accurate budget in a timely manner could be an obstacle to improved budget transparency. Likewise, the mechanics of collating and publishing government land allocation decisions may also be an obstacle.

The primary constraints, however, are political will and limited human resource capacity. Recent government pledges and actions to make the budget process more transparent are a step in the right direction. The government has been far less forthcoming on the land allocation process<sup>25</sup>. The moves toward improved transparency in the budget area are in large part the result of pressure from the donor community, particularly in the months leading up to the March 1995 Paris Club meetings. Keeping these pledges for greater budget transparency and making more progress on transparency of land allocations will depend on senior government commitment and closing the most serious human resource gaps.

#### (2) USAID's Comparative Advantage

Since late 1994, USAID has been in increasingly close dialogue with Mozambique's newly elected government on issues relating to budget transparency. The volume and depth of the U.S. budget debate itself is a powerful example to Mozambique. Through previous work, the Mission also has a substantial track record of policy-oriented analyses that ties government's macroeconomic decisions to their impacts on investors and other economic actors.

USAID/Maputo has been in the forefront of efforts since 1989 to achieve open discussion of land access and land allocation issues. The Mission's policy-oriented assistance, provided by the Land Tenure Center of the University of Wisconsin-Madison, has responded flexibly to new opportunities to push this debate forward and brought many Mozambicans (academics, government officials, farmers and others) as well as donors, into this arena.

#### (3) Consistency/Complementarity with Other Donors

Although there are many donors providing macroeconomic assistance to Mozambique, a much smaller number are involved in efforts related to budget transparency. These include the World Bank, the European Union, the Swiss, the Dutch, the Danes, and Germany. While the World Bank chairs the group, the Mission and the EU are the most influential members. The Mission's land research program has been the chief catalyst in opening up land issues to public scrutiny and discussion. SIDA, FAO, UNDP, FINNIDA, NORAD and the World Bank all have small activities related to land. With the exception of the World Bank, the other donors are reluctant to undertake the lead in discussing transparency and public debate on land issues. The World Bank would like to see the Mission continue its catalytic work and share leadership in opening up public debate.

#### (4) Commitment of GRM

The GRM's commitment to a more transparent budget process is mixed. It is quite strong at the senior levels of the Ministry of Plan and Finance, but the changes over the last five months, if consolidated, are sweeping and a whole new way of doing business. It is not clear at this moment to what extent the commitment is extended into the Ministry. Inadequate human resources and capacity confound the Mission's ability to determine the breadth of commitment with the Ministry. Signals from the legislative branch are positive. Support from other senior members of the new government also seem positive, but it is still early to determine the full degree of commitment to complete transparency in the budget process.

The issues of land tenure security, land allocations, and private ownership of land are among the most politically sensitive in Mozambique. Nonetheless, prior to the elections, a surprisingly broad spectrum of GRM officials were

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<sup>25</sup> This may be changing as the government has recently indicated interest in reviewing the land law, and constitutional modifications, including "de-nationalization" of land ownership have been proposed for discussion by the National Assembly in late 1995.

participating in, and supporting with varying degrees of warmth, the public discussions and debates. The new Minister of Agriculture has indicated a strong interest in moving the debate forward, this issue remains politically sensitive. Nonetheless, based on the fact that the short, medium and long-term future of Mozambique's economy depends on equitable resolution of the issues and on the Mission's success to-date, the Mission feels the risk is justified.

Among the GRM's policy objectives for 1995<sup>26</sup> are three aimed at clarifying land tenure policy and procedures, including: a timetable for preparing a new National Land Policy, procedures for review of land law and administration, and immediate steps and timetable for updating land registers.

#### (5) Partners and Delivery Mechanisms

The primary activity under this sub-program outcome will be policy dialogue, possibly combined with conditionality for the obligation of program funds. Targeted technical assistance and training will also be provided to address specific technical issues that may arise and the gaps in the skills of key government personnel.

#### (6) Indicators

1. Number of months before the beginning of the new fiscal year national budget available for public review.
2. Assembly debates budget annually before the Consultative Group meeting.
3. Number of months after the end of the fiscal year the expenditure report on the budget made public.
4. Clear procedures announced and implemented for land use allocations.
5. Assembly debated new land law.
4. Active public debate nation-wide on land policy and on any proposed changes to land law regulations or to constitutional provisions affecting land ownership or use rights.

#### b. Sub-Program Outcome 2.2.2 Improved Independent Analysis of Government Policies

##### (1) Nature of Problems, Programmatic Approach, Feasibility

Few independent Mozambican organizations--including the media--have the breadth and depth of technical knowledge to adequately analyze available information on government policies and operations. This is particularly true of complex topics (e.g., those related to governance and economic management) which are difficult to understand and explain simply and accurately to others.

This Sub-Program Outcome, including targeted training and technical assistance will be provided to nongovernmental organizations engaged in analyzing and debating public policy. Such organizations could include the independent media, but the focus will be on special interest, activist organizations (business associations, political parties, and watchdog organizations) and possibly research institutions (e.g., the university). Emphasis will be put on those groups addressing public policy related to land allocation and economic management. Strengthening the analyses conducted by these Mozambican organizations will also

<sup>26</sup> "Matrix of Economic and Financial Measures", Republic of Mozambique, March 1995.

<sup>27</sup> Most in depth studies are commissioned and conducted by donor agencies and are often not readily available to the public.

help sustain the pressure on the government to become increasingly transparent and reduce the tendency to see transparency as only a donor-imposed requirement.

In addition to the organizations noted above, the National Assembly (and the anticipated municipal assemblies) must be able to analyze legislation, regulations and the actions of the executive branch if it is to fulfill its role in representing citizens and in holding the government accountable. Improving the analytical capacity of the National Assembly either directly or through an NGO will contribute to more substantive and constructive debate and thereby strengthen the National Assembly's position vis-a-vis the executive branch. Support will be provided to the National Assembly or to a NGO to establish a documentation and analysis center to meet the specific needs of the deputies to understand legislation under consideration and information released by the executive branch. The center will make an important contribution to the Assembly's ability to serve as a forum for public debate.

Technical assistance and training could also be provided to National Assembly deputies to assist them to understand and analyze the budget process. However, other donors have also stated their intent to provide such assistance.

#### (2) USAID's Comparative Advantage

The training program will require a shift in the emphasis of ongoing Mission training programs to focus more on nongovernmental participants. The training and technical assistance will also build on ongoing research supporting policy reform in land tenure and market systems. The assistance to the National Assembly will build on similar interventions in Bolivia, Chile and Brazil.

#### (3) Consistency/Complementarity with Other Donors

Denmark, Finland, Italy, Norway, the U.K., and the Friedrich Ebert Foundation intend to provide assistance to the independent media during the strategy period. The Mission's emphasis on a) quality of analysis supporting political debate, and on b) non-media voices in the debate, provide an important complement to those other donor efforts.

#### (4) Commitment of GRM

Key members of the National Assembly have already indicated some interest in a documentation and analysis service for the deputies. More generally, the newly elected government has demonstrated no inclination to limit independent debate, which increases daily; nonetheless, formal GRM commitment to open independent debate has not yet been announced.

#### (5) Partners and Delivery Mechanisms

Training and technical assistance may be provided directly or through PVOs/NGOs or specialized contractors. A grant to a U.S. university or PVO is planned for the special assistance to the National Assembly.

#### (6) Indicators

- Quality and timeliness of analysis available to decision makers, especially National Assembly deputies
- Nongovernmental involvement in open policy debates

#### c. Sub-Program Outcome 2.2.3 Broadened Exchange of Information, Analyses and Opinions

##### (1) Nature of Problems, Programmatic Approach, Feasibility

Increasing informed public debate will not be addressed solely through increased

transparency and improved independent analysis. Independent mechanisms must exist for the wide dissemination and exchange of information, analyses and perspectives beyond Maputo and the other large urban centers. This exchange of information must flow in all directions: from government to citizens, from citizens to government and between citizens.

The limited reach and number of independent media--both radio and printed--limits venues for sharing opinions and perspectives among a wide audience. Other fora for public debate are even less accessible and more infrequent. Such fora range from formal, representative bodies (e.g., the national and district assemblies) to political party conferences and more inclusive town and community meetings. The National Assembly and the anticipated district assemblies are particularly important fora for public debate due to their role in providing a check and balance to the executive branch of government, both national and local. Public debate--leading to new or revised legislation--in these representative bodies can have a more immediate impact on government actions and policies than other public fora.

Broadening the exchange of information, analyses and opinions depends on expanding the distribution networks of existing independent media organizations. For some newer organizations the primary constraint to broader distribution is related to weaknesses in business planning skills. But the more binding constraints to expanding independent information sources are transport infrastructure, literacy of the population, and the cost of printing or broadcasting.

However, the exchange of information can also be improved through the development of more locally-oriented organizations<sup>28</sup> (print and radio media, NGOs and political parties) and alternative networks and fora (e.g., *jornais do povo* and community meetings) that target the interests and needs of special interest groups or geographic areas. These organizations would benefit from the information and analyses disseminated by national or regional organizations, thereby minimizing their costs and enabling them to focus their writing and information gathering on topics of special interest to their audience. In turn, these local organizations would provide national and regional organizations with local perspectives on national issues in addition to informing them of local conditions and concerns.

Activities in support of this sub-program outcome will involve strengthening--through small grants, technical assistance and training--independent organizations involved in dissemination of information and support of debate on public policy. The strategy will focus on the smaller, community-based NGOs and media organizations in the provinces of Zambezi and Nampula. This focus is in part because the constraints to expansion of the national media organizations are beyond the scope of this strategy.<sup>29</sup> More localized organizations, because they can tailor their presentations to the needs and interests of their local- or topic-oriented audiences, are also an important link in the flow of information between citizens and government at all levels. To the extent that assistance is provided to organizations with broader coverage than these two provinces, emphasis will be put on improving their distribution in Zambezi and Nampula.

Many donors, including those with a comparative advantage in working with this parliamentary system, have stated their intentions to provide support to the National Assembly, and several have already taken steps to provide technical assistance, training, study tours and material support. The focus of USAID assistance to the National Assembly is therefore focused on the research and documentation service discussed in the previous sub-program outcome. Some provision may be made under this sub-program outcome for assistance to enhance the

<sup>28</sup> This would also include local assemblies, but they are dealt with more extensively under the fourth Program Outcome.

<sup>29</sup> Road improvements under the rural income strategy may help with information flows.

communication between National Assembly deputies and constituents, e.g. through town meetings. Assistance with the establishment of district assemblies is intended to be covered primarily under Program Outcome No. 2.4 as part of the support for the decentralization process.

#### (2) USAID's Comparative Advantage

USAID's broad and long experience in mobilizing community-level and nongovernmental mechanisms provides important advantages. In Mozambique, the Mission has set a standard for open discussion and wide dissemination of policy-oriented research findings or proposals--including to district and even village level in some cases. Previous examples include USAID-sponsored policy research by Michigan State University (on agricultural pricing, marketing, and household food security) and the Land Tenure Center (on land access, tenure security, and divestiture of state-operated farms).

#### (3) Consistency/Complementarity with Other Donors

While other donors have indicated intentions to assist with independent media (see preceding sub-program outcome), no details of these intentions--such as national vs. local focus--are known.

#### (4) Commitment of GRM

While the newly elected government appears tolerant of independent comment and debate, at least at the national level, more explicit commitment to this openness, and particularly to openness at local and community levels as government decentralization proceeds, will be important.

#### (5) Partners and Delivery Mechanisms

In implementing these activities, USAID/Maputo will work through international PVOs and Mozambican NGOs. The Mission will also collaborate with USIS/Maputo, which has extensive knowledge and experience working with the national independent media in Mozambique.

#### (6) Indicators

1. Number of people in Nampula and Zambezi Provinces reached by independent information sources, by type of source, gender-disaggregated
  - radio
  - small press
  - national press
  - alternative sources
2. Number and variety of information sources consulted by:
  - National Assembly and municipal assembly deputies
  - citizens in Nampula and Zambezi Provinces

### 9. Program Outcome 2.3: More Sustainable Electoral Process

The primary formal mechanism for citizens to hold government accountable is the electoral process. To be an effective instrument for accountability, elections must be held regularly, free and fair, and based on universal adult suffrage. The 1994 national elections established a precedent for electing leaders and re-enforced the constitutional precept of the sovereignty of the people. The next step is to build sustainability into the process, so politicians and citizens understand that elections will be inevitable, correctly administered and timely.

This Program Outcome is concerned with elections not just for the presidency but also the national assembly and for the municipal assemblies and presidents. These other elected bodies and officials play a key role in balancing the power and

authority of the executive branch. Consequently, establishing and maintaining the link between these elected officials and citizens through the electoral process is as important as the national presidential election.

Sustainability of the electoral process is constrained by finances, institutional capacity and voter understanding. Savings in the cost of the administration of elections are possible as logistical constraints are removed (e.g., as roads are rehabilitated), less expensive materials are used (e.g., use of local instead of imported materials), and voters and officials gain more experience with the process. Elections will continue to be expensive in relation to Mozambique's means, yet their cost will eventually (although probably not during the strategy period) have to be fully absorbed in the government's budgets.

Despite the high voter turnout and the unexpectedly low percentage of spoiled ballots, improvements still need to be made in voter understanding of the voting process and, more importantly, in their understanding of voting as a tool for holding government accountable.

The institutions responsible for implementing the elections--political parties, the technical secretariat for election administration (STAE) or its successor, and Mozambican NGOs administering voter education programs--remain quite weak and dependent on external funding and technical assistance. While this dependence will probably continue throughout the strategy period, action must be taken now to reduce this dependency so that the elections become increasingly a Mozambican process and less a donor-driven and donor-mandated one. Strengthening these institutions can also reduce the cost of the elections and lead to improvements in voter understanding.

#### Indicators

##### 1. Municipal and national elections take place

###### a. Sub-Program Outcome 2.3.1 More Capable and Representative Political Parties

###### (1) Nature of Problems, Programmatic Approach, Feasibility

To achieve sustainability of the electoral process, viable political parties must seriously contend in elections, monitor voter registration, voting and ballot counting throughout the country to ensure the process is free and fair, and, judging by 1994, they can also be called on to send representatives to numerous meetings with electoral officials to discuss the electoral process. Most of the parties that competed in the 1994 elections were formed after 1992 and have yet to establish a significant base of popular support.

With the possible exception of FRELIMO, all of the political parties are characterized by weak organizational structures, a thin layer of skilled staff and little experience operating as a political party. Constituency-building skills and knowledge of how to run a campaign are especially lacking. Further, finances are another serious constraint for all the parties, again with the possible exception of FRELIMO. FRELIMO, RENAMO and the Democratic Union (the three parties with representation in the National Assembly) will receive some financial support through the national budget, but this is unlikely to be sufficient for mounting a campaign. This is not a constraint that USAID/Maputo can or should attempt to address directly, except by providing advice on how to raise campaign funds.

Assistance to the political parties will be provided through training--primarily in-country--and technical assistance to strengthen their constituency building and campaign skills. This assistance will build on the successful political party consultations conducted by the International Republican Institute with Mission funding before and after the 1994 elections.

While keeping in mind USAID's policy to provide assistance to political parties equitably, criteria will be developed for targeting assistance at viable, fiscally responsible parties<sup>30</sup>. This will prevent waste of USAID resources on parties that are not serious contenders or were established solely to benefit from donor funding.

#### (2) USAID's Comparative Advantage

USAID's comparative advantage in strengthening political parties has been field tested throughout much of the African continent. Indeed, it is to USAID missions, along, perhaps, with the German political party-affiliated organizations, that countries and other donors have looked for leadership in helping political parties function effectively in new multi-party democracies. Notable examples are Malawi, Namibia, and Kenya. The two political party institutes, NDI and IRI have widely recognized expertise in this area. Both institutes were involved in Mozambique's 1994 electoral process, with NDI focusing on civic education and IRI working with the political parties on ballot security and understanding the role of political parties in a democracy. NDI also provided advisory assistance to the 1993 multi-party conference reviewing the electoral law.

#### (3) Consistency/Complementarity with Other Donors

Three donors--the U.K., Netherlands, and the Friedrich Ebert Foundation--have indicated their plans to provide assistance in strengthening political parties. The U.K.'s assistance will be in the form of study tours; no more details are yet known on the future programs of the other two.

#### (4) Commitment of GRM

The GRM has repeatedly stated its commitment to multi-party democracy. However, the only action being taken to strengthen political parties is the provision of funds from the national budget for the parties represented in the National Assembly.

#### (5) Partners and Delivery Mechanisms

The Mission anticipates that most of its assistance will be provided through grants to PVOs and NGOs.

#### (6) Indicators

The Mission recognizes that the following indicators are not perfect measures of this Sub-Program Outcome. As part of the establishing the MER system, the Mission will carefully review the proposed indicators and consult with the MER team and USAID/W to identify alternatives.

1. Number of parties winning over 5% of the popular vote
  - in municipal elections in Zambezi and Nampula Provinces
  - in the next national election
2. Number of political party poll watchers per voting table
3. Number of political parties able to formulate a platform

#### b. Sub-Program Outcome 2.3.2 STAE More Capable of Sustaining

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<sup>30</sup> Possible criteria might include whether the party accounted for funds provided by the UN Trust Fund in 1994, and whether the party won over 1% of the national popular vote. These criteria are illustrative and some allowance would have to be made for new parties that form during the strategy period and therefore do not have a track record.

## Administration of Elections

### (1) Nature of Problems, Programmatic Approach, Feasibility

The STAE is the key institution for administering the electoral process, from voter registration through voter education to the balloting and counting process. Its viability, efficiency and effectiveness, therefore, have a direct bearing on the sustainability of the electoral process.

The STAE was heavily dependent on external financing and technical assistance to carry out its functions during the 1994 elections. While this in part reflected the weaknesses of Mozambique's human resource base, it was also due to the political sensitivities of the peace process that required basing staff assignments on a balance between RENAMO and FRELIMO affiliation rather than skills and competence. For future elections to run without advisors playing such an extensive role, the STAE will need to assess its technical and managerial skill needs and determine how to fill those positions with the appropriate individuals. Further, the STAE will need to develop systems for mobilization and re-training of the large cadre of temporary but experienced election workers--for civic education, registration, polling station administration, etc.

In addition to the human resource constraints, the STAE has other serious organizational constraints (e.g., financial management) that must be addressed.

### (2) USAID's Comparative Advantage

The entire Mozambican electoral system was conceived as a temporary creation for the November elections. The lessons learned from this experience need to be used to create a permanent system. Both NDI and IRI worked closely with the STAE and National Election Commission (CNE) in preparing for the November elections and, thus, have Mozambique-specific as well as general expertise that lends the Mission a strong comparative advantage in this area. In addition, the International Foundation for Electoral Systems (IFES), which played only a minor role in Mozambique, has a proven record of competence and the respect of many African governments in strengthening electoral legislation, election boards, and electoral processes--notably in Lesotho, Ethiopia and Malawi.

### (3) Consistency/Complementarity with Other Donors

UNDP has been the primary donor (mainly as the administrator of an electoral trust fund for the 1994 elections) providing technical assistance to the STAE. UNDP has already begun plans to provide additional assistance to strengthen the STAE. In March 1995 a UNDP team arrived to help the STAE determine how best to continue its function for future elections. Norway has also stated its intention to assist the STAE, but its plans are still unclear.

### (4) Commitment of the GRM

The GRM has stated its commitment to the holding of regular municipal and national elections and the need for a competent administrative body to oversee the process. It remains unclear, however, whether functions of the STAE will be incorporated in a new independent body under the direction of an independent electoral commission, or whether they will be absorbed into the Ministry of State Administration.

### (5) Partners and Delivery Mechanisms

Assistance for the STAE will probably be provided through grants to PVOs and NGOs. The Mission also may seek short-term technical assistance through contracts.

### (6) Indicators

1. Cost of elections per voter (based on official budgets)

2. Percent of professional/skilled staff that are expatriates

c. Sub-Program Outcome 2.3.3 More Effective Mozambican NGO  
Voter Education Programs

(1) Nature of Problem, Programmatic Approach, Feasibility

To improve their understanding of the electoral process, voters need to hear the messages from multiple sources and particularly from independent sources they believe are impartial. In the 1994 elections, voters learned how to vote and about the significance of the election primarily from STAE's voter education agents. As a government entity (and in the future probably more directly under executive branch control than in 1994), the STAE lacks the independence needed and could have credibility problems with voters in future elections.<sup>31</sup>

Non-STAE voter education campaigns in 1994 were conducted primarily by international NGOs (e.g., the National Democratic Institute and the Friedrich Ebert Foundation) and the Catholic Church. It is difficult, *ex post facto*, to evaluate the effectiveness of these programs, but their coverage of the country was probably significantly more limited than the STAE's<sup>32</sup>. To sustain independent sources for voter education, more Mozambican NGOs must get involved.

Election-related nongovernmental organizations face the same problems as other NGOs: lack of financing, lack of organizational and financial management skills, and lack of strong technical skills. They have the additional challenge, as does the STAE, of having to remobilize experienced workers each time an election comes around.

To increase the effectiveness of the voter education programs, assistance will be provided to strengthen the skills (technical and managerial) of the participating NGOs and grants will be provided to finance the voter education campaigns and strengthen the organizations. Since no Mozambican NGOs are yet certified as grant-worthy, additional assistance may have to be provided to address deficiencies identified. These activities will be implemented primarily in Zambezi and Nampula.

(2) USAID's Comparative Advantage

USAID's general comparative advantage in voter education has been demonstrated and strengthened in nearly every initial multi-party election held on the African continent. NDI in particular has demonstrated great capability in countries such as Namibia, Ethiopia, Malawi, and South Africa as well as Mozambique in this area. In Mozambique, NDI fashioned a network of two hundred civic education trainers that conducted 8,939 sessions and reached over 1.8 million voters. This network is available for continued activation in support of future voter education for the expected local government elections as well as for much needed broader civic education work. In addition, USAID has strong relationships with other international NGOs and PVOs that have extensive experience in NGO development, adult training, education and communication in rural Africa.

(3) Consistency/Complementarity with Other Donors

Various donors--including Denmark, Finland, Friedrich Ebert Foundation, Italy, the Netherlands, Norway and Switzerland--have indicated their intention to help

<sup>31</sup> ~~The UNDP consultants to the government's inter-ministerial working group preparing for the 1994 elections had problems with credibility with some political parties until the independent National Electoral Commission and later the STAE were created.~~

<sup>32</sup> NDI, under a grant from USAID, fielded 200 voter education trainers (reaching 1.8 million people) while the STAE, operating with funds provided by USAID through the UNDP, fielded 1,600 teams.

finance municipal elections, including voter education, registration, materials, training and logistics. Denmark has specified its interest in supporting registration and civic education in Tete and Zambezi Provinces. The European Union, the largest donor in the 1994 elections, has yet to indicate how much of a role it will play in the municipal elections. Other details on what each donor will finance and how much they will provide will probably not be available before a budget for the elections has been issued.

(4) Commitment of the GRM

As noted previously, the government is committed to the electoral process. For the GRM, however, the principle vehicle for voter education is, and will probably remain, the STAE. Nonetheless, there is no indication that the GRM is opposed to other civic groups getting involved in voter education.

(5) Partners and Delivery Mechanisms

To achieve this Sub-Program Outcome, assistance will be provided through PVOs and NGOs, both international and Mozambican.

(6) Indicators

1. Number of people reached by Mozambican NGO voter education programs funded by USAID/Maputo
  - by location
  - by gender
2. Percentage of ballots spoiled or blank

10. Program Outcome 2.4: Government Decentralized in Selected Districts

a. Nature of Problem, Programmatic Approach, Feasibility

In September 1994, the government proposed and the pre-election FRELIMO National Assembly passed legislation providing for the devolution of government power and authority to elected municipal governments. It has the potential to make local governments more accountable to the citizens of their districts and to be a platform for holding the central, executive branch more accountable as well.

There are a number of constraints to the government's plans to devolve power from the central government to some municipalities. First, the Municipal Law leaves to later legislation by the Council of Ministers many of the details of how, where, and when this process will take place. Based on experiences with the initial few districts, decentralization may extend to other districts that are determined to be able to implement these new responsibilities.

Second, it must be determined that the districts identified will in fact be viable--financially and in human capacity--as municipal governments. The World Bank and the government are studying the viability of the initial eleven municipalities to determine how they need to be strengthened. SIDA is studying the viability of six rural districts in anticipation of future rounds of devolving authority to elected municipal governments. The studies by SIDA are also expected to serve as examples of what should be done in other rural districts.

Third, detailed plans, including budgets, for implementing the legislation are needed. Some of this will come from the World Bank and SIDA studies; other details are still being worked out. Fourth, while implementation of these plans will be dependent on donors and only in minor ways on government financing, it is not yet clear how much it will cost nor what is fully involved in implementing the legislation in each district.

USAID/Maputo's role in this decentralization process will be at the national level--through policy dialogue and donor coordination, and targeted technical assistance and training--and at the municipal level--studies of viability, technical assistance and training for planning and implementation of the legislation. Depending on the financing required and concurrence with government, the strategy will focus on at least two districts,<sup>33</sup> one in Zambezi Province and one in Nampula Province.

There are still many open questions about when, where and how these activities will be implemented. Some of these answers must come from the Council of Ministers, and others from the studies being undertaken by the World Bank and SIDA. Consequently, support for the decentralization process must be flexible. In the event that the World Bank does not finance the implementation of the decentralization plans in the capital cities of Zambezi and Nampula Provinces, it may be necessary for the Mission to shift its focus to those cities to ensure that the decentralization process continues.

b. USAID's Comparative Advantage

Decentralization is a high priority in USAID's democratization programs, particularly as it supports the recently announced local government initiative. In this area USAID draws not only on the United States' long domestic experience with decentralization, but also on USAID's own experience and knowledge from decades of support for decentralization and strengthening local governments. USAID/Maputo is already involved in the Mozambique's decentralization through support for the African American Institute's research on traditional authority structures and targeted training in public administration. USAID/Maputo also has access to in-house expertise in this area from REDSO/ESA which has been involved in local government issues (especially through the former RHUDO office) all over the east and southern African region.

c. Consistency/Complementarity with Other Donors

The major donors supporting decentralization and the implementation of the new Municipal Law are the World Bank and the Swedish International Development Agency. The World Bank's "Local Government Reform and Engineering Project" will support municipal reform in five of the 11 urban municipalities slated for municipal elections in 1996. SIDA will support reforms of local administrative structures in six rural districts. Other donors have stated their intention to support the decentralization process, but are waiting for greater clarification of what and where assistance is required.

The Swiss Development Cooperation is assisting the Ministry of Health in its efforts to deconcentrate administration and management of health services from central to provincial and district health authorities.

d. Commitment of the GRM

In September 1994, the government proposed and the pre-election FRELIMO National Assembly passed legislation providing for the devolution of government power and authority to elected municipal governments. The legislation has many powerful detractors and its implementation is still dependent on the Council of Ministers. In the March 1995 Consultative Group meetings, the government reiterated that it was initiating a "progressive decentralization program from the central government to the provincial and local governments." It was further stated that "local governments have an important role to play in the delivery of basic social services, the maintenance of local infrastructure, the enforcement of law and

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<sup>33</sup> The number of districts to be supported will depend on projected costs and agreement with the GRM.

order, and the development of an environment conducive to private activities."<sup>34</sup>

#### e. Partners and Delivery Mechanisms

A combination of various types of partners and delivery mechanisms may be required to achieve this program outcome depending on how the process unfolds. The emphasis will be on providing training and technical assistance through institutional contractors and PVOs/NGOs. Limited commodities (e.g., computers) may also be provided.

#### f. Indicators

1. Number of districts in Nampula and Zambezi Provinces to which authorities have been delegated and in which municipal elections held

#### G. Strategic Objective 3.0: Use of Essential MCH/FP Services Increased

##### 1. Rationale

Primary health care is a critical tool for enhancing human productivity. Healthy people contribute to increased economic productivity and increased participation in governance; they are also able to devote time and resources to the improvement of their own and their families' wellbeing.

Women are the hub of the productive unit, especially in rural areas. According to the Ministry of Plan's 1992 Demographic Survey, about 70% of the active population, which is approximately 50% of the total population, is linked to agriculture. Slightly more than 50% of the active population are women. Almost all of them are either smallholder farmers or employed in agriculturally-related activities. As food production, and consequently national food security, is primarily done by smallholders, productive women are essential for Mozambique's food security and economic growth.

Women are not only the key family members responsible for feeding, supporting, and nursing family workers but they also have primary responsibility for caring for (or overseeing caring of) new family members, educating the children, and, at the same time, contributing a significant amount of the total physical family productive labor outside of the home. Time and work lost as a result of the woman's own illness and her children's morbidity and mortality directly threaten not only her own household's food security and income but also that of the country.

##### 2. Development Needs, Constraints, and Opportunities

The years of war and drought have left most Mozambicans not only poor but also malnourished and often ill. Current estimates of infant, child (under five) and maternal mortality suggest that conditions here are among the worst in the world:

- Life expectancy of a newborn in Mozambique is 44/48 (male/female).
- The infant mortality rate is estimated at between 140 and 173 deaths per thousand births.
- The under-five child mortality rate is 280/1000. (In 1993 more than 400 children died each day in Mozambique<sup>35</sup>. Mozambique is one of only six countries in sub-Saharan Africa where under five mortality increased or

<sup>34</sup> "Establishing the Basis for Economic and Social Development: Key Policies", p. 12.

<sup>35</sup> Government of Mozambique and United Nations Children's Fund, "Master Plan of Operations," 1994-1998.

- failed to decline between 1975 and 1990.<sup>36)</sup>
- The recorded maternal mortality ratio, based on mothers dying in health facilities, is 300 deaths per 100,000 births. UNICEF estimates the ratio at 1,100 per 100,000, based on the Sentinel Community Survey in Mozambique.<sup>37)</sup>

Rates of illness and disability are of course much greater.

At all levels of health care, the health sector lacks the institutional, human and financial resources to deliver quality health services as well as an adequate information base upon which to make decisions and set priorities. These structural constraints make it difficult for the Ministry of Health (MOH) to translate health care policies into operational programs or services. This in turn makes it difficult for provincial governments and concerned NGOs to effectively implement programs at the provincial, district and community levels.

Access to health information and services, safe water, adequate food, and basic sanitation remains a major constraint to the sector. Even where facilities have not been destroyed, looted, or abandoned, services are limited and often inadequate. Many are without trained staff and basic amenities and supplies. On the operational side, all of the support systems require significant rehabilitation and/or upgrading. These include transportation, logistics, supply management, management information systems, and personnel management and supervision. As the MOH enters into partnerships with NGOs, private providers of health services and communities for the delivery of health care services, the operational support systems will be further stressed in trying to coordinate the sector.

### 3. USAID's Comparative Advantage

USAID's comparative advantages are similar for all of the Program Outcomes and Sub-Program Outcomes. Of particular note is the CDIE synthesis of findings about child survival programs<sup>38)</sup> which found that USAID has helped develop innovative low-cost institutional mechanisms to deliver basic lifesaving health services to mothers and children. In general, USAID's comparative advantages in the health and family planning sectors lie in service delivery, hands-on problem-solving, being able to bring both bilateral and central funding to bear on problems, integrating public, private (for-profit and not-for-profit) and community-based participation, and being innovative and risk-taking.

USAID/Maputo enjoys these same comparative advantages in Mozambique. In particular, the Mission is strongly placed to develop alternative, innovative, low-cost service delivery models based on increasing the role of communities in delivery of health services and expanding the role of the private sector in partnership with the public sector and local communities.

### 4. Potential for Sustainable Development

With 100% of investment financing and 65% of recurrent cost financing coming from donors (including NGOs), the issue of sustainability is very serious. Within the

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<sup>36)</sup> The after effects of the war make it extremely difficult to collect national statistics in Mozambique at this time. Estimates vary. For consistency and recency of source the preceding estimates of mortality rates were all taken from the appendix tables in "Better Health in Africa," The World Bank, Washington D.C., 1994. Unless indicated this is the source for other statistics used in the "Overview" section.

<sup>37)</sup> Government of Mozambique, "The Situation of Children and Women on Mozambique," Ministry of Cooperation, National Planning Commission and UNICEF/Maputo, Final Draft, May 1993.

<sup>38)</sup> "Evaluation of A.I.D.'s Child Survival Program: A Synthesis of Findings from Six Country Case Studies," A.I.D. Evaluation Highlights No. 23, CDIE, October 1993

MOH's financing, almost 65% of the budget is spent on salaries, yet health workers receive appalling low salaries which is a major factor in the difficulty of attracting candidates for rural areas. And yet, in rural areas less than 30% of the population has access to adequate health care. Without special attention, Mozambique will find itself even more dependant on outside financial support for basic health services.

Sustainability requires that local health care providers develop their own resources and capabilities to operate effectively on their own. Given the projected economic growth rate, it is doubtful if the GRM will be able to even approach minimal sustainability in the medium (10-15 years) term. It is incumbent on the Mission, therefore, to seek innovative low-cost institutional arrangements which will contribute to achieving, even in the abysmal poverty environment of Mozambique, self-financing services. To this end, the Mission's strategy will focus on ways 1) to empower local communities to take responsibility for determining the level and mix of primary and preventive health care interventions appropriate for themselves and 2) to integrate effectively and cost-effectively public, private and local community health care resources.

#### 5. Indicators

1. Percentage Children receiving DPT3 immunization
2. Percentage Children receiving ORT in most recent diarrhea episode
3. Percentage Women receiving at least one antenatal check at health facility before third trimester
4. Prevalence rate of modern-method contraceptive use
5. Percentage Mothers breastfeeding exclusively during first six months of infant's life

#### 6. Program Outcome 3.1: Increased Supply of Quality MCH/FP Services

Poor access to health services is the overriding constraint within the health sector. This has two important dimensions: the number and location of facilities and the quality of services offered at facilities. USAID/Maputo will focus on increasing and improving the communities' role and responsibilities in the delivery of quality MCH/FP services, while still assisting the GRM in devising new approaches to service delivery which require community participation and involvement. The program may assist in facility rehabilitation (to the extent that this is not being provided by other donors or the GRM) and service improvement directly, but only as part of a broad-based community approach that maximizes nongovernment inputs. The Mission's assistance will also include facilitating communities in developing water and sanitation services and facilities, strong outreach programs, and a referral system that maximizes the use of all health resources in the province for MCH/FP.

#### Indicators:

1. Percentage of health delivery facilities with outreach programs
2. Number of health facilities meeting basic quality standards
3. Percentage of health facilities with active outreach programs
4. Number of health sites offering essential obstetrical services
5. Percentage communities with safe water

#### a. Sub-Program Outcome 3.1.1: Increased Outreach to Communities and Improved Referral at All Levels

- (1) Nature of Problem, Programmatic Approaches and Feasibility

If basic MCH/FP health coverage is to be obtained during these years, an aggressive outreach program to communities is essential. To the extent that outreach occurred and gaps in health delivery were filled during the civil

disruption and purposeful destruction of health facilities, it was by nongovernmental organizations (NGOs and PVOs). This will continue to be the case for some time, and, as the health system becomes reestablished, the Mission expects that nongovernmental entities will continue to play an important role in the delivery of health services, particularly primary and preventive care.

The Mission's health program will support the development of a strong outreach program in the focus provinces. This will be done through: a) supporting NGOs; b) supporting selected communities in defining their needs and resources for a community-based outreach program; c) supporting social marketing activities where possible; d) training of traditional births attendants (TBAs), traditional healers and other community-based health providers; and e) supporting outreach from fixed facilities, regardless of which delivery system provides the facility, for IEC and immunization programs.

Because most births occur at home, it is essential that the entire adult population develop an awareness of proper nutrition, avoid harmful practices, recognize complications and where and how to access services in the case of actual complications. Information from other countries indicates that husbands, mothers, and mothers-in-law may be more influential in the decision to seek professional care when needed than a TBA.

The Mission will also support the development of functional referral systems in the focus provinces to achieve the best use of existing facilities--from home and community efforts, to mobile service providers (e.g., TBAs and traditional healers), to health centers, clinics, and hospitals. Even though district hospital resources are scarce, they are frequently overused by clients whose needs should be treated at lower levels in the system.

The design of referral systems will be consistent with the severe transportation and mobility constraints of both health providers and clients. Neither the donors, the government, NGOs, other private sector providers, or communities are likely to have sufficient resources to provide patient transport in the near or medium term.

### (2) Consistency/Complementarity with Other Donors

Very few donors are involved in this aspect of MCH/FP service delivery. Swiss Development, Italy and ODA (through Save the Children/UK) are providing limited assistance, which is more focused on strengthening the central and provincial level MOH units. All of the USAID-financed PVO health programs include strong initiatives involving community-based health committees to complement and supplement the services provided by the GRM. The Mission's strategy will complement the existing efforts, but will broaden the effort beyond just the Outreach Unit of the MOH at the central and provincial level.

### (3) Commitment of the GRM

According to the GRM's sector plan, "The Public health sector in Mozambique: a post-war strategy for rehabilitation and sustained development," outreach and referral are clear priorities for the GRM. Although the Mission's strategy will help strengthen the GRM's outreach and referral program, it will go well beyond this. Although the sector plan does not deal with the relationships between the public and private sector health care service providers, the MOH has accepted that there is a role for private providers, both not-for-profit and for-profit. Therefore, as part of this strategy and the democracy/governance strategy, the Mission will help the GRM reflect on the role of government and, by extension, the role of nongovernment organizations, including local communities themselves, in the provision of health care. This process will help the GRM focus not only on deconcentration of authorities from the central ministries but also on devolution and spinning-off of responsibilities.

## (4) Partners and Delivery Mechanisms

Assistance will be provided through several mechanisms and with a range of partners. Major support for service delivery will be provided to PVOs and NGOs through grants and sub-grants. Some assistance will be provided, through technical assistance and training, for public and private sector service providers. Most of the assistance for communities will be provided through PVOs/NGOs, although some direct technical assistance in developing/refining models for empowering communities to take a greater role in their primary health care is possible. In addition, U.S.-based Cooperating Agencies, such as BASICS, MotherCare, SEATS and/or Pathfinder, will be involved in outreach and community-based service delivery.

## (5) Indicators

1. Number of health delivery facilities with outreach programs
2. Number of service provider person-days spent in outreach activities
3. Number of births assisted by traditional birth attendants (TBAs) or other persons trained in providing assistance with delivery.
4. Percentage of facilities with established and functioning procedures for referrals to/from community-based providers and provincial hospitals
5. Number of clients appropriately referred and attending next-level health service facility

b. *Sub-Program Outcome 3.1.2: More Health Facilities Equipped to Provide Essential Services*

(1) Nature of Problem, Programmatic Approaches and Feasibility

The Mission's program will help ensure that basic MCH/FP equipment is available at key health delivery sites within the focus provinces. In general, this will entail assuring provision through the MOH's or other donor's resources of such things as essential drug kits, vaccines, first aid supplies, cold chain equipment, and storage cabinets or areas for securing supplies and equipment. To specifically improve services focused on maternal mortality, the Program will carefully target selected health centers, district hospitals and mid-level providers with physical upgrading of the facilities (cleaning up, providing basic equipment such as lamps/flashlights, providing basic supplies such as suture materials, antibiotics, sedatives and oxytocics, and training in life-saving skills). While the Mission's program will support the development of functional logistics and informational systems within the focus provinces for the management of MCH/FP supplies/commodities, a basic concern of the strategy is to help the MOH on a national level establish such logistic information for management systems. The intent is improve information for the management and guidance for the rational use of scarce resources.

(2) Consistency/Complementarity with Other Donors

Although there is a relatively large number of donors who are rehabilitating or refurbishing widely scattered health facilities, only a few have important components that deal with equipping the facilities to ensure that the essential services can be provided. Through import support programs and some direct project support several donors finance MEDIMOC (the government monopoly pharmaceuticals importer). These donors include UNFPA, NORAD, SIDA, CIDA, and Swiss Development. UNICEF imports essential drug kits for the whole country through the UNICEF procurement system. For the past four years, USAID has been the only financier of the program. In the past Italian Cooperation provided financing. UNICEF is seeking other donors in addition to USAID to finance the essential drug program in coming years. Non-pharmaceuticals are obtained through GRM financing and occasionally some import support funds.

## (3) Commitment of the GRM

As the GRM is the primary supplier of non-pharmaceutical equipment and supplies, their commitment is very clear and strong. The sector plan recognizes that shortages in this area are extremely serious obstacles to making essential services available.

## (4) Partners and Delivery Mechanisms

The Mission will not only tap Global Bureau resources, such as the Rational Pharmaceutical Management Project (Management for Health Sciences) for logistic support, but will partner with PVOs/NGOs, the private sector (when possible), other donors and the MOH to achieve this Sub-Program Outcome.

## (5) Indicators

1. Number of facilities with appropriate equipment for providing basic MCH/FP services
2. Number of facilities with monthly stockouts of supplies and commodities for providing basic MCH/FP services

c. *Sub-Program Outcome 3.1.3: More Health Facilities with Trained Staff*

## (1) Nature of Problem, Programmatic Approaches and Feasibility

In as many as 40% of the health facilities the only staff may be cleaning personnel or servants without any health or medical training. Health personnel were specifically targeted during the war and many were killed, fled to the cities or left the country.

Getting personnel out to rural sites where physical security and basic amenities are lacking will require special incentives, training and support systems. While there are training facilities at both the national and provincial level, these facilities too have suffered. USAID/Maputo will assist with the development of appropriate standards of practice; the training of government and nongovernment providers and supervisors in the focus provinces, to ensure that they can use the appropriate standards of practice; and the provision of manuals and other supporting materials.

## (2) Consistency/Complementarity with Other Donors

A number of donors are providing training, principally on-the-job training and in-service training to the MOH. Other than the World Bank, most have training programs focused on a province or on specific districts within a province. The Mission will pay special attention to donor coordination related to this Sub-Program Outcome, possibly taking a leadership role if the World Bank capacity-building component does not become more assertive. All PVOs/NGOs working in the health sector in Mozambique have relatively strong training programs which normally run the continuum from on-the-job training for TBAs and village activists to mid-level MOH and NGO personnel.

## (3) Commitment of the GRM

This is an area of assistance that ranks very high on the GRM's priority list. The MOH recognizes the marginal competency of many of its employees, and also recognizes the need for serious training for former RENAMO health workers.

## (4) Partners and Delivery Mechanisms

While much of the assistance related to standards of practice will be provided to the MOH at the national level, training to meet those standards will be provided to provincial, district, local health care providers, and PVO/NGO and for-profit private providers. The Mission will deliver the assistance through bilateral and central projects (such as INTRAH or BASICS) and/or PVOs/NGOs.

(5) Indicators

1. Number of facilities with personnel trained to provide quality MCH/FP services
2. Percentage of service providers with training/retraining that meets MOH guidelines
3. Percentage of active TBAs, healers, and community health workers with training/retraining

7. Program Outcome 3.2: Improved Family Health Knowledge and Changed Behavior

a. Nature of Problem, Programmatic Approaches and Feasibility

In addition to lack of income, women in absolutely poor families are further constrained by their lack of knowledge and/or tradition from protecting themselves and family members. Because of this lack of knowledge, families fail to adopt rudimentary health and sanitary practices that would prevent illness and death, and they either fail to seek health care in life-threatening situations or seek it too late. In some areas, traditions that do not support good health practices exist and, in some instances, are contrary to those practices.

With health resources so scarce, it is essential that families and communities themselves take appropriate actions to improve their environment, to practice preventive health care, and to provide, both within the home and at health facilities, basic curative health care.

Most disease is prevented, identified, and managed in the home. Therefore, improving the knowledge, access, practices, and resources of the family and especially mothers to prevent and manage health is the single most cost-effective component of health care systems. There are two parallel aspects to this approach. One is to increase the capacity in the home to prevent and manage disease. The other is to enable the mother to recognize diseases which are beyond the competency of home care and seek assistance for those diseases, as opposed to accepting and tolerating them as being beyond intervention. Well-informed and organized communities can assist in educating and supporting parents to access health assistance beyond the home.

Through the service delivery model that is appropriate for each of the three provinces, USAID/Maputo will support a range of informational, educational, communication (IEC) and outreach activities to strengthen existing appropriate community and home health behavior and to change inappropriate behavior by educating communities and motivating appropriate behaviors. This IEC will be provided through an outreach program and facility-based, providing support for community education and training and motivating mothers in appropriate preventive health care, such as pre-natal care. Of particular concern will be proper nutrition during pregnancy, use of TBAs or other trained persons during delivery, exclusive breastfeeding for the first six months of an infant's life, both prevention and recognition of diarrhea and malaria and how to deliver appropriate home treatment, and, importantly, recognize when to seek more professional health care. The need for childhood immunizations must be a key message that is recognized by communities and home health care providers.

An essential corollary of this Program Outcome is that health assistance outside of the home is actually available. The Mission's program provides for this through training of TBAs, outreach activities, increasing the capacity of local

health facilities, and supporting immunization programs.

b. Consistency/Complementarity with Other Donors

The focus of donor assistance to the health sector is on improving the MOH's service delivery. While several donors, such as UNICEF, Swiss Development, Spanish Cooperation, the World Bank and ODA (through SCF/UK), have IEC components, the behavioral changes necessary to empower the family and community to take responsibility for improving the health environment are not the objectives of the education component. USAID-funded PVOs working in MCH/FP do have this as one of their objectives. The Mission feels strongly that this should be a major component of the Mission's strategy to develop sustainable, cost-effective health care.

Several other donors (UNICEF, WHO, UNFPA, the Dutch, SIDA, Italian Cooperation, Spain, and ODA) have programs that assist clinic-based case management. However, most of these efforts are limited to specific districts and/or health facilities within a district and are very small. While complicating coordination, USAID/Maputo will have a clear role in integrating behavior changes in both families and facilities on a provincial-wide basis (for the provinces in which the strategy will operate), as well as a possible role at the national level.

c. Commitment of the GRM

Although improving clinic-based case management is on the MOH's priority list, the sector plan is only concerned with the public sector and is thus silent on the need to change family behavior. In general, health education and IEC receive almost no attention within the MOH system. Nonetheless, in PVO/NGO-assisted health facilities at the district and provincial levels of the MOH, government health workers are engaged in changing family behaviors.

d. Partners and Delivery Mechanisms

USAID/Maputo will achieve this Sub-Program Outcome through grants and sub-grants to PVOs/NGOs and through technical assistance and training to the MOH for IEC and health education. BASICS, MotherCare and JHU/PCS are possible Cooperating Agencies.

e. Indicators

1. Percentage of households who know where MCH/FP services can be obtained
2. Percentage of households who used ORT in last diarrhea episode
3. Percentage of households who know how HIV/AIDS is transmitted
4. Percentage of households who know at least 2 family planning methods
5. Percentage of households who use key sanitary practices
6. Percentage of households using safe water
7. Maternal and child vaccination rates
8. Percentage of women using antenatal services and trained TBAs
9. Percentage of mothers using family planning services

**8. Program Outcome 3.3: Strengthened Provincial Management of MCH/FP Service Delivery**

Improved management skills and capacity in all channels for delivering health care services are essential, especially as Mozambique moves through the transition from operating with emergency aid to reestablishing its own systems to respond to the health needs of its population. Because the resources are so meager and the needs so great, yet basic, the Mission is focusing its program on areas large enough to have national impact but still close to service delivery. It is the preventive and basic curative delivery system from home to district hospital that is the focus of the Mission's program. Currently, coordination of the various health care providers and management of MOH resources for most district activities

usually takes place at the provincial level. Over time the coordination between health care providers, including communities, is expected to devolve to the district level.

There is strong synergy between the Mission's efforts to achieve this Program Outcome and the Decentralization and Role of Government Program Outcomes in the Democracy/Governance strategy. While the D/G strategy will focus its efforts on the devolution and/or spin-off of responsibilities related to provision of health services, this strategy will focus on the deconcentration of authority to the province and, ultimately for some activities, to the district.

Within the three provinces, the Mission expects improved coordination of programs, resources, and personnel at the provincial level and in selected districts by the end of the strategy period. This coordination will include an effective consultation and coordination process with communities in selected districts in planning, budgeting, delivery of commodities, training of health care providers at fixed facilities, and training of home health care providers.

#### Indicators

1. Scores on the Index of Health Management
2. Regular coordination between provincial health authorities and service providers in rural facilities and communities
3. Regular two-way consultation between community health committees and provincial/district health authorities
  - a. *Sub-Program Outcome 3.3.1: Improved Planning and Budgeting Systems*
    - (1) Nature of Problem, Programmatic Approaches and Feasibility

Another major constraint relates to weak planning, budgeting and management capacity within the MOH. The MOH faces serious implementation constraints from, among other factors, the lack of adequate budget, inadequate human resources, relatively weak institutional capacity, a strong history of central planning, and a disconnect between planning and budgeting at all levels. The number and tremendous variations in size of NGO and donor programs with their consequent implications for budgeting and planning, puts the MOH into a reactionary position with respect to implementing the sector plan.

The health sector also suffers from a critical recurrent expenditures gap for ensuring institutional strength in the delivery of health services. State budgetary constraints have severely limited the MOH's capacity to maintain the delivery of health care services. The uneven flow of donor aid and budget revenue also make budget planning difficult. Disbursement is further complicated by the MOH's inability to ensure either levels or timing of budget replenishment.

The Mission program will support training for provincial and district leaders in planning, including taking into account services and resources provided by nongovernment providers, budgeting and the use of information for problem identification and solving. In each of the focus provinces, USAID/Maputo will continue to support the multidonor activities to strengthen primary health care decentralization, rehabilitate the provincial network of health services and training institutions and improve provincial management through the development and use of Provincial Management Plans. The Mission will help emphasize practical work-with-what-we-have plans in which objectives and targets are set, worked for, and reported.

An important part of these exercises will be the involvement of the full NGO sector, to assist the government in perceiving the NGOs (and, as it emerges, the private sector) as part of the total health delivery system. This will help the

government realistically establish priorities for its health delivery efforts and plan for the inclusion of nongovernment elements. The Mission's program will also support initial exploration of cost-recovery activities (through operations research) with such things as out-patient fees, costs for laboratory procedures, and essential drugs and other pharmaceuticals.

(2) Consistency/Complementarity with Other Donors

Through its existing Primary Health Care Support Project (656-0226) and support to NGOs (through the existing PVO Support Project (656-0217)), USAID/Maputo is already a participant in the provincial planning process initiated by UNICEF (working with the MOH and assisted by the Swiss Development Cooperation, DANNIDA and Save the Children-U.K.) The Mission will coordinate closely with the Swiss Development and World Bank efforts at the national level in order to optimize the deconcentration of authority for planning and budgeting.

(3) Commitment of the GRM

This has been an important priority toward which the GRM has been working. While some success has been achieved, much still needs to be done-- particularly in building provincial capacity to accept the responsibility and manage the resources--before the central ministry is completely comfortable with full deconcentration.

(4) Partners and Delivery Mechanisms

The Mission will deliver assistance to this Sub-Program Outcome primarily through bilateral technical assistance, with limited assistance from Global Bureau central projects.

(5) Indicators

1. Number of annual provincial and district health implementation plans developed that include MCH/FP
2. Number of provincial and district annual implementation plans incorporating activities of the nongovernment providers of health services

b. *Sub-Program Outcome 3.3.2: Improved MCH/FP Data and Information System*

(1) Nature of Problem, Programmatic Approaches and Feasibility

The lack of good information upon which to base management decisions is probably a worse problem in Mozambique than in any other sub-Saharan country. Because of scarce resources now and for many years to come, having a simple, flexible, cost-effective health information (HIS) and logistics management information system (LMIS) to provide good information for managing and making the best use of resources is very important.

The Mission's health program will assist with the development of a practical MCH/FP database and streamlining the existing HIS. This system will improve upon the preliminary work done in connection with provincial planning to reactivate health information systems in place before the war. In years two and three of the program, this information system will provide much of the information upon which the annual implementation plans are based. Along with the regularly reported information, the Mission's program will support operations research in order to answer managerial questions not answered by the regular reporting system. Information from the NGOs will gradually be incorporated into the HIS. A similar process will be followed in developing a LMIS.

USAID/Maputo will also support two national demographic and health surveys to

provide a baseline for decision-making about health priorities and against which to measure results. The first survey will draw upon a UNICEF survey for 1995 to measure child health and related behaviors.

(2) Consistency/Complementarity with Other Donors

As with planning and budgeting assistance, USAID/Maputo will need to coordinate with the relatively large number of donors and NGOs involved in health information. Unfortunately, there are few efforts among the donors to work with the GRM and other stakeholders to develop a simple, low-cost, flexible health information system. The Mission will continue to work with the World Bank, UNICEF, WHO, Swiss Development, the MOH, and NGOs such as Medecins sans Frontiere and SCF (UK) on common approaches to setting objectives and measuring results.

(3) Commitment of the GRM

The MOH and National Statistics Directorate of the Ministry of Finance and the Plan recognize the need for good current data in decision-making. It is at their requests that the Mission is working with G/HPN to carry out not only the two DHS but also to provide assistance to the national census through BUCEN.

(4) Partners and Delivery Mechanisms

As indicated above, the Mission will be coordinating and, at times, co-financing technical assistance and training. Although the Global Bureau resources will be critical to the DHS and census, the Mission will provide the bulk of the assistance (not necessarily the bulk of the resources) through bilateral project assistance.

(5) Indicators

1. Data from provincial-level MCH/FP health information system (HIS) and logistics management information system (LMIS) are regularly used in reports and planning
2. Operational research is used to provide guidance in the provincial and district planning process

c. *Sub-Program Outcome 3.3.3: Improved Supervisory Systems*

(1) Nature of Problem, Programmatic Approaches and Feasibility

Mozambique faces severe health workforce constraints. Many of those who work within the health sector have limited training. They, as well as TBAs and community health workers, need supervision and help to carry out their responsibilities. Developing protocols, setting standards, and providing regular supervision are extremely important. Mozambique can afford even less than any of its neighboring countries to pay for unnecessary personnel, inappropriately use the personnel it has, or otherwise waste resources.

For these reasons, the Mission's health program will focus on improving health worker supervision at the provincial level. This assistance will include, as needed, helping define health worker roles and standards of performance, developing doable supervisory systems and training both supervisors and more senior managers in how to use the system and the information it generates.

(2) Consistency/Complementarity with Other Donors

Although a number of donors (World Bank, UNICEF, UNFPA, SIDA, Italian Cooperation and Oxfam/UK) are working to improve the delivery of quality health services through improvements in health personnel, very little is being done to improve

supervision--and thus the accountability of district and provincial staff--and supervisory systems. The Mission will coordinate with donors at both the national level, to the extent that the replicable improvements are made, and the provincial levels to ensure that multiple systems are not created. While the focus of the system to be established will be on the MOH, because so much of the health care service delivery is financed through PVOs/NGOs, the Mission will ensure that cooperating PVOs/NGOs are associated with whatever system is developed.

(3) Commitment of the GRM

One of the specific measures the MOH proposes in its sector plan is establishing systems of regular supervision.

(4) Partners and Delivery Mechanisms

The Mission will primarily provide assistance through bilateral projects, but with selective use of central bureau resources such as RAPID.

(5) Indicators

1. Each person in the health system understands his/her own job description as well as those of the persons above and below him/her
2. Standards of Practice (SOP) for MCH/FP are developed, taught, and distributed to all service providers
3. A functioning system provides provincial-level supervision for community-based service delivery

H. Target of Opportunity: Humanitarian Relief and Food Security

In addition to the exceptional circumstances of war, the 1992 drought, oil spills, the 1994 cyclone, and the return of almost six million refugees, internally displaced and demobilized, Mozambique is subject to frequent natural disasters. Drought is endemic in Mozambique. It is the rare year that passes without a drought in one of the provinces. In most cases, the drought is also multiyear and occurs in more than one province. A major cyclone seems to hit with regular periodicity (about every 10 years).

Thus, in addition to resettling the last of the returnees during the strategy period, the Mission anticipates having to deal with drought encompassing at least two provinces (500,000 to 1,000,000 people affected) each year and a major drought (4-6 provinces) or other natural disaster at least once. The Mission will address the more major episodic droughts using a combination of P.L. 480 Title II Emergency and Office of Foreign Disaster Assistance resources. This assistance will be provided strictly on an emergency basis with disengagement within one agricultural/relief cycle.

The more endemic drought-prone areas present a special challenge to the Mission's strategy, as do food security concerns about the absolute poor in Maputo. Maputo is completely outside the strategy's geographic areas, while the drought-prone areas fall largely outside the focus area of Strategic Objective 1.0 (Income) and overlap only one of the areas of Strategic Objective 3.0 (Health). Most of the drought-prone areas have historically been dependent on remittances (up to 50% in some areas) for food security. Given the natural resource base and climatic conditions, the households in these areas will always be dependent on off-farm sources of income.

Until markets are working freely and well, food security in Maputo will be of special concern. At the moment, the developing markets are being distorted by the local purchases by donors of almost half of the available surplus production. This has distorted the market and threatened the food security of the majority of the Maputo poor by depriving the market of the surplus and by forcing prices in Maputo well above inflation's impact (even at 71%). Until these distortions are

removed and the markets are working more effectively and efficiently to deliver surplus domestic production to Maputo, the Mission's P.L. 480 Title III program is essential to assuring that serious malnutrition does not rise in Maputo. Because of the potential disincentive effect that Title III food might have, the Mission is closely monitoring prices and availability in Maputo markets and in production areas.

Based on the availability of funding and exceptional need, the Mission may favorably consider well-planned, PVO-implemented, potable water source projects (and their related community-based health I&C component) and seed replacement projects which start up and phase out in less than three years, are well-conceived, tightly-planned income diversification projects. To the extent that such projects, which are more than emergency but less than fully developmental in nature, are funded, impact criteria similar to those applied within the rest of the Mission's strategy will be used in evaluating proposals.

### I. Other Activities

In addition to the bilateral program, USAID/Maputo manages parts of two regional projects: the Mozambique component of the Regional Rail Services Support (RRSS) Project (690-0247.56) and the Policy Analysis and Assistance to SATCC (PAAS) component of the SADC Transport Efficiency Project (STEP) (690-0256.56). The RRSS is intended to improve the transport efficiency of the regional rail systems of Southern Africa. For Mozambique, although the rail system does not directly support the transport of goods, services or people between production sites and markets or between main urban areas, the rail corridors serve an important economic function providing sea access for Mozambique's landlocked neighbors and the eastern Transvaal region of South Africa. Further, in support of the economic stability which is so necessary for the stability of South Africa, the rail linkages help the economic integration of the entire southern Africa region.

The PAAS component of STEP furthers the ongoing efforts of SADC member states and the donor community to increase efficiency, reliability and competitiveness of the SADC surface transport system by reducing transport costs throughout the southern Africa region. Increased efficiency, achieved through the elimination/alleviation of policy and regulatory constraints, will increase the region's trade and product competitiveness. Although regional in nature, the project's success will have a direct positive impact on market access for Mozambique, thus contributing to the Mission's Strategic Objective 1.0.

The Mission is also financing Mozambique's participation in the Cross-Border Trade Study. Relatively little is known and documented about the level of cross-border trade between Mozambique and its neighbors (South Africa, Zimbabwe, Malawi and Tanzania) or the effect of constraints to that trade. For the focus geographical areas of the first strategic objective, intra-regional trade with Zimbabwe and Malawi appears to already be an important market network. The absence of data on the importance of trade between the strategy's focus areas and Tanzania and South Africa is a weakness in the market information system. Data on the extent to which policies and regulations are constraints to the development of market networks will help inform the Mission's policy dialogue with the GRM as well as SATCC's with its member states.

As indicated in the discussion of the first strategic objective, the Mission expects Mozambique to access the Southern Africa Enterprise Development Fund. Until both the Fund and Mozambique have acquired more experience with the Fund, it is difficult to estimate the resources that will flow to Mozambique. In addition, although the scope of activities which will be offered through the proposed Democracy Center is yet unknown, the Mission expects that Mozambique will be interested in accessing some of those services (such as conflict resolution). Again, the level of participation is impossible to estimate.

## J. Key Assumptions and Assessment of Risk

### Exogenous Factors

Peace will continue.

Banditry in rural areas will be episodic but not infrequent.

Well-travelled routes will have cycles of banditry.

Localized droughts will continue as normal for Mozambique.

Protectionism in Europe and U.S. will not worsen.

Aid flows will suffer steady but modest decreases over period.

Neighboring countries will suffer political and economic tensions as they reform, but will not deteriorate into serious civil unrest.

### Endogenous Factors

Economic reform will continue with GRM largely gaining control of monetary policy.

Oldliners will continue to impede but not stop economic and political reform.

Private sector will respond to positive market signals.

## K. Consultations

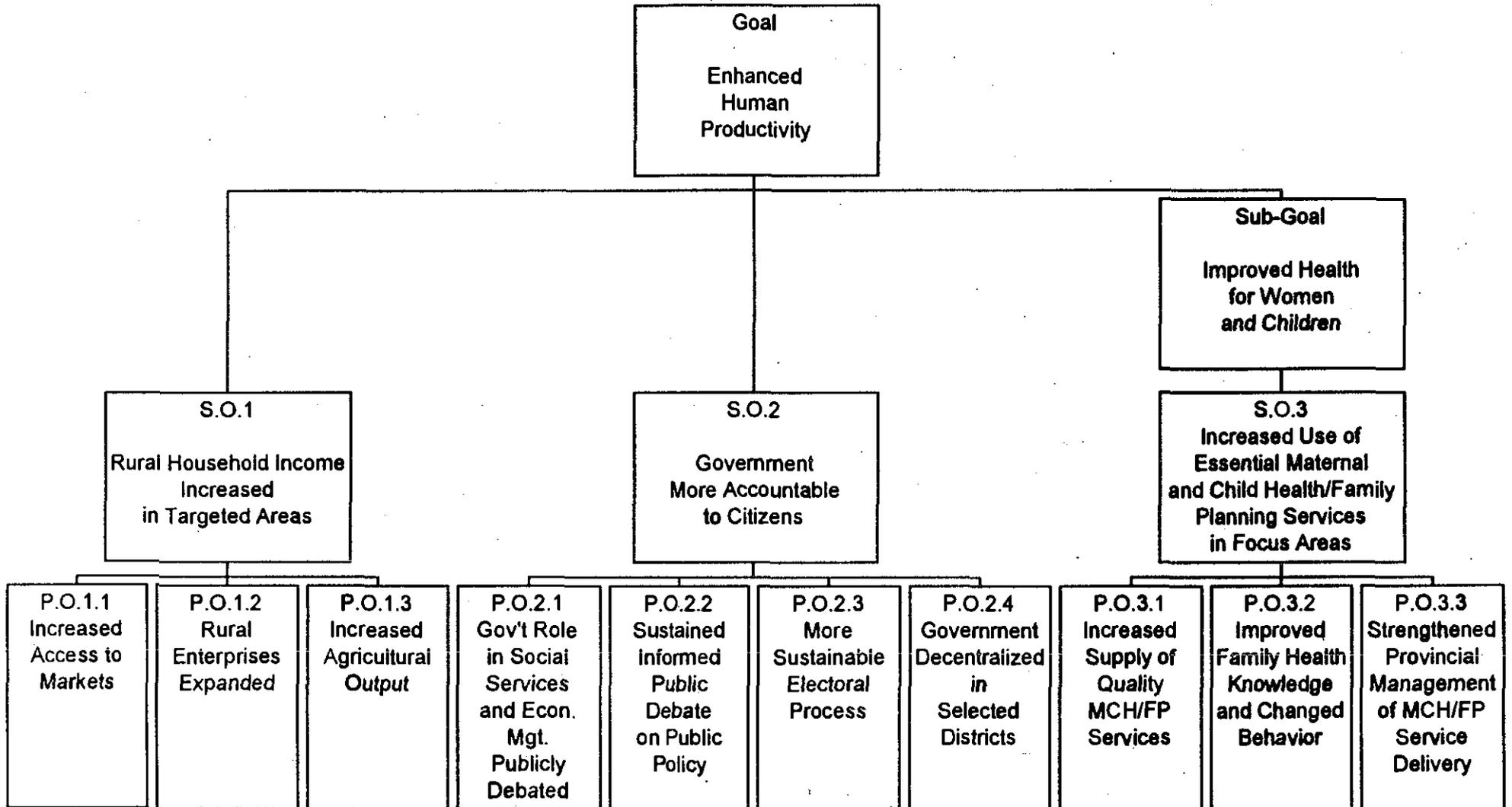
Although somewhat sidetracked by the need to deal with the imperatives of drought, demobilization, elections and reintegration, Mission consultations with its stakeholders and partners on the broad framework of a new strategy began in February 1992--before the end of the FY 1990-1992 CPSP or the beginning of the worst drought in a century and before the unexpected end of the war. As the exigencies of the Transition Program, and time and energy, permitted, the Mission pursued a consultative process using a variety of fora and methods: joint workshops with PVOs and the GRM; seminars with partner U.S. universities and local researchers; participation in GRM strategy development workshops; individual meetings with key GRM officials about the results of analyses and the evolving general framework; informal discussion groups with PVOs; GRM retreats; Mission retreats; in-house workshops with PVOs; meetings with the private sector; provincial trips to meet with provincial and district government, private sector, NGOs, community leaders; REDSO participation in Mission/PVO workshops; consultations with USAID/W both in Washington and in the field; joint working groups with PVOs; bilateral meetings with individual donors; roundtable with donors; etc.

The consultative process directly and indirectly affected every major phase of the strategy development. The strategy goal and focus areas came directly out of the joint working PVO/Mission workshops. PVO participation on the working groups and review of the preliminary objective trees resulted in modification of the strategy, as did PVO review of the draft strategies. The seminars with partner U.S. universities and local researchers provided direct input into the Mission's analytical thinking on several key issues at critical points along the process. The GRM workshops and retreats provided forums for a two-way exchange of strategic thinking that was particularly valuable as the consultations happened relatively early in the strategy development process for both parties. Consultations with key donors, particularly with the World Bank, have helped to ensure compatibility and complementarity of strategies.

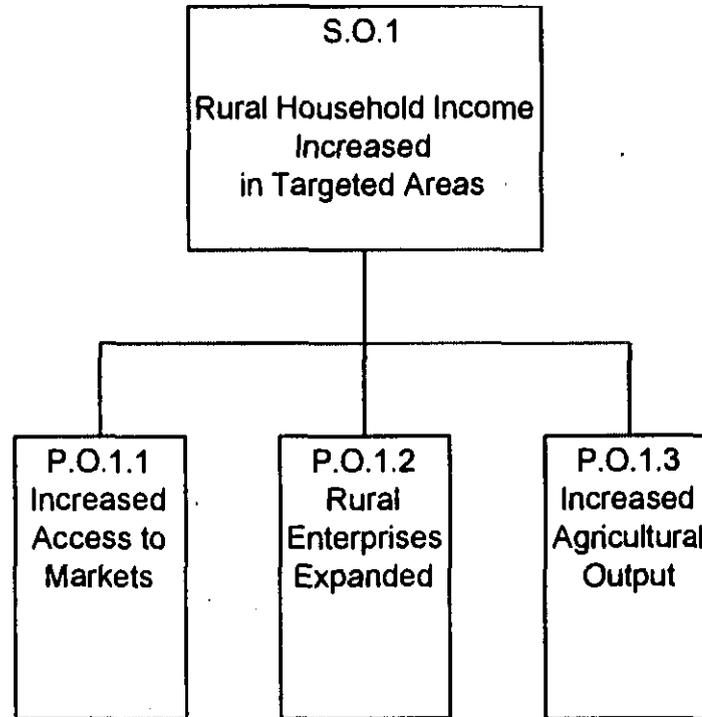
## L. Objective Trees

See next four pages.

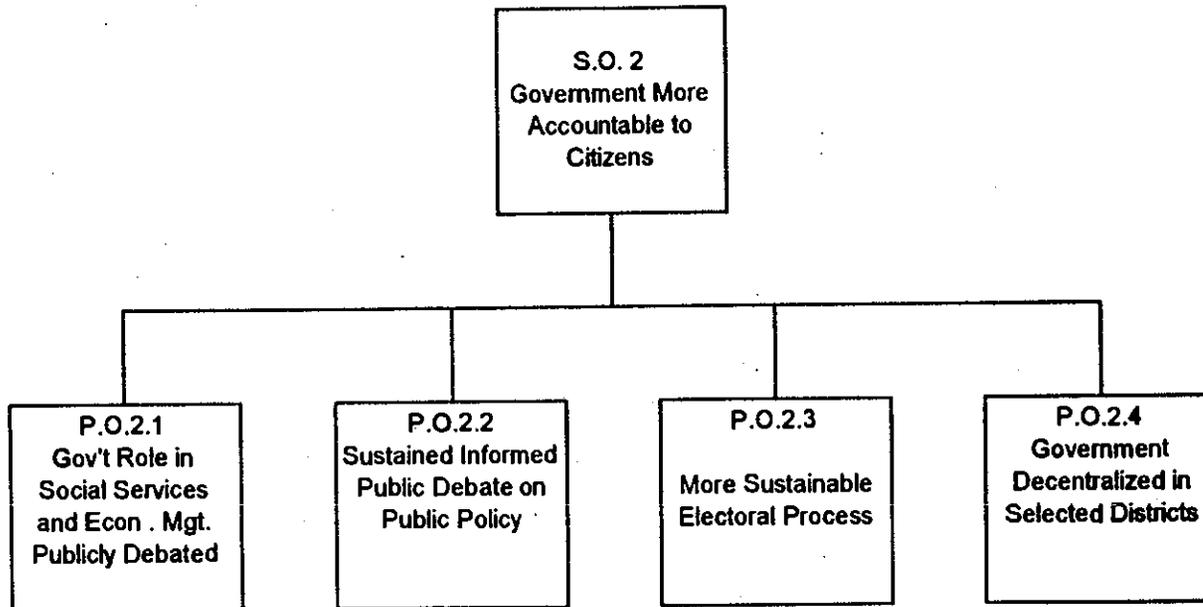
## Country Strategic Program



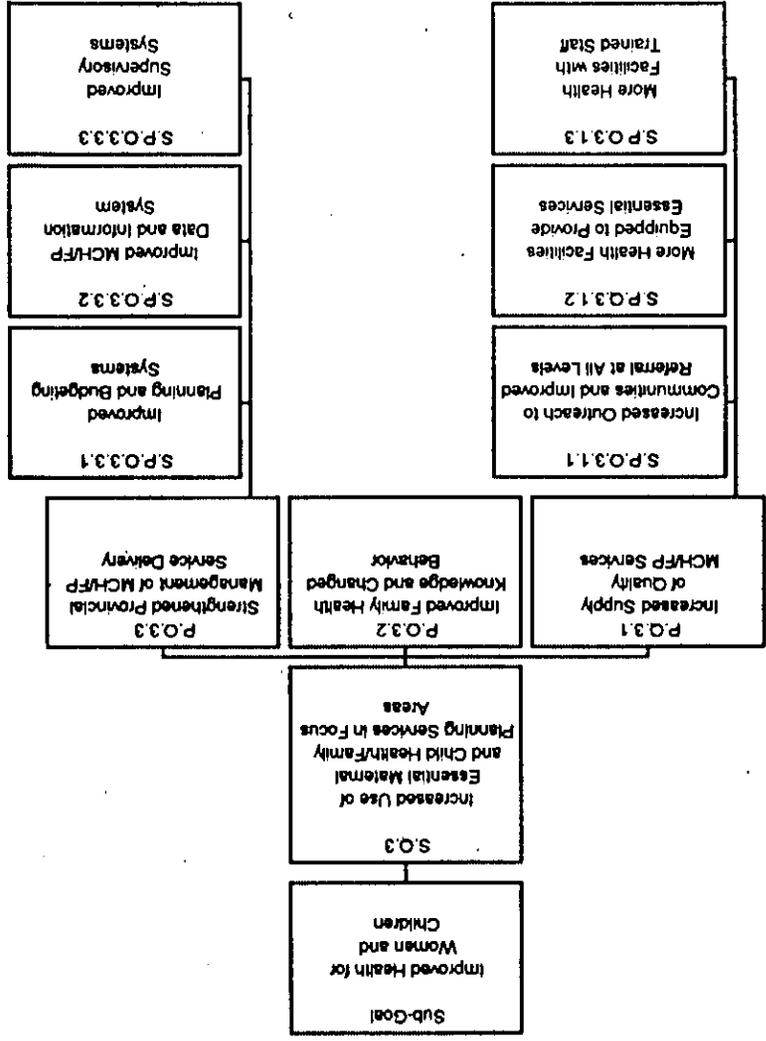
### Income Sector



# Democracy Governance Strategy



# Health Sector Objectives



### III. Action Plan FY 1995 - FY 1997

#### A. Program Summary

##### 1. Overview

In FY 1995, USAID/Maputo and Mozambique shift from their respective peace-related transition programs to the next phase leading toward long-term sustainable development. As was the case with the Mission's Transition Program, the Mission finds itself in a strong position to help Mozambique begin consolidating its transformation from a conflict-ridden, economically bankrupt country to a peaceful, economically strong country capable of sustained development. The strategy the Mission has developed integrates Mozambique's development exigencies with USAID's sustainable development and USG's foreign policy objectives.

During the FY 1996 - 2001 Country Strategic Plan period, USAID/Maputo will work with Mozambicans to improve governance through increasing and improving the accountability of the government and forging a more democratic society. At the same time, as a *sine qua non* to help insure the sustainability of this societal transformation, the strategy proposes to increase rural household income and economic growth. And finally, the Mission proposes to reduce the deaths and morbidity of children and mothers which not only make life short and full of misery but also compromises the ability of Mozambicans to participate in and make decisions about a better future.

This longer-term country strategic plan builds on successful elements of both the FY 1993-1995 Transition Program and the earlier FY 1990-1992 development program as well as boldly moving in new directions.

##### 2. Overall Progress

Please refer to the FY 1993/94 Assessment of Program Impact for a review of the Mission's overall progress in the Transition Program. Progress on the FY 1990-1992 CPSP is encapsulated in Part I Section F.

#### B. Assistance Activities

The following tables show the financing of each strategic objective by source of financing and fiscal year for the period FY 1995 through FY 1997 and for each fiscal year the list of activities through which the financing and assistance will be provided.

##### 1. Strategic Objective 1.0 Rural Household Income Increased in Targeted Areas

	FY 1995	FY 1996	FY 1997
Development Fund for Africa	\$18,346,000	\$48,120,000	\$45,450,000
Development Assistance	\$	\$ 2,100,000	\$ 2,250,000
P.L. 480 Title III	\$ 8,000,000	\$10,700,000	\$ 8,000,000
P.L. 480 Title II	\$11,400,000	\$ 6,160,000	\$ 4,500,000
<b>Total Strategic Objective</b>	<b>\$37,746,000</b>	<b>\$67,080,000</b>	<b>\$60,200,000</b>

- a. Program Outcome 1.1. Increased Access to Markets (FY 95-97: \$71,630,000 DFA; \$725,000 DA; \$26,700,000 PL 480 Title III; and \$15,442,000 PL 480 Title II)

Contributing to achievement of this Sub-Program Outcome are: road rehabilitation, institution-building, private road maintenance capacity development, policy dialogue related to market entry and access to markets, financial markets, dissemination of market information, among other activities.

<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
- Private Sector Support Program (656-0208) (2 yrs)	- Market Efficiency and Development (656-0223)(NPA)	- Market Efficiency and Development (656-0223) (NPA)
- Private Sector Support/Technical Assistance (656-0218) (2 yrs)	- Market Efficiency and Development (656-0224) (PA)	- Market Efficiency and Development (656-0224) (PA)
- Rural Access Project (656-0232) (1 yr)	- Rural Access Project (656-0232)	- Rural Access Project (656-0232)
- ATLAS (656-ATLAS) (7 yrs)	- Program Development and Support (656-0510)	- ATLAS (656-ATLAS)
- Human Resource Dev. Proj. (656-HRDA) (7 yrs)	Initiative for Southern Africa (6 yrs)	- Human Resource Dev (656-HRDA)
- Program Development and Support (656-0510) (7 yrs)		-Initiative for Southern Africa

- b. Program Outcome 1.2 Rural Enterprises Expanded  
(FY 95-97: \$20,231,000 DFA; \$1,725,000 DAF; and \$2,206,000 PL 480 Title II)

Contributing to the achievement of the this Program Outcome are activities such as: entrepreneurial training, strengthening of small and microenterprises and associations, mobilization of rural savings and capital accumulation, storage technology, policy dialogue to enhance business formation, and tax reform.

<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
- Private Sector Support Program (656-0208) (2 yrs)	- Market Efficiency and Development (656-0223) (NPA)	- Market Efficiency and Development (656-0223) (NPA)
- Private Sector Support/Technical Assistance (656-0218) (2 yrs)	- Market Efficiency and Development (656-0224) (PA)	- Market Efficiency and Development (656-0224) (PA)
- Human Resource Dev. (656-HRDA) (7 yrs)	- PVO II (656-0229) (6 yrs)	- PVO II (656-0229)
- Program Development and Support (656-0510)	- Rural Income (656-0233) (6 yrs)	- Rural Income (656-0233)
	- Human Resource Development (656-HRDA)	- Human Resource Development (656-HRDA)
	- Program Development and Support (656-0510)	- Initiative for Southern Africa
	- Initiative for Southern Africa (6 yrs)	

- c. Program Outcome 1.3 Increased Agricultural Output  
(FY 95-97: \$20,055,000 DFA; \$1,900,000 DAF; and \$4,412,000 PL 480 Title II)

Contributing to achievement of this Program Outcome are activities such as: farm management and technology transfer, institutional strengthening for monitoring and statistical data collection, strengthening input markets, and policy dialogue on land tenure security and other land issues.

<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
- Private Sector Support/Technical Assistance (656-0218) (2 yrs)	- Market Efficiency and Development (656-0223) (NPA) (6 yrs)	- Market Efficiency and Development (656-0223) (NPA)
- PVO II (656-0229) (5 yrs)	- Market Efficiency and Development (656-0224) (PA) (6 yrs)	- Market Efficiency and Development (656-0224) (PA)
- ATLAS (656-ATLS) (7 yrs)	- PVO II (656-0229)	- PVO II (656-0229)
- Human Resource Development (656-HRDA) (6 yrs)	- Rural Income (656-0233) (6 yrs)	- Rural Income (656-0233)
	- ATLAS (656-ATLS)	- ATLAS (656-ATLS)
	- Human Resource Development (656-HRDA)	- Human Resource Development (656-HRDA)

2. Strategic Objective 2.0 Government More Accountable to Citizens

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
Development Fund for Africa	\$ 3,434,000	\$ 7,240,000	\$ 6,660,000
Development Assistance	\$ 400,000	\$ 1,000,000	\$ 1,000,000
P.L. 480 Title III			
P.L. 480 Title II			
<b>Total Strategic Objective</b>	<b>\$ 3,834,000</b>	<b>\$ 8,240,000</b>	<b>\$ 7,660,000</b>

a. Program Outcome 2.1 Government Role in Social Services and Economic Management Publicly Debated  
(FY 95-97: \$1,675,000 DFA and \$1,800,000 DAF)

Contributing to achieving the Program Outcome are activities which facilitate government and nongovernment review of the role of government; and provide training and technical assistance to address technical issues.

<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
- Private Sector Support Program (656-0208) (1 yr)	- Democratic Initiatives II (656-0230) (6 yrs)	- Democratic Initiatives II (6 0230)
- Private Sector Support/Technical Assistance (656-0218)	- ATLAS (656-ATLS) (6 yrs)	- ATLAS (656-ATLS)
- Democratic Initiatives (656-0227) (2 yrs)	- Human Resource Development (656-HRDA) (6 yrs)	- Human Resources Development (656-HRDA)
- Implementing Policy Change (690- ) (3 yrs)	- Implementing Policy Change (690- ) (3 yrs)	- Implementing Policy Change (690- )

b. Program Outcome 2.2 Sustained Informed Public Debate on Public Policy (FY 95-97: \$4,034,000 DFA; \$600,000 DAF)

(1) Sub-Program Outcome 2.2.1 Increased Transparency of the Budget Process and Land Allocation Process (FY 95-97: \$405,000 DFA)

Activities which contribute to achieving this Sub-Program Outcome include: policy dialogue, conditionality, technical assistance and targeted training.

FY 1995

- Private Sector Support Program (656-0208) (1 yr)
- Private Sector Support/Technical Assistance (656-0218) (2 yrs)
- Democratic Initiatives (656-0227) (2 yrs)
- ATLAS (656-ATLAS) (6 yrs)
- Human Resource Development (656-HRDA) (6 yrs)

FY 1996

- Private Sector Support Program (656-0208) (1 yr)
- Market Efficiency and Development Program (656-0223) (NPA)
- Market Efficiency and Development Program (656-0224) (PA) (6 yrs)
- Democratic Initiatives (656-0229)
- ATLAS (656-ATLS)
- Human Resources Development (656-HRDA)

FY 1997

- Market Efficiency and Development Program (656-0223) (NPA)
- Market Efficiency and Development Program (656-0224) (PA)
- Democratic Initiatives II (6 0230)
- Democratic Initiatives II (6 0230)
- ATLAS (656-ATLS)
- Human Resource Development (656-HRDA)

- (2) Sub-Program Outcome 2.2.2 Improved Analysis of Government Policies (FY 95-97: \$2,914,000 DFA; \$300,000 DAF)

Activities contributing to achievement of this Sub-Program Outcome include among others strengthening NGOs which analyze and debate public policy and establishing a documentation and analysis center to support the National Assembly.

FY 1995

- Private Sector Support Program (656-0208) (1 yr)
- Private Sector Support/Technical Assistance (656-0218) (2 yrs)
- Democratic Initiatives I (656-0227) (2 yrs)
- ATLAS (656-ATLS) (6 yrs)
- Human Resource Development (656-HRDA) (6 yrs)

FY 1996

- Market Efficiency and Development Program (656-0223) (NPA)
- Market Efficiency and Development Program (656-0224) (PA) (6 yrs)
- Democratic Initiatives (656-0227)
- Democratic Initiatives II (656-0230) (6 yrs)
- ATLAS (656-ATLAS)
- Human Resource Development (656-HRDA)

FY 1997

- Market Efficiency and Development Program (656-0223) (NPA)
- Market Efficiency and Development Program (656-0224)
- Democratic Initiatives II (6 0230)
- ATLAS (656-ATLS)
- Human Resource Development (656-HRDA)

- (3) Sub-Program Outcome 2.2.3 Broadened Exchange of Information, Analyses and Opinion (FY 95-97: \$715,000 DFA; \$300,000 DAF)

This component of the strategy will undertake activities which strengthen NGOs which disseminate information and which support public policy debate.

FY 1995

- Democratic Initiatives (656-0227) (2 yrs)

FY 1996

- PVO II (656-0229) (6 yrs)
- Democratic Initiatives II (656-0230) (6 yrs)
- Human Resource Development (656-HRDA) 6 yrs)

FY 1997

- PVO II (656-0229)
- Democratic Initiatives II (6 0230)
- Human Resource Development (656-HRDA)

c. Program Outcome 2.3 More Sustainable Electoral  
(FY 95-97: \$7,270,000 DFA)

(1) Sub-Program Outcome 2.3.1 More Capable and  
Representative Political Parties (FY 95-97: \$450,000 DFA)

Activities contributing to achievement of this Sub-Program Outcome will strengthen political party constituency-building and campaign skills.

FY 1995

- Democratic Initiatives (656-0227) (2 yrs)

FY 1996

- Democratic Initiatives II (656-0230) (6 yrs)

FY 1997

- Democratic Initiatives II (60230)

(2) Sub-Program Outcome 2.3.2 STAE More Capable of  
Sustaining Administration of Elections  
(FY 95-97: \$1,245,000 DFA)

Among the activities contributing to achievement of this Sub-Program Outcome are those which: strengthen the STAE's human resource base and managerial systems; and which promote the use of more cost-effective methods of implementing elections.

FY 1995

- Democratic Initiatives (656-0227) (2 yrs)

FY 1996

- Democratic Initiatives II (656-0230) (6 yrs)

FY 1997

- Democratic Initiatives II (60230)

(3) Sub-Program Outcome 2.3.3 More Effective Mozambican NGO  
Voter Education Programs  
(FY 95-97: \$5,575,000 DFA)

To achieve this Sub-Program Outcome, the Mission will finance among other activities those which strengthen the technical and administrative skills of participating NGOs and voter education programs implemented by Mozambican NGOs.

FY 1995

- Democratic Initiatives (656-0227) (2 yrs)

FY 1996

- Democratic Initiatives II (656-0230) (6 yrs)

FY 1997

- Democratic Initiatives II (60230)

d. Program Outcome 2.4 Government Decentralized in Selected  
Districts (FY 95-97: \$4,355,000)

To achieve this Program Outcome, the Mission will undertake activities which support the decentralization (devolution) process at both the national and selected district levels.

FY 1995

- Democratic Initiatives (656-0227) (2 yrs)

FY 1996

- Democratic Initiatives II (656-0230) (6 yrs)

FY 1997

- Democratic Initiatives II (60230)

3. Strategic Objective 3.0 Increased Use of Essential MCH/FP Services in Focus Areas

	FY 1995	FY 1996	FY 1997
Development Fund for Africa	\$ 8,162,000	\$ 4,420,000	\$ 7,690,000
Development Assistance	\$ 383,000	\$ 1,530,000	\$ 2,160,000
P.L. 480 Title III			
P.L. 480 Title II	\$ 7,960,000	\$ 4,107,000	\$ 3,000,000
<b>Total Strategic Objective</b>	<b>\$16,505,000</b>	<b>\$10,057,000</b>	<b>\$12,850,000</b>

- a. Program Outcome 3.1 Increased Supply of Quality MCH/FP Services (FY 95-97: \$12,297,000 DFA; \$1,220,000 DAF; \$2,417,000 PL 480 Title II)

- (1) Sub-Program Outcome 3.1.1 Increased Outreach to Communities and Improved Referral at All Levels (FY 95-97: \$8,125,000 DFA; \$1,220,000 DAF; \$10,094,890 PL 480 Title II)

Among the activities which the Mission will undertake to achieve this Program Outcome are: helping traditional healers networks, training and supervising TBAs, establishing community-based health committees, improving clinic-based outreach programs, IEC directed at mothers and other community adults, developing appropriate referral systems, and operational research to monitor the referral system.

<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
- PVO Support (656-0217) (2 yrs)	- PVO Support (656-0217)	- Primary Health Care Support (656-0226)
- Primary Health Care Support (656-0226) 3 yrs).	- Primary Health Care Support (656-0226)	- PVO II (656-0229)
- ATLAS (656-ATLS) (7 yrs)	- PVO II (656-0229) (5 yrs)	- PHC Services (656-0231) (5 y
- Human Resource Development (656-HRDA) (7 yrs)	- ATLAS (656-ATLS)	- ATLAS (656-ATLS)
- Program Development and Support (656-0510) (1 yr)	- Human Resource Development (656-HRDA)	- Human Resource Development (656-HRDA)
	- BASICS (936-6006) (2 yrs)	- BASICS (936-6006)
	- MotherCare (936-5966.07) (2 yrs)	- MotherCare (936-5966.07) (4 yrs)
	- Pathfinder (936-3062) (1 yr)	- Pathfinder (936-3062) (4 yrs)
		- SEATS (93-3048) (3 yrs)

- b. Sub-Program Outcome 3.1.2 More Health Facilities Equipped to Provide Essential Services (FY 95-97: \$1,708,000 DFA; \$2,000,000 DAF)

The Mission will help ensure that basic MCH/FP equipment (such as essential drug kits, vaccines, first aid supplies, cold chain equipment, and storage cabinets or

areas for securing supplies and equipment) is available at key health delivery sites within the focus provinces; improve services focused on maternal mortality at selected health centers, district hospitals and mid-level providers with physical upgrading of the facilities (cleaning up, providing basic equipment such as lamps/flashlights, providing basic supplies such as suture materials, antibiotics, sedatives and oxytocics, and training in life-saving skills); and develop functional logistics and informational systems within the focus provinces.

<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
- PVO Support (656-0217) (2 yrs)	- PVO Support (656-0217)	- Primary Health Care Support (656-0226)
- Primary Health Care Support (656-0226)	Primary Health Care Support (656-0226)	- PVO II (656-0229)
- PVO II (656-0229) (6 yrs)	- PVO II (656-0229)	- PHC Services (656-0231) (5 y)
- PDS (656-0510) (1 yr)	- ATLAS (656-ATLS)	- ATLAS (656-ATLS)
- ATLAS (656-ATLS) (7 yrs)	- Human Resource Development (656-HRDA)	- Human Resource Development (656-HRDA)
- Human Resource Development (656-HRDA) (7 yrs)	- HCPS (MSH) (936-5974.08)	- HCPS (MSH) (936-5974.08)
- HCPS (MSH) (936-5974.08) (6 yrs)		

c. Sub-Program Outcome 3.1.3 More Health Facilities with Trained Staff (FY 95-97: \$2,464,000 DFA)

USAID/Maputo will assist with the development of appropriate standards of practice; the training of government and nongovernment providers and supervisors in the focus provinces, to ensure that they can use the appropriate standards of practice; and the provision of manuals and other supporting materials.

<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
- PVO Support (656-0217) (2 yrs)	- PVO Support (656-0217)	- Primary Health Care Support (656-0226)
- Primary Health Care Support (656-0226) (3 yrs)	- Primary Health Care Support (656-0226)	- PVO II (656-0229)
- PVO II (656-0229) (6 yrs)	- PVO II (656-0229)	- ATLAS (656-ATLS)
- ATLAS (656-ATLS) (7 yrs)	- ATLAS (656-ATLS)	- Human Resources Development (656-HRDA)
- Human Resources Development (656-HRDA) (7 yrs)	- Human Resources Development (656-HRDA)	- BASICS (936-6006) (4 yrs)

4. Program Outcome 3.2 Improved Family Health Knowledge and Changed Behavior (FY 95-97: \$5,987,000 DFA; \$2,000,000 DAF; and \$4,972,110 PL 480 Title II)

USAID/Maputo will support a range of IEC and outreach activities; strengthen existing appropriate community and home health behavior and change inappropriate behavior; provide information on nutrition during pregnancy, use of TBAs other trained persons during delivery, exclusive breastfeeding for the first six months of an infant's life; both prevention and recognition of diarrhea and malaria and how to deliver appropriate home treatment; recognize when to seek more professional health care; and the need for childhood immunizations. Mission's

program provides for health assistance outside the home through training of TBAs, outreach activities, increasing the capacity of local health facilities, and supporting immunization programs.

<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
- PVO Support (656-0217) (2 yrs)	- PVO Support (656-0217)	- Primary Health Care Support (656-0226)
- Primary Health Care Support (656-0226) (3 yrs)	- Primary Health Care Support (656-0226)	- PVO II (656-0229)
- PVO II (656-0229) (6 yrs)	- PVO II (656-0229)	- ATLAS (656-ATLS)
- ATLAS (656-ATLS) (7 yrs)	- ATLAS (656-ATLS)	- Human Resources Development (656-HRDA)
- Human Resources Development (656-HRDA) (7 yrs)	- Human Resources Development (656-HRDA)	- BASICS (936-6006) (4 yrs)
		- MotherCare (936-5966.07) (4 yrs)
		- JHU/PCS (possible)

5. Program Outcome 3.3 Strengthened Provincial Management of MCH/FP Service Delivery (FY 95-97: \$ 1,988,000 DFA; \$853,000 DAF)

a. Sub-Program Outcome 3.3.1 Improved Planning and Budgeting Systems (FY 95-97: \$495,000 DFA)

<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
- Primary Health Care Support (656-0226) (3 yrs)	- Primary Health Care Support(656-0226)	- Primary Health Care Support (656-0226)
		- PHC Services(656-0231)(5 yrs)

b. Sub-Program Outcome 3.3.2 Improved MCH/FP Data and Information System (FY 95-97: \$998,000 DFA; \$853,000 DAF)

The Mission's Health Program will assist with the development of a practical MCH/FP database and streamlining the existing HIS; and will also support two national demographic and health surveys

<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
- PVO Support (656-0217) (2 yrs)	- PVO Support (656-0217)	- Primary Health Care Support (656-0226)
- Primary Health Care Support (656-0226) 3 yrs)	- Primary Health Care Support (656-0226)	- PVO II (656-0229)
- Human Resource Development (656-HRDA) (7 yrs)	- PVO II (656-0229) (5 yrs)	- PHC Services (656-0211) (5 y
- BUCEN (936-3046) (4 yrs)	- Human Resource Development (656-HRDA)	- Human Resource Development (656-HRDA)
- DHS (936-3023) (4 yr)	- BUCEN (936-3046)	- BUCEN (936-3046)
	- DHS (936-3023)	- DHS (936-3023)

c. Sub-Program Outcome 3.3.3 Improved Supervisory Systems (FY 95-97: \$495,000 DFA)

The Mission's health program will focus on improving health worker supervision at the provincial level. This assistance will include, as needed, helping define

health worker roles and standards of performance, developing doable supervisory systems and training both supervisors and more senior managers in how to use the system and the information it generates.

FY 1995

- Primary Health Care Support  
(656-0226) (3 yrs)

FY 1996

- Primary Health Care Support  
(656-0226)

FY 1997

- Primary Health Care Support  
(656-0226)  
- PHC Services (656-0231) (5 y

## C. Resource Requirements

## 1. Program Summary

The following table shows the program summary (from the draft Table I of the FY 1997 Budget Planning Document).

Table I : Appropriation Summary (\$000)

Account	FY 1994 Actual	FY 1995 Estimated	FY 1996 Planned	FY 1997 Request
Sustainable Development	\$33,200,000	\$30,725,000	\$64,630,000	\$65,410,000
Development Assistance Fund	\$ 0	\$ 783,000	\$ 4,630,000	\$ 5,410,000
Development Fund for Africa	\$31,700,000	\$29,942,000	\$60,000,000	\$60,000,000
Sustainable Development Themes				
Economic Growth	\$25,233,000	\$18,346,000	\$50,220,000	\$47,700,000
Global Environment	\$ 1,467,000	\$ 0	\$ 0	\$ 0
Democratic Participation	\$ 6,100,000	\$ 8,562,000	\$ 5,420,000	\$8,690,000
Population/Health	\$14,672,000	\$ 8,545,000	\$ 5,950,000	\$ 9,850,000
Economic Support Fund	\$ 2,100,000	\$ 0	\$ 0	\$ 0
Micro & Small Ent. Dev.	\$ 630,000	\$ 430,000	\$ 9,331,000	\$12,462,000
PL 480 Title II	\$11,000,000	\$19,360,000	\$10,267,000	\$ 7,500,000
PL 480 Title III	\$15,000,000	\$ 8,000,000	\$10,700,000	\$ 8,000,000

## 2. Operating Expense

For the purposes of this strategy document, the Mission has estimated resource requirements based on information sent to USAID/W as part of the FY 1995 and FY 1996 Budget Planning Documents. For FY 1997, the Mission has made a few general assumptions to arrive at a pragmatic interim budget. As the FY 1997 Budget Planning Document is expected to be completed within the next 6-8 weeks, the Mission will incorporate the final resource numbers by annex at that time. For review purposes, however, the Mission projects the following aggregate budget.

## USAID/Maputo OE Requirements FY 1995 - 1997 (\$000)

## FY 1995

OYB Level	FTE USDH	FTE FSN	Dollar O.E.	Trust Funds	Total
\$60.0	17	97	4.0	0.5	4.5
\$36.0	17	95	4.0	0.5	4.5
\$27.0	17	95	4.0	0.5	4.5

## FY 1996

OYB Level	FTE USDH	FTE FSN	Dollar O.E.	Trust Funds	Total
\$60.0	18	100	4.5	0.5	5.0
\$36.0	17	98	4.3	0.5	4.8
\$27.0	15	90	4.4	0.5	4.9

## FY 1997

OYB Level	FTE USDH	FTE FSN	Dollar O.E.	Trust Funds	Total
\$60.0	18	100	4.8	0.5	5.3
\$36.0	17	98	4.6	0.5	5.1
\$27.0	15	85	4.1	0.5	4.6

There will be little or no savings in reducing staff levels as a result of a lower program size because of the cost of early transfers. The Mission has also been unable to project the additional costs of the switching to the re-engineering system of program management and implementation.

## 3. FTEs

The following table shows the attribution of FTEs by strategic objective for each fiscal year.

	FY 1995			FY 1996			FY 1997		
	\$ 60	\$36	\$27	\$60	\$36	\$27	\$60	\$36	\$27
SO 1 Increased Rural Household Income in Targeted Areas	7.8	7.8	7.8	8.3	7.8	8.0	8.3	7.8	8.0
SO 2 Government More Accountable to Citizens	2.7	2.7	2.7	4.2	3.7	3.9	4.2	3.7	3.9

SO 3: Increased Use of Essential MCH/FP Services in Focus Areas	4.9	4.9	4.9	3.9	3.9	1.5	3.9	3.9	1.5
TOO Humanitarian relief	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
TOTAL FTES	17	17	17	18	17	15	18	17	15

#### 4. USAID/W Technical Support

For FY 1995-1997, illustrative requested Global Bureau technical support has been included in Section III. B. Assistance Activities under each sub-program outcome. For each program outcome and sub-program outcome, the estimated Global Bureau budget contributions are listed, in the aggregate for the three years, as DAF sourced financing in parentheses after each sub-section heading. Upon approval of the strategy, a preliminary implementation plan for each results package will be developed by the Mission. Upon completion of those plans, the Mission will contact the appropriate Center to begin negotiations for the actual contribution for FY 1996 and, where possible, for FY 1997. Upon the conclusion of the negotiations, multiyear Memoranda of Understanding will be executed.

In addition to the support from the Global Bureau Centers, the Mission is requesting technical assistance from the Africa Bureau and PPC/CDIE/PME for refining and finalizing a monitoring and evaluation reporting system immediately after strategy approval. The Mission anticipates a second MER team visit in FY 1997 after one full year of implementation of the MER and submission of the first Assessment of Program Impact for the new strategy (as opposed to the transition program).

#### D. Other Donor Programs

Please see in Part II the subsection on donors in each strategy summary section. See also tables in Annexes 1, 2 and 3.

#### E. Monitoring and Evaluation Reporting (MER) Plan

##### 1. General

Over the last two years, USAID/Maputo has invested considerable staff time and additional resources into strengthening its ability to monitor and report on the impact of USAID assistance provided during the FY 1993 - FY 1995 Transition Program. The challenge for the FY 1996 - FY 2001 strategy period will be to continue monitoring program impact through qualitative, descriptive data while strengthening the base of quantitative, statistically meaningful data sources. Given the dearth of good statistical data in Mozambique, increasing the use of quantitative data in program impact monitoring may require a significant investment of program funds.

The types and sources of data required to monitor the new program vary widely between the three strategic objectives. The rural income strategy will require periodic household and business surveys, combined with continued monitoring of and research on market activity and data from routine government road surveys. The health strategy will rely heavily on baseline and endline demographic and health surveys, interim household surveys in target areas, and Ministry of Health statistics and grantee reports. The democracy strategy indicators, in contrast with the other two strategic areas, are more qualitative, based on focus group research, government publications, and reporting in the independent media. As the MER plan is refined, following approval of the CSP, more attention will be given to how to monitor impact at the goal level as well as the synergies between the three objectives.

Primary responsibility for financing and gathering these data will shift from the Office of Program, Planning and Analysis (PPA) to the offices charged with implementation of the three strategic objectives. However, there will continue to be need for an impact monitoring and evaluation specialist in PPA to coordinate and review the monitoring and evaluation efforts in the three areas, manage implementation of monitoring activities that cut across strategic objectives, identify and analyze cross-cutting impact, and prepare reporting on the Mission's program impact. It is likely that the position will require OE funding or may be split-funded between the three strategic objectives.

## 2. FY 1995 - FY 1997

The preliminary tables for the proposed MER plan can be found in Annex 4 to this CSP. The Mission will be seeking assistance from AFR/DP and CDIE to field a Monitoring and Evaluation Reporting team in late June. With the help of this MER team, the Mission will finalize the MER plan and begin monitoring implementation of the new strategy. For FY 1995, however, the primary strategy in effect is still the Transition Program. The next Assessment of Program Impact, therefore, will focus primarily on reporting additional impact from that strategy. Not until FY 1996 will the Mission report on impact from this new CSP.

### F. Alternative Programming Scenarios

The strategy scenario that has been presented in this document is based on several assumptions about available funding and Africa Bureau allocations based on its Performance-Based Budgeting exercise. The most important two assumptions are that the Development Fund for Africa funding levels will continue at levels similar to those between FY 1990 and FY 1995 and that the DFA will continue in some form or that the Agency will protect the resource level needed to make a difference in Africa. Another assumption is that, to the extent resources are reduced to pre-FY 1990 levels (but post-FY 1988), the Bureau will make the hard decisions to focus the majority of its resources on six to seven performers. Based on its performance over the last seven years, the Mission fully expects that Mozambique will be one of the six or seven focus countries.

However, the Mission has prudently projected two alternative scenarios based on different degrees of DFA resource constraints: one at \$36 million and one at \$27 million. Although projections are presented only until FY 1997, the Mission has budgeted for the whole six years of the strategy.

The programmatic changes between the \$60 million and the \$36 million are fairly subtle. In terms of allocations against strategic objectives, the Mission determined that it had two choices: reduce the results being sought within selected Program Outcomes or eliminate a strategic objective. In the Mission's analysis, the selected Program Outcomes and Sub-Program Outcomes were subjected to a fairly rigorous "necessary/sufficient" review. Eliminating a Program Outcome or Sub-Program Outcome, then, was not an easy option.

There was a strong inclination in parts of the Mission, at the \$36 million level, to eliminate a strategic objective and focus resources on the two most important strategic objectives (income and governance). Given the Agency's reality of child survival earmarks, however, and the shocking mortality rates, the Mission considered reducing the results it expected from the strategy. The Mission identified several impacts from reducing the non-project assistance: 1) significant reductions in the foreign exchange available to the private sector, with the consequent slow down in investment and growth; 2) rather significant reductions in available revenues to finance the social sectors, which might counteract the gains from the project investments in child survival; 3) reductions in U.S. imports; and 4) a possibly less influential role in economic policy dialogue. While gravely concerned about these impacts, the Mission concluded that, at least in the first couple of years of the strategy, it might be

able to compensate by slightly shifting staff resources to the policy dialogue activities of the income strategic objective. The Mission would also shift resources within the MCH/FP strategy to provide greater emphasis on finding models for increasing communities participation in decision-making about health care service delivery, and less on MOH institutional constraints. Any savings from this shift, would be applied to the income strategic objective to compensate for the loss of NPA.

At a \$27 million budget level, the hard decisions become easier. The MCH/FP strategic objective is eliminated. Without economic growth and commensurate growth in income, and political stability, Mozambique's fragile peace and stability would not last the period of the strategy.

ATTRIBUTION OF PROGRAM BY STRATEGIC OBJECTIVES FOR CSP			
Based on \$36,000,000			
	FY 95	FY 96	FY 97
<b>STRATEGIC OBJECTIVE 1</b>			
Priv. Sect. Sup. Prog. (0208) (NPA)	5,000		
PVO Support (0217)	780		
PSS/TA (0218)	1,800		
Mkt. Eff. Dev. Prog. (0223) (NPA)		6,000	7,800
Mkt. Eff. Dev. Proj. (0224) (PA)		2,000	2,000
PVO II (0229)		6,300	4,800
Rural Access Proj. (0232)	8,100	11,600	10,000
Rural Income (0233)		1,700	2,000
Demob & Reintegration (0235)	5,000		
PDS (0510)	100	220	150
ATLAS	330	400	400
HRDA	136	200	200
<b>Subtotal SO 1</b>	<b>21,246</b>	<b>28,420</b>	<b>27,350</b>
<b>STRATEGIC OBJECTIVE 2</b>			
Democratic Initiatives (0227)	3,200		
Democratic Initiatives II (0230)		4,000	3,000
PDS (0510)			60
ATLAS	200	80	80
HRDA	34	50	50
<b>Subtotal SO 2</b>	<b>3,434</b>	<b>4,130</b>	<b>3,190</b>
<b>STRATEGIC OBJECTIVE 3</b>			
PVO Support (0217)	3,122		
PVO II (0229)	4,045	2,700	1,800
PHC Service (0231)			3,000
PDS (0510)	400	160	90
ATLAS	265	240	240
HRDA	330	200	200

ATTRIBUTION OF PROGRAM BY STRATEGIC OBJECTIVES FOR CSP			
Based on \$36,000,000			
	FY 95	FY 96	FY 97
Subtotal SO 3	8,162	3,300	5,330
<b>TARGETS OF OPPORTUNITY</b>			
ATLAS		80	80
HRDA		50	50
PDS (0510)		20	0
Subtotal TOO		150	100
<b>FY TOTALS</b>	<b>32,842</b>	<b>36,000</b>	<b>36,000</b>

ATTRIBUTION OF PROGRAM BY STRATEGIC OBJECTIVES FOR CSP			
Based on \$27,000,000			
	FY 95	FY 96	FY 97
<b>STRATEGIC OBJECTIVE 1</b>			
Priv. Sect. Sup. Prog. (0208) (NPA)	5,000		
PVO Support (0217)	780		
PSS/TA (0218)	1,800		
Mkt. Eff. Dev. Prog. (0223) (NPA)		5,000	6,000
Mkt. Eff. Dev. Proj. (0224) (PA)		2,000	2,000
PVO II (0229)		5,326	5,155
Rural Access Proj. (0232)	8,100	8,120	8,000
Rural Income (0233)		1,700	2,000
Demob & Reintegration (0235)	5,000		
PDS (0510)	100	154	105
ATLAS	330	280	280
HRDA	136	140	140
Subtotal SO 1	21,246	22,720	23,680
<b>STRATEGIC OBJECTIVE 2</b>			
Democratic Initiatives (0227)	3,200		
Democratic Initiatives II (0230)		4,000	3,000
PDS (0510)			60
ATLAS	200	80	80
HRDA	34	50	50
Subtotal SO 2	3,434	4,130	3,190
<b>STRATEGIC OBJECTIVE 3</b>			
PVO Support (0217)	3,122		
PVO II (0229)	4,045		

ATTRIBUTION OF PROGRAM BY STRATEGIC OBJECTIVES FOR CSP			
Based on \$27,000,000			
	FY 95	FY 96	FY 97
PHC Service (0231)			
PDS (0510)	400		
ATLAS	265		
HRDA	330		
<b>Subtotal SO 3</b>	<b>8,162</b>	<b>0</b>	<b>0</b>
<b>TARGETS OF OPPORTUNITY</b>			
ATLAS		80	80
HRDA		50	50
PDS (0510)		20	0
<b>Subtotal TOO</b>		<b>150</b>	<b>130</b>
<b>FY TOTALS</b>	<b>32,842</b>	<b>27,000</b>	<b>27,000</b>

# ***ANNEX I***

## INCOME

## TABLE OF CONTENTS

I.	Background . . . . .	3
	A. Economic Overview . . . . .	3
	1. Pre-independence Period . . . . .	3
	2. Post-independence Period . . . . .	4
	3. Economic Reform Period . . . . .	8
	B. Importance of Economic Growth . . . . .	14
	C. Sources of Growth . . . . .	15
	D. Poverty in Mozambique . . . . .	17
	E. The Rural Economy . . . . .	19
	1. Population . . . . .	19
	2. Structure of the Rural Economy . . . . .	19
	a. Geographical Factors . . . . .	19
	b. Agriculture Activities . . . . .	21
	3. Sources of Rural Income . . . . .	22
II.	Constraints . . . . .	26
	A. Constraints to Growth . . . . .	26
	1. Macroeconomic . . . . .	26
	a. Exchange Rate Distortions . . . . .	26
	b. Fiscal Policy . . . . .	27
	c. Financial Sector . . . . .	27
	d. Domestic Inflation . . . . .	27
	e. External Viability . . . . .	28
	f. Aid Dependency . . . . .	28
	g. Insecurity . . . . .	28
	h. Implementation Capacity and Human Resources . . . . .	28
	i. Resource Mobilization . . . . .	29
	2. Business and Investment Climate . . . . .	29
	B. Constraints to Rural Household Income . . . . .	30
	1. Sectoral Policy . . . . .	30
	2. Marketing . . . . .	31
	a. Market Organization . . . . .	31
	b. Marketing Infrastructure . . . . .	32
	(1) Financial Intermediation . . . . .	32
	(2) Roads . . . . .	33
	(a) Mines . . . . .	34
	(b) Transport Fleet . . . . .	34
	(3) Rail and Ports . . . . .	35
	(4) Coastal Shipping . . . . .	36
	(5) Summary . . . . .	36
	3. Rural Enterprises . . . . .	37
	4. Agricultural Output . . . . .	38
	a. Land Access . . . . .	38
	b. Technology Development and Transfer . . . . .	39
	c. Agricultural Inputs . . . . .	39
	5. Food Aid . . . . .	40
	6. Natural Resource Management . . . . .	41
	7. Biodiversity . . . . .	41
	C. Institutional and Human Resource Capacity . . . . .	41
	D. Conclusions and Synthesis . . . . .	43
III.	Amplified Strategy Description . . . . .	43
	A. Strategic Objective: Rural Household Income Increased in Targeted Areas . . . . .	43

	1.	Description . . . . .	44
	2.	Strategic Approach . . . . .	44
	3.	Expected Impact . . . . .	46
B.		Program Outcome 1.1: Increased Access to Markets . . . . .	46
	1.	Impact Considerations . . . . .	46
	2.	Programmatic Approaches and Feasibility . . . . .	47
	3.	Anticipated Results . . . . .	48
C.		Program Outcome 1.2: Rural Enterprises Expanded . . . . .	50
	1.	Impact Considerations . . . . .	50
	2.	Programmatic Approaches and Feasibility . . . . .	50
	3.	Anticipated Results . . . . .	51
D.		Program Outcome 1.3: Increased Agricultural . . . . .	51
	1.	Impact Considerations . . . . .	51
	2.	Programmatic Approaches and Feasibility . . . . .	52
	3.	Anticipated Results . . . . .	52
E.		Other Donor/GRM Activities . . . . .	53
F.		USAID Comparative Advantage . . . . .	59

## I. Background

### A. Economic Overview

#### 1. Pre-independence Period

After initially establishing settlements in Mozambique, primarily along the coast, the Portuguese attempted to control the large indigenous states that dominated the interior in the latter half of the sixteenth century. The two major indigenous powers were brought under Portuguese domination by the end of the 1630s which allowed Portugal to distribute land to white settlers in the form of prazos (land grants), which were intended to serve as the basis of a permanent European presence. The expansionist policy of the Portuguese was relatively successful until the latter half of the seventeenth century when rekindled resistance to the European invaders led to the expulsion of the Portuguese from all but a few coastal areas. This situation continued for roughly the next two centuries. In spite of repeated armed expeditions, the Portuguese controlled no more than a small radius of a few kilometers around each of their coastal settlements.

Some of the economic characteristics of modern Mozambique were clearly present throughout most of the precolonial and colonial periods. First was the importance of primary commodity exports to the outside world. Gold was dominant during the sixteenth and seventeenth centuries and ivory became more important thereafter. Second was the role of Mozambique as a supplier of labor. The slave trade grew to become by the beginning of the nineteenth century the most internationally important economic activity and remained important even after the official abolition of the slave trade in 1836. Exports of laborers continued into the twentieth century in the form of mine workers for South Africa, for which the colonial government, not the workers themselves, received payment in gold.

After the Portuguese achieved the subjugation of indigenous states in the twentieth century, several policies were designed to force Mozambicans to work as contract laborers off-farm. Taxes, which could only be paid in cash, were an effective means of forcing the population into wage labor. In addition, production requirements for cotton and rice forced those remaining on the farm into the cash economy. Closely controlled at all stages by the colonial authorities, these crops were intended to provide food and raw materials for Portugal, which monopolized the production of manufactured goods.

An important aspect of the Portuguese regime, and one that has had profound effects in the period after independence, was the extreme reluctance of the authorities to provide or allow any education or training of Mozambicans beyond a very basic level, as well as their policy of restricting all jobs requiring even minimal skills to Europeans.

The reliance of Mozambique on labor remittances and service payments for the balance of payments was a structural characteristic of the colonial period that foreshadowed the need for structural adjustment policies in later years. Merchandise exports never amounted to more than half of merchandise imports, with receipts from laborers (mainly in South Africa), transportation and tourism playing very important roles.

Before independence, economic activity centered around five activities: 1) subsistence agriculture; 2) the processing of agricultural commodities for export; 3) migrant labor; 4) transport of goods between Mozambican ports and the landlocked areas of Southern Africa; and 5) tourism services. Traditional subsistence agriculture was focused on growing food crops, primarily maize. Production for export centered around four commodities: 1) cashew nuts, 2) prawns, 3) cotton, and 4) tea. Most migrant labor went to South Africa to work in the gold mines, although some migrant Mozambican labor also worked in

the copper mines in the Zambia. Transit trade from the Transvaal province of South Africa, Zimbabwe and Malawi was an important source of foreign exchange. In addition, tourism receipts, primarily from the above countries and Portugal, also constituted an important source of foreign exchange.

Prior to independence, private commercial farming in Mozambique was largely defined by concession agriculture, with the exception of cashews and, to a lesser extent, cotton, which were grown by smallholders. Subsistence farming on traditional lands dominated, as it does today. In theory, an African farmer could obtain clear title to up to two hectares. However, financial capability had to be demonstrated, and demarcation and survey of the land were also required. The process was expensive and complicated. Large concessions displaced native Mozambicans from large areas of the country's best agriculture land and effectively denied them future access. During the colonial period, less than 15% of the land was under cultivation. Over 50% of the cultivated land was in the hands of a few large European-controlled concessions which produced cotton, sugar, tea, sisal and processed cashews. Another 25% was occupied by small commercial farms (greater than twenty hectares) and managed by Portuguese settlers and a few African farmers. The large majority of the population farmed traditional communal lands or worked on large plantations.

Industrial production in Mozambique was initially based upon agroprocessing of locally produced goods such as sugar and sisal. Small-scale manufacturing began to emerge in the 1930s in products such as cement, bricks, soap, beer and cigarettes, with the market for these industries provided mainly by the small settler community. This process of industrial development continued for the next thirty years, with diversification into other consumer and intermediate manufacturing, including food processing, garments, footwear, furniture, glass and metal products. After 1965, the Portuguese opened the economy to foreign investment, particularly from South Africa. This forced new enterprises to be internationally competitive and discouraged the development of inefficient industries. This open-door policy, up to 1974, included a series of incentives such as tax holidays and profit repatriation entitlements. The rate of growth of industrial output between 1957 and 1970, according to available information, averaged between 6% and 7% per annum. The metals and engineering industry subsectors recorded annual growth rates above 30%. In 1973 total manufacturing value-added per capita was estimated to be the sixth largest in sub-Saharan Africa and, by 1974, Mozambique was the tenth most industrialized country in sub-Saharan Africa. However, the industries that did develop tended to be highly dependent on imports, were frequently equipped with second-hand machinery and were reliant upon foreign management and technicians.

## 2. Post-independence Period

After a long war for independence led by the Mozambican Liberation Front (FRELIMO) against its Portuguese rulers, Mozambique became independent in 1975. Mozambique experienced a substantial exodus of Portuguese settlers at the time of independence in 1975, which severely depleted the available pool of skilled labor. Estimates of the exodus are put at 200,000 people (90% of the skilled and semi-skilled labor force). Up to the time of independence, little emphasis had been put on development of social or physical infrastructure. Although the effects of the withdrawal pervaded the economy, they were mainly felt in plantation agriculture, rural marketing and distribution, administration of the ports and railways and the civil service. The impact of the exodus was further aggravated by the sabotage of productive resources by departing Portuguese. Due to damage and losses from attacks on the railways by the Mozambican National Resistance (RENAMO) as part of its insurrection, transit trade from the Transvaal in South Africa, which had been an important source of income for the port of Maputo, was diverted during this period to South African ports. Changes in South Africa reduced the job

opportunities for Mozambican mine workers in the South African mines and led to an important decline in remittances. Tourism receipts fell substantially as the number of tourists visiting Mozambique declined dramatically due to the civil strife between FRELIMO and RENAMO.

At independence, Mozambique was a relatively prosperous country (albeit inequitably) with an economy built on a strong agricultural export and industrial base and provision of transport and labor services to neighboring countries, particularly South Africa. However, several factors led to a substantial deterioration in economic performance, including: 1) a colonial legacy of very low investment in human resources; 2) inappropriate Marxist economic policies; 3) weak civil service capacity, exacerbated by the emphasis on centralized planning; and 4) a civil war that devastated much of Mozambique's countryside and infrastructure.

The Government of the Republic of Mozambique (GRM) implemented Marxist policies that centralized economic planning. Physical controls over production, allocation and prices were instituted and resources were concentrated in large capital-intensive agricultural and industrial investments in the public sector. Mozambique inherited an economy largely geared to service the raw-materials requirements of Portugal and the manpower needs of neighboring countries (which meant that it was neither physically nor economically integrated internally). Few Mozambicans were employed in the modern sector, especially in managerial positions.

Immediately following independence, high priority was assigned to social services, particularly health and education. The GRM committed itself to the establishment of an expenditure program with emphasis on poverty alleviation, including a massive program of expansion of social services with an emphasis on primary education, adult literacy and primary health care. However, the combined effects of macroeconomic mismanagement (reducing real resources available to the social sectors), population growth (augmenting service demand) and widespread destruction and disruption caused by the war led to a substantial decline in service delivery capability and jeopardized its sustainability.

After a brief recovery in 1977 and 1981, the economic situation deteriorated under the combined effects of the civil war and a misguided development strategy based on central planning and heavy government intervention in the productive sectors. In agriculture, state farms and production cooperatives were established on the large estates abandoned by their pre-independence owners and on communal lands. Communal villages were established, and in some cases people were forcibly relocated. The ten-year plan approved in 1981 saw smallholder farming only as something to be eliminated by the end of the decade. Cooperatives were mentioned as having an important social and political role but priority was given to accelerated development of the state sector. By 1981 state farms were reported to have covered 350,000 acres.

The State also created AGRICOM, a parastatal marketing agent for the entire country, to act as wholesaler of agricultural produce, with the intent of underpinning the fixed producer price system by being the buyer of last resort. AGRICOM also distributed consumer goods (with the range of items varying between districts) and stored agricultural produce with the intent of supplying markets year-round. Private merchants were granted monopolistic and monopsonistic rights to both provinces and specific districts. These merchants undertook almost all of the direct trade with farmers, buying farm produce during the marketing campaign just after harvest, and then selling it to AGRICOM.

Under the Marxist economic policy incorporated in the new constitution, all land belonged to the entire population through the State. Economic policy discouraged large and medium-scale enterprise in the

agriculture sector. As a result of the flight of the Portuguese settlers and plantation operators, the government intervened in the operations of farms and businesses on a *de facto* basis to assure salaries for the farm and industrial labor forces and to maintain commercial production in the agriculture sector. State farms and production cooperatives were established on the abandoned estates and on communal by-lands. Two programs were introduced by the FRELIMO government: 1) reorganizing and operating medium and large intervened plantations and other commercial production schemes as large State farms and enterprises; and 2) developing communal villages involving cooperative production. Relatively few resources were invested in them. The resentment the mass relocations caused among the population was an important contributing factor in the direct and indirect support for RENAMO in rural areas. Only a relatively few communal villages or production cooperatives still survive as functioning service cooperatives.

In contrast, the GRM invested heavily in State farms. These farms were created through consolidation of plantations, medium farms and small holdings. The properties themselves were frequently never officially nationalized, just simply taken over. The legal position was that "no formal confiscation was necessary or undertaken: the ownership disappeared with the owners, and, in terms of the provision of a general statute dealing with abandoned properties, the farms devolved to the state after a period of three months' absenteeism by the owners."<sup>1</sup> In addition, numerous holdings, including communal lands that had not been abandoned, were incorporated into State farms. Areas under cultivation were expanded and mechanization increased. The government accumulated a substantial external debt to finance inefficient and nonsustainable mechanization and irrigation schemes on State farms. Meanwhile, the smallholder sector (which accounted for almost all of the country's food production) was deprived of basic agricultural services and penalized by the government's macroeconomic policies and the inefficiencies of parastatals. Like the cooperative sector, the State farm sector performed poorly.

Initially created and financed by Rhodesia in the late 1970s in an attempt to destabilize Mozambique and prevent a move toward independence in Rhodesia, RENAMO was able to capitalize on the popular discontent with FRELIMO's Marxist policies and mount, with external financing, an increasingly effective war of sabotage and destruction in rural areas. Smallholders were gradually isolated from markets and other income-generating opportunities by the disruption of the marketing network and the destruction of infrastructure.

During the war many shops in the interior were destroyed or damaged, and traders moved to district or provincial capitals. A few continued to service the rural areas by taking goods out to villages by day and returning at night, but most had no transport because they either lost vehicles to attack or land mines, couldn't obtain spare parts, or couldn't generate sufficient capital to buy a vehicle. Almost six million smallholders were driven off their land to become internally displaced or refugees in the towns or neighboring countries. For those remaining, the conflict drastically reduced their ability to store their production for consumption or sale, and their access to markets. Consequently, activity in rural markets dwindled. Even where smallholders were able to produce and safeguard surplus, they were frequently unable to sell crops, purchase food, buy agricultural inputs and consumer goods, or sell their labor. Communities were wary of cultivating land distant from their villages for fear of attack. In many communities, the poorest households had the least access to land close to their villages. Physical insecurity and the risk of losing farm assets to combatants resulted in the drastic decline of investments in livestock, grain storage and capital equipment.

<sup>1</sup> Abbie Sachs, "Mozambique Land Law", Committee of African Studies, Harvard University Press, 1989.

In the early 1970s, domestic marketed production of maize and rice ranged from 150,000 to 230,000 tons per year. By 1981, it had dropped to 107,000 tons, and by 1986 to 40,500 tons. There are no reliable statistics for food crops produced by the smallholder sector in Mozambique, but estimates suggest that between 1980 and 1986, the per capita smallholder production of cassava, maize, rice and sorghum fell, respectively, by 25%, 45%, 25%, and 40%. According to estimates, maize production fell to half its 1980 level by 1986, and rice fell to half its 1980 level by 1983.

In 1980 food aid accounted for around 20% of aggregate cereal supply, commercial imports 55%, and domestic marketed supply for the other 25%. By 1983 to 1985, food aid accounted for 67% of aggregate cereal supply, commercial imports 13%, and domestic marketed production for barely 20%. During this brief period Mozambique was losing the financial capacity to procure cereals to make up for the deficit, and domestic marketed production continued to slide.

In 1975, in comparison to other African countries, Mozambique's industrial sector was relatively diverse in terms of output per capita, with most production taking place in the private sector. After independence, however, there was a severe deterioration in industrial activity. Two pivotal events occurred that dramatically changed the ownership structure and adversely affected the performance of the sector. First, over the period 1974 to 1977, there was a large-scale exodus of Portuguese and other foreign managers, which had an immediate and serious impact on production. This exodus forced the GRM to take control of most industrial enterprises<sup>2</sup> in order to maintain production. Unfortunately, many of these enterprises were in a serious state of neglect and some had heavy debt arrears. Second, the shift to a centralized economy created a relatively large public sector. In addition, the decline in production in the immediate post-independence period was exacerbated by the sabotage of infrastructure as a result of the FRELIMO-RENAMO conflict. Combined with the world recession in the early 1980s and the increasing centralization of production, distribution and pricing (which prevented enterprises from adapting to adverse conditions), industrial production declined sharply.

The country's total production dramatically collapsed in the period between 1981 and 1986. Real GDP declined at an average annual rate of 3.5% per year with a similar decline in real per capita consumption. The steepest decline occurred in the industrial and transport sectors. The increasing economic distortions and financial imbalances were largely a result of widespread insecurity in rural areas, periodic natural disasters and the application of inappropriate economic policies. Overall, production fell about 30%, exports declined by 75%, and imports fell by 30%. External imbalances, aggravated by an increasingly overvalued exchange rate, led to substantial arrears in external debt service. Domestically, large fiscal deficits and unconstrained bank financing of enterprise losses led to a tripling of the money stock (within the context of shrinking output). Centralized control of prices and distribution further hindered the efficient allocation of resources, particularly to rural areas, leading to shortages, inflation and a widespread movement to barter and parallel market activities for goods and foreign exchange.

The decline in the agricultural sector was severe, with a fall in agricultural output estimated at about 5% per annum. By 1985, cotton and sugar production had collapsed to 9% and 16%, respectively, of their 1980 levels. The

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<sup>2</sup> These "intervened enterprises" were those abandoned by their previous owners and became controlled by the government in order to maintain production. Intervention was mandated by the 1977 Law of Intervention. Formal nationalization was limited to petroleum refining and shipping.

production of tea and cashew nuts, which together contributed a third of the country's total exports, fell to around 30% of their 1980 level. Between 1981 and 1986, the marketed production of maize and rice declined by about 50%. Although it is difficult to assess the production of subsistence agriculture, it is estimated that climatic problems and the massive displacements of populations led to a substantial decline in food production and that per capita food production in the subsistence sector may have fallen by as much as 30% between 1981 and 1986. As a result, the country became heavily dependent on foreign aid to guarantee a minimum level of food security to its population in urban centers but also in some rural areas. Although the endemic lack of basic security since independence and multiple natural disasters contributed to this poor economic performance, a clearly inappropriate policy regime also made a major contribution. For example, over the 1980 to 1986 period, the GRM's total fiscal deficit, including grants, averaged 13.7% of GDP, while the total deficit, excluding grants, averaged 16.3% of GDP. An average 52% of these deficits were financed through expansion of the money supply (domestic bank financing). Based on a conservative estimate of the "appropriate" exchange rate, the average degree of exchange rate overvaluation for this period was 81% (i.e., a devaluation of 81% would have been required to reach the appropriate rate). Real interest rates were negative, averaging negative 10 percent (-10%) for the 1980 to 1986 period. With the exception of monetary growth, policy performance worsened significantly during that same period. The fiscal deficit (including grants) increased to 14.9% of GDP, and almost 76% of this increased deficit was financed through the domestic banking system. Combined with the reduced growth in the money supply, these fiscal developments severely constricted credit to other sectors of the economy. The metical's overvaluation worsened, requiring an average 85% devaluation to reach an "appropriate" rate. Due to the increase in the rate of inflation, real lending rates fell to a negative 18.7% (-18.7%).

By 1983, with a civil war raging, the government gradually began to change its priorities, calling for increased attention to the smallholder and private commercial producers. A price liberalization policy was begun in 1985 (initially for fruits and vegetables), foreign exchange retention was allowed and some state farms shut down. The GRM began to realize that it had neither the resources nor the management capabilities to make the state enterprises perform successfully. As the debts of the state farm sector to the banking system increased, their decline continued and more were closed or converted into joint venture operations with private management. By 1986, it was clear that economic policy reforms had to be implemented if there was to be a turnaround from the deteriorating conditions that characterized this period.

Eventually, the combined effects of macroeconomic mismanagement (reducing real resources available to the social sectors), population growth (augmenting service demand) and widespread destruction and disruption caused by the war, led to a substantial decline in service delivery capability on the part of the government.

### 3. Economic Reform Period

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By 1987, 60% to 70% of the population was absolutely poor and Mozambique's social indicators were among the worst in the world. Much of the rural infrastructure had been neglected or devastated by more than ten years of civil war. A third of all health units and half of the primary schools had been destroyed. Much of the service networks were inoperative or barely

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<sup>3</sup> As an indication of the conservative nature of the estimated appropriate exchange rate, the parallel market rate, expressed in meticals per U.S. dollar (MT/US\$), was approximately 40 times the official rate in 1984, while the "appropriate" rate used in this calculation was only 4.5 times the official rate. The appropriate rate is based on a purchasing power parity projection using the exchange rate initially established when a market-based system was introduced in Mozambique.

functioned. Most enterprises had been nationalized or taken over by the state as "intervened" companies. The industrial sector was paralysed (output was only one-third of the 1973 level). The agricultural sector had reverted to subsistence levels. The consequence was a sharp fall in Mozambique's import capacity as exports fell by over two-thirds. Aid dependency had become extreme: because of the sharp decline in production and exports, 90% of marketed grain in the country had to be provided through emergency assistance. External debt was unmanageable with Mozambique's debt stock equal to 3.5 times GDP and 45 times its exports by 1986.

In 1987, the economy was a morass of interlocking problems. Even understanding the situation was difficult, let alone disentangling the issues and implementing remedial action. Enterprise profits and losses meant nothing because domestic prices were all out of line with world prices and there was no incentive to improve profitability. Profits were handed over to the Ministry of Finance (MOF), while operating losses were covered by subsidies, and investment was financed by grants. The Bank of Mozambique, the central bank, was a typical mono-bank in a centrally-planned economy, ostensibly performing both central banking and commercial banking functions, but in reality acting as the accounting arm of the MOF. The exchange rate was grossly overvalued. Moreover, the information base was abysmal. Enterprise, banking and government accounts either did not exist or were in disarray. While Mozambique's economic problems were among the most difficult in the world to resolve, the country's human and institutional capacity to design and implement remedial action was among the weakest in the world, with very few graduates in the country and no possibility of adding to national capacity except by training a new generation of Mozambicans.

In order to stop the country's economic deterioration, the GRM adopted a comprehensive Economic Rehabilitation Program (ERP) in 1987, which represented a dramatic change in the country's economic development strategy. Under the ERP, and the subsequent Economic and Social Rehabilitation Program (ESRP) of 1989-1990, major reforms were introduced to move toward a market-based economy. Macroeconomic imbalances were reduced through a realignment of the real exchange rate; a reduction of the fiscal deficit and movement toward elimination of deficit financing by the banking system; the comprehensive administrative controls over prices and marketing that characterized the early 1980s began to be dismantled; major steps were taken to improve the terms of trade in favor of agriculture; and measures were taken to start removing the structural bottlenecks inhibiting a supply response (e.g., rehabilitation of the transportation network, availability of inputs and consumer goods).

In the initial period of adjustment (1987-1989), priority was given to making a start on reducing financial distortions (prices and the exchange rate), decreasing administrative controls over economic activity, rehabilitating state enterprises and mobilizing domestic resources. These actions required progress towards improved transparency--sorting out the accounts and information so that it would be possible to know what was going on, and rationalizing prices to provide better information on performance and desirable investments and to provide incentives to improve efficiency.

Over the next five years (1990-1994), the GRM established a more market-oriented foreign exchange system, initiated financial sector reform, freed domestic trade and controlled prices, continued enterprise reform and strengthened public expenditure (incorporated more off-budget items). The GRM's implementation of the program was complicated by a number of deep structural problems and severe external shocks. Aid from and trade with the former Soviet Union collapsed in 1991 and Mozambique lost key markets (particularly textiles) in Eastern Europe. The civil war worsened, which caused an increase in the percentage of displaced households from 30% in 1988 to over 50% in 1992. To further exacerbate the situation, the agricultural sector was devastated in 1991 and 1992 by the most severe drought of this

century.

The economic collapse over the 1981 to 1986 period was arrested under the ERP and ESRP. Real GDP growth averaged 9.8% between 1987 and 1991. However, real GDP growth contracted by 0.8%, primarily because of the drought and a slowdown in industrial activity. All GDP expenditure components fell in 1992 except for public consumption, which increased by 8.9%, largely as a result of the emergency expenditures related to the drought. In 1993, real GDP grew by 19% in response to the end of the war and the drought and the increased demand for goods and services created by the establishment of the United Nation's third largest peacekeeping operation. Real GDP growth in 1994 was a respectable 5.4%. Agriculture experienced its fastest growth since 1988 during the 1993 to 1994 period, while increased agriculture marketing and improved security led to more commercial activities in rural areas. As a result of the reconstruction of the road and rail links throughout the country as well as private home construction, the construction sector expanded at a real rate of 7.5% in 1994. However, the industrial sector declined for the fifth straight year.

Although they were initially implemented during the period of armed hostilities, the liberalization measures under the ERP/ESRP focused on promoting the recovery of the agriculture sector by restoring price incentives and minimum living standards for farmers. Development policies were intended to improve farmers' access to markets, inputs, financing, and external aid (security conditions permitting, of course).

After implementation of the ERP in 1987, the initial response of the sector was very good: real agricultural output grew at 6.1% per annum from 1987 to 1989. However, the agricultural season of 1991/1992 was one of the worst ever, due to the worst drought in a century. Rainfall never arrived during the end of 1991 and was virtually non-existent during the first 11 months of 1992. Production ranged from almost 0% in Maputo province to about 50% in Cabo Delgado. Growth in agriculture and livestock production decelerated to 4.8% per year during the 1990 to 1992 period, largely because of the drought, but also because of continuing bottlenecks in marketing and relatively low producer prices. The production of maize was down by an estimated two-thirds in 1992, leading to a 16% decline in marketed quantities. Subsistence production, which accounts for over four-fifths of total agricultural production, fell by 7%. The drought also contributed to an 18% fall in other agricultural production and reduced livestock output by 14%.

Fortunately, rainfall resumed its normal pattern in late 1992, and a relatively strong recovery in the agricultural sector took place in 1993 with a real increase in output of 26%. Total agricultural output of maize, rice, beans, sorghum and cassava by the smallholder sector increased above 1991 levels. Agriculture exports, however, suffered from declining world market commodity prices over the 1992 to 1993 period, particularly for cotton (44%) and copra (27%). The major agricultural exports in 1993 were: prawns/shrimp (\$67 million), cashew nuts (\$16 million), and cotton (\$13 million).

More recently, the economy has experienced enormous change in the way food is marketed in Mozambique. As a result of commercial food aid, the private sector has assumed a rapidly growing role in providing food for the mass of low income consumers in Maputo, and areas as far north as Gaza and Inhambane provinces. In Maputo, the size of the informal system, and its retail sales, exceed that of the formal sector. Moreover, the informal marketplaces in Maputo are beginning to develop links to the interior where surplus cereals are being produced.

FAO estimates for 1990/91 indicated the percentages of self-sufficiency for marketed foodgrains for urban and emergency feeding at 0% for wheat, 13% for corn, 26% for rice, and 11% for all foodgrains. Despite some improvement in

the volume of marketed agricultural production, dependence on donor food aid remains high, and is expected to continue at least until the end of the century, although at gradually declining levels.

The 1991 estimate by the Ministry of Commerce's Food Security Department--before the extent of the drought was appreciated--indicated that only about six million rural people out of a total population of 15 million were self-sufficient from their own production. An additional six million people were supplied by the commercial market. Of these, only half produced between 20% and 30% of their own food needs, with the rest being totally dependent on commercial purchases. For 1994/95 approximately 1.7 million people, mostly returnees from neighboring countries, will have required food aid assistance.

Trade reform was undertaken, including a rationalization and reduction in some tariffs, with specific taxes replaced by *ad valorem* rates, a significant reduction in the large number of rates, a lowering of rates and the dismantling of quantitative restrictions. Mozambique has continued to simplify its foreign trade regime. It has gradually reduced the number and spread of import tariffs since 1991, and has made authorization of import licenses automatic (except for products included on a negative list). All export retention schemes have been abolished. A package of measures was implemented in late 1993 to promote exports, including a further simplification of licensing procedures, elimination of remaining export tariffs, and a reduction in import tariffs. The external account deficit after grants reached \$316 million in 1993 (85% of exports of goods and services). In 1994 merchandise exports fell by 13.4% to \$149.5 million, below expectations, largely due to the decline in processed cashew exports. Imports increased in 1994 by 6.7% to \$1.02 billion (75% of which was financed by donor import support funds), contributing to the decline in the current account deficit, after grants, from 21.9% of GDP to 20.8% of GDP.

Despite significant debt relief since 1987, Mozambique still has an external debt of over \$5 billion, most of it owed to bilateral creditors.<sup>4</sup> Mozambique has concluded bilateral agreements with all creditors under the March 1993 Paris Club agreement (its fourth) except with Italy and Japan. Mozambique has made substantial efforts to obtain agreements with non-Paris Club creditors on terms comparable to those granted by Paris Club creditors. Rescheduling agreements were reached with both Paris Club and non-Paris Club bilateral creditors in 1994. Such debt rescheduling on concessional terms has helped lower Mozambique's debt service ratio to 21% of exports of goods and services by end-1993, but this still represents a heavy burden on the country's budgetary and external resources.

The official exchange rate was devalued by about 76% in real terms between 1986 and 1990 but foreign exchange and credit allocation systems remained administratively-managed. The foreign exchange system moved toward a market-based system, and regular devaluations reduced the premium on the parallel exchange rate from 150% in 1990 to less than 10% by the end of 1993 and averaged 13% during 1994. The metical only depreciated by 26% against the dollar in 1994 (compared to 81% during 1993), largely as a result of the infusion of funds under the World Bank's Second Economic Recovery Credit. The metical depreciated gradually in nominal terms relative to the dollar but the effective exchange rate appreciated in real terms. The spread between the official and the parallel rate declined from 19% in March 1994 to 10% in December 1994. Convergence of the official and parallel rates has proven difficult, partly because of Mozambique's extensive borders which, exacerbated by the current tax and customs regime, has invited smuggling (particularly to

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<sup>4</sup> Major creditors are: OECD countries (39% of total), Eastern Europe (19%), OPEC (9%), other bilateral (11%), and multilateral (22%).

and from South Africa) and, partly because of the continued use of foreign currency as a store of value.

Significant progress was achieved in improving financial incentives. Products with fixed prices accounted for about 30% of GDP in 1989 compared with 70% in 1986. A more significant breakthrough occurred in July 1993 when the GRM decreed that prices on a large number of food goods were liberalized in the pursuit of competition in the market. Maize meal, cooking oil and rice were among the goods covered in this decree. Prices of 22 more products were freed in August 1993. Administered consumer prices are now limited to two basic foodstuffs (wheat flour and bread), rents, fuels, utilities, newspapers and certain hotel tariffs and transportation fares. The conditioned price system, which applied to eight goods produced under monopolistic conditions, was eliminated in April 1994. In 1995 the GRM has planned a revision of urban residential and commercial rents, which have been basically frozen since 1991.

Considerable fiscal adjustment was carried out and fiscal performance was better than targeted under the IMF Structural Adjustment Facility (SAF). The revenue base was strengthened, with fiscal revenues increasing from 13% of GDP in 1986 to over 22% in 1990. Some progress was made in establishing priorities among public expenditures. The budget slowly became more transparent and coherent with national development priorities. Budgetary coverage was widened by including previously off-budget items amounting to about 10% of GDP in 1990. A rolling three-year investment plan was formulated which led to a reallocation of investment towards the social sectors, agriculture and transport (away from large-scale capital-intensive projects in agriculture). To raise the efficiency of existing investment in the social sectors, recurrent expenditures were increased. The inefficient National Food Distribution System was phased out, food subsidies were virtually eliminated, and a narrow safety net targeted to a segment (the destitute--the poorest 20%) of poor urban households (those with almost no effective demand due to extremely low incomes) was established in 1992.

Fiscal policy aimed to mobilize domestic and external resources while reducing monetary financing of the budgetary deficit. The fiscal deficit before grants remained at nearly the same level (29%-30% of GDP) over the 1990 to 1993 period, while the fiscal deficit, after grants, fell from 12.3% to 3.4% of GDP during the same period. However, in 1994 the fiscal position weakened considerably with the fiscal deficit, before grants, reaching 30% of GDP and, after grants, 9% of GDP. The increase in the deficit was partly attributable to the expenditures related to demobilization, elections and the democratization process (5.7% of GDP); the decline in government revenues both in real terms and as a percentage of GDP (-2.4%); and the rapid increase in budgetary investment (4.3% of GDP), which was primarily externally financed.

Enterprise reform succeeded in privatizing about 370 small and medium-sized enterprises from 1987 to September 1994. However, reform of large enterprises moved much slower. The gross value of output of enterprises sold prior to 1994 was only 1% of total gross industrial output. By the end of 1993, approximately two-thirds of gross industrial output remained under the control of the state. Loss-making operations of many state firms had been covered partly through direct budgetary transfers (less than 1% of GDP), but mostly through indirect transfers. The main focus in the enterprise sector was on creating a clear legal and institutional framework for privatization (even if this slowed down privatization). All state enterprises, with the exception of strategic enterprises that provide essential public goods and services, were to be privatized, transformed into commercially-oriented public enterprises or liquidated. By the end of 1993, most state farms had ceased production or had been privatized. Progress on privatization of large enterprises, however, was extremely slow and no major enterprises were privatized during this period.

Large state industrial firms account for a high percentage of the non-

performing loan portfolio of the banking system--in particular the Commercial Bank of Mozambique (BCM), the largest state-owned bank. Inevitably, this transfer of resources to loss-making state enterprises has crowded out access to credit by the private sector, further constraining industrial output recovery. However, there was an increased effort on the part of the GRM in the latter half of 1994 and early 1995 to privatize large enterprises. As of February 1995, 19 large enterprises (out of a list of 56) had been privatized and 10 more were in the process of privatization, reducing the level of state control of gross industrial output to about one-third of the total.

The main burden of reforming the financial and enterprise sectors lay ahead. In contrast to other areas, implementation of financial sector reform in the first few years of adjustment moved much slower than expected. Separate legislation was developed with a new Central Bank Act in 1991 and a Banking Act in 1992 that established the legal and institutional framework for prudential regulation and supervision of the banking system. The separation of the central banking functions and the commercial banking functions of the Banco de Moçambique (BM) was achieved in 1992 (as opposed to the 1990 target date). A separate commercial bank, Banco Commercial de Moçambique (BCM), was established and the staff from BM were divided between the two institutions. Regulations and procedures were issued for licensing of new banks and two private banks were licensed and began operations.

Progress toward enhancing transparency of the financial system, however, revealed that severe distortions existed and that there were greater imbalances in the financial and enterprise sectors than had been initially realized. Explicit budgetary subsidies to state enterprises were reduced from 8.5% of GDP in 1986 to less than 1% of GDP by 1992. However, implicit subsidies have proven more difficult to eliminate. Stricter explicit credit rules were imposed and the GRM adopted the principle that bank loans would not be granted to cover operating losses of public enterprises (following its assumption in 1987 of financial responsibility of bad loans of public enterprises--which amounted to 14% of GDP). Nevertheless, the publications of BM and BCM's accounts in 1993 revealed that substantial additional credit to public enterprises had in fact been provided from 1987 to 1992, with the accumulation of non-performing loans assigned to BCM (roughly 7% of GDP).

In addition, the GRM failed to effectively control monetary expansion. Part of this has been related to the separation of BM and BCM, including the final assignment of certain foreign exchange assets and liabilities and the fact that BCM could not comply with the requirements of the adopted banking regulations. Other issues included the increase in interbranch liabilities of the two State banks and an expansion in inter-enterprise liabilities. This occurred as tighter lending criteria were adopted in 1993 and explicit credit to public enterprises effectively stopped. Imbalances in the financial sector reflected underlying real problems in the enterprise sector. Large information gaps still existed on critical variables of enterprise behavior and efficiency. The rate of savings mobilization was also very poor. Financial repression forced a great deal of financial activity into the informal sector as a result of the lack of implementation of banking system reforms, the lack of banking services and the poor returns on financial savings.

The GRM had partial success in stabilizing the economy with the rate of inflation decelerating from 163% in 1987 to 33% in 1991, in line with tighter fiscal and monetary policies. In 1992, inflation accelerated and peaked at 55% in December 1992, mostly because of the drought. Despite normal rainfall and efforts to eliminate various financial leakages, inflation reached 43.6% by December 1993 (well above the program target of 30%). The situation deteriorated significantly in 1994 with inflation reaching 70.8% by the end of December (again, as in 1993, above the program target of 30%). The broad money supply increased by 49% in 1994 with net credit to the economy expanding

by 65.5%. Inflation through the growth of money was driven in large part by the banks not adhering to credit ceilings and an expansion in the other items net (unidentified assets and liabilities and items in transit) line item. However, the central bank took stronger measures to control the money supply in the last quarter of 1994 when it began to more strictly enforce credit ceilings and charge higher penalties. The program target for inflation in 1995 was an ambitiously low 24%.

#### B. Importance of Economic Growth

Sustained economic growth will reduce Mozambique's external imbalances and dependency on foreign assistance. However, despite the initial gains of the ESRP, deep structural problems continue to hamper Mozambique's economy. With a per capita income of \$80, Mozambique has the lowest average standard of living in the world and is the most donor-dependent country in the world. Mozambique's long-term objective as set out in its Economic and Social Rehabilitation Program is to repair the damage of the past and establish conditions for accelerating long-term growth and reducing poverty. This strategy is based on labor-intensive activities to generate efficient income-earning opportunities for the poor, and on investments in human resources to enable the poor to take advantage of the opportunities created by economic growth. Because 60%-70% of Mozambique's population is considered to be absolutely poor,<sup>5</sup> labor-intensive growth is essential for reducing poverty. This requires, in particular, acceleration of growth in the agricultural sector because the vast majority of the poor both live in rural areas and are employed in agriculture and agriculture-related activities.

Increasing rural household income will contribute to enhanced human productivity by enabling individuals and households to escape the trap of poverty and make important consumption and investment decisions relative to their well-being, decrease food insecurity and increase their access to and utilization of social services. Health and education are highly correlated with income at both the individual and societal levels, while life expectancy rises with increasing income levels. Because income is an important determinant of food consumption levels, particularly at lower levels of household income, increasing household income will contribute to alleviating of food insecurity, an endemic problem in Mozambique. As people resettle in rural areas and increase production and marketed output beyond subsistence needs, as well as diversifying sources of income, the resultant growth will have a significant impact upon rural household income.

Economic growth is essential for two reasons: One, the single overwhelming reason for the pervasive poverty is, to use a truism, lack of income and income opportunities. Two, in the near to medium term, increasing that income and mitigating poverty require private and public sector investments that cannot be met at current growth levels.

Growth, for the moment, is dependent on donor financing: foreign aid represents over 70% of GDP, 75% of import financing, and 65% of the GRM's budget. The export base is exceptionally low (13.8% of imports). Before Mozambique can transform its potential into real growth and real increases in household income, it must begin to address both the structural and conjunctural causes of poverty--the macroeconomic situation.

The growth rate of real GDP per capita is perhaps the most important of all the macroeconomic indicators by which to judge an economy's long-run

<sup>5</sup> Use World Bank definition of absolute poverty from Poverty Alleviation Framework.

<sup>6</sup> "O Perfil da Pobreza em Moçambique," Poverty Alleviation Unit, Ministry of Plan and Finance, February 1995

performance. Per capita GDP doubles every 35 years if it grows at 2% per year. In that case, each generation can look forward to a material standard of living double that of its parents. Put it into the Mozambican context, based on 1992 data, with a population growth close to 3% per year, it will take Mozambique 50 years of sustained growth at 6% per year to reach the per capita income level of Burkina Faso and India (\$350) or 80 years to reach the still modest levels of Zimbabwe and Cote d'Ivoire (\$700).

### C. Sources of Growth

The external position of Mozambique is projected to remain extremely vulnerable<sup>7</sup> for years to come and Mozambique will remain heavily dependent on donor financing. What is required above all is resumption of growth, particularly agricultural growth. However, given the low export base, consistently high growth rates will not suffice to attain a viable balance of payments unless Mozambique's external debt is further rescheduled under more concessional terms or cancelled. Mozambique has received enhanced Trinity terms in the past and is requesting Naples terms at the Paris Club meeting scheduled in late 1995.

In the medium to long term, the economy's main source of growth will be from exploitation of its natural resources and the provision of transport and port services to landlocked neighboring countries. In addition to traditional agriculture-based activities, there are untapped resources in the mining and energy sector that could inject additional dynamism into the economy. Within this context, industrial development (at the initial stage) would evolve around the processing of primary commodities. However, significant restructuring of this sector must take place in the short to medium term to establish a basis for sustained economic growth.

Mozambique's growth prospects have improved with the more stable security situation. Agriculture will continue to be the dominant economic sector for the foreseeable future, while transport, industry and mining will eventually respond to the rehabilitation programs and the stimulus from private investment. The industrial sector, which only employs about 100,000 people, is currently undergoing an intensive, difficult restructuring under the World Bank's Second Economic Recovery Credit. The best prospects in the industrial sector are likely to be domestic resource-intensive, export-oriented enterprises such as agribusinesses. Mineral and energy industries, which have long operated at a fraction of capacity, could increase exports and provide much-needed foreign exchange earnings in a few years--once market access is reestablished. They currently account for less than 10% of total output. Once the enormous natural gas reserves of the Pande Gas fields in Inhambane Province are exploited, Mozambique should receive about \$200 million in foreign exchange earnings per year. In addition, once the Cahora Bassa Dam in Tete Province is fully operational, it could provide Mozambique with an additional \$25 to \$50 million in foreign exchange earnings per year. However, development of these industries will not take place in the short to medium term. These two sources of growth are likely to be operational by the end of the 1990s, but the true net benefit for Mozambique in terms of foreign exchange receipts will only materialize after the year 2002. With the end of the war, the transportation sector has expanded and will continue to expand rapidly, while the rail corridors will become increasingly important sources of foreign exchange receipts.

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<sup>7</sup> The 1994 projected current account deficit, before grants, is estimated to be \$1,009.4 million (248.2% of exports of goods and services) and \$350 million after grants (86.2% of exports of goods and services). The ratio of exports to imports in 1993 was only 13.8% with an overall trade deficit of \$822.9 million and is expected to increase to \$979.8 million in 1994. Mozambique's external debt in 1994 is estimated at \$5.6 billion (almost 400% of GDP).

Success in achieving viability in the medium term will depend on a strong positive reaction of the export sector and on continued and highly concessional levels of foreign aid. On the basis of sustained economic growth, with debt relief, Mozambique could expand export earnings and reduce its high level of import dependency, particularly in regard to food and basic inputs, thus improving its balance of payments. Imports of goods and services should grow at a reduced rate, reflecting a decline in food imports as domestic production increases and overall lower import elasticities resulting from the increased supply of domestically produced inputs and efficiency increases.

Agriculture, which is the dominant sector of Mozambique's economy and has always been the major source of income generation, will be the engine of growth in Mozambique for the foreseeable future. It accounts for 60% of the country's GDP, employs more than 80% of the labor force (60% of whom are women) and generates 80% of total export revenues, including livestock, fisheries and forestry.<sup>8</sup> In the face of rapidly increasing population growth (2.6% per annum) and widespread urban under- and unemployment, the agriculture sector will play a key role in the creation of productive employment, the alleviation of poverty and the achievement of a satisfactory level of food security at the national and household levels. Less than half of the country's urban households meet the minimum daily calorie requirements from their own resources, and 60% of the urban population live in absolute poverty<sup>9</sup>.

The main objectives of the GRM's agricultural strategy are to reduce the country's dependence on food aid and promote broad-based growth to alleviate the most extreme poverty. The development of the smallholder subsector and agriculture-related enterprise is the primary means to achieving both objectives. The smallholder subsector accounts for about 95% of the total cultivated area and about 98% of estimated food crop production. However, this does not preclude the development of a modern<sup>10</sup> sector which will provide significant benefits to the country and the smallholder subsector (e.g., capital inflows, managerial expertise, information and technology transfer and access to foreign markets).

In the short to medium term, the domestic market will provide a strong potential demand, essentially for food crops. In itself, the return of over four of the six million internally displaced people and refugees and their successful resettlement in rural areas over the next few years represent a considerable source of growth in food production. Theoretically there is ample land for the rural population to meet its subsistence needs.<sup>11</sup> However, attainment of food self-sufficiency would maintain Mozambique at a low-level equilibrium. In the post-war period, economic growth will accelerate only if a successful transition from subsistence to production for the market occurs, as well as diversification of production to include cash crops as well as subsistence crops. Increasing the impact of market forces and the flow of market information will help enable the farmer to determine

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<sup>8</sup> In addition, it is the greatest source of food needed to meet domestic demand and the most important source of raw materials for the industrial (agro-processing) sector.

<sup>9</sup> Absolute poverty is the monthly household income per person below which growth faltering in children is very common and/or the cost of a basic food ration (supplying 60%-70% of caloric requirements) is 50% of income per person. "Mozambique-Poverty Reduction Framework Paper," World Bank, September 21, 1990.

<sup>10</sup> This refers to commercial agriculture as opposed to subsistence farming.

<sup>11</sup> Mozambique Agricultural Sector Review: Draft Initiating Memorandum, World Bank, 1994.

which pattern of agricultural production will maximize household income. The largest immediate potential opportunity to raise cash earnings derives from increased use of improved crop varieties and simple improvements of elementary farming practices (e.g., plant density, planting time, etc.) which are capable of giving appreciable yields without other changes in the farming system. The substitution of food imports by domestically produced foodstuffs also offers considerable growth prospects for Mozambique's agricultural sector. Export potential appears promising, for both the international and regional markets. Traditional cash crops, such as cashew nuts and cotton, could capture lost markets and horticultural crops and new cash crops, such as soybeans (already adopted by a few farmers) and sunflowers could be successfully developed.

#### D. Poverty in Mozambique

The extreme poverty that exists in Mozambique is reflected in all of its economic and social indicators. Despite its tremendous agricultural and consequent economic potential, Mozambique is the poorest country in the world. The \$80 per capita income is almost the same as at independence in 1975, indicating that, in real terms, the level of income has drastically declined over the last 20 years. With official development assistance over 100% of GDP, Mozambique is also the most donor-dependent country in the world. Exacerbating this trend is the level of Mozambique's external debt which is equivalent to almost 400% of GDP. The low level of income and concomitant poverty manifests itself throughout all levels of Mozambican society.

Because of the breadth and depth of the poverty in Mozambique (95% are poor by generally accepted definitions), poverty in Mozambique has been further stratified: the absolute poor, the destitute, and the remainder. Sixty percent<sup>12</sup> of all Mozambicans live in absolute poverty, while estimates of the destitute (a strata poorer than the absolutely poor) range between 10% and 20%<sup>13</sup> of the total population. Rural poverty is estimated to be significantly greater than the average, with up to 70% of rural households in absolute poverty. On the positive side, in rural areas where the causes of structural poverty (estimated by the World Bank in 1990<sup>14</sup> to encompass two-thirds of the rural population) have been linked to the 16-year civil war, Mozambique and its partners are in a position to begin to address some of the binding constraints. Much of the remaining conjunctural poverty is related to both the war and poor domestic economic policies.

The most critical underlying cause of structural and conjunctural poverty in Mozambique is the disruption and destruction of the economic link between rural households (90% of the population) and both domestic and foreign markets. Post-independence Marxist-Leninist economic policies disrupted or bankrupted the mercantilist colonial economic structure, while the civil war destroyed the Marxist economic structure FRELIMO tried to substitute. As a result, Mozambique's economic structure consists of a very costly, largely defunct industrial sector, an agricultural sector which for the most part regressed to subsistence (or less than subsistence in the most war-affected areas), a dysfunctional financial sector, a private sector principally focused on short-term transactions, and a public sector that can deliver neither basic services or goods to the vast majority of the country.

It is estimated that 50% of the total population has been affected by the war,

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<sup>12</sup> Mozambique Poverty Alleviation Framework Paper, January 1990, World Bank

<sup>13</sup> "Towards a Targeted Urban Food Safety Net in Mozambique: An Assessment of Program Options," C. Teller *et al*, Pragma Corporation, October 1992, financed by USAID/Maputo

<sup>14</sup> "Mozambique Poverty Alleviation Framework Paper," World Bank, January 1990

which severely disrupted agricultural production and markets. The average smallholder plot is only 1.7 hectares; about 19% of smallholders cultivate areas less than one-half of a hectare and 66% cultivate less than 2 hectares. Only 50% of smallholders cultivate sufficient land to provide them with enough income to meet a minimum level of nutrition. Using autoconsumption of cereals as an indicator of poverty, the levels of rural income are highly correlated with the size of land holdings for smallholders.<sup>15</sup> In some areas of the country, e.g., Angoche district of Nampula province, the income of smallholders who have larger areas of cultivation (25% higher than the mean) is five times that of those who possess smaller areas (25% lower than the mean). In Nampula province, between 30% and 50% of families do not achieve a basic level of recommended calories. In a survey of five provinces, poor families sold on average 3.6 kilograms of cereals per year while non-poor families sold over 13 kilograms of cereals per year.

According to a recent government report<sup>16</sup>, the lack of access by smallholders to markets to sell their surplus production and acquire consumer goods is the principal cause of the increase in rural poverty in Mozambique. Basic food markets are extremely segmented. Between 74% and 82% of expenditures by rural families are on food. According to a recent study in 1994, about 38% of participants in small-scale commerce are women. According to this report, 86% of households are headed by males and 14% are headed by females.

About 70% of the population can neither read nor write.<sup>17</sup> Between 1983 and 1992, RENAMO destroyed or closed almost 3,995 rural primary schools, affecting roughly 1.2 million students. This meant that less than 52% of the population of school age had access to primary education in 1992, a serious concern as there is a high correlation between the level of education and rural household income. Almost 61% of the heads of households do not have any education, 29% possess a primary level education, and 11% have secondary education. School participation rates increased from 19.8% in 1980 to 28.2% in 1991 in urban areas. In rural areas, however, the rates declined from 15.8% to 14.4% over the same time period.

The following table from a 1993 World Bank report indicates the severity of conditions in Mozambique relative to the regional average of sub-Saharan Africa (SSA) in terms of social indicators.

SOCIAL INDICATORS	Mozambique	SSA
Illiteracy Rate	67.1%	51.1%
Illiteracy Rate of Females (15+)	78.7%	62.3%
Primary Gross Enrollment Ratio	56%	68%
Primary Teacher/Student Ratio	48%	39%
Unit Recurrent Costs for Primary Education	\$18	\$32
Population/Physician	48,000	26,670
Population/Nurse	4,400	2,180

<sup>15</sup> According to two surveys done in 1990 and 1992 by the National Planning Commission and Michigan State University.

<sup>16</sup> "Rural Livelihoods and Poverty in Mozambique," Poverty Alleviation Unit, Ministry of Plan and Finance, February 1995.

<sup>17</sup> "O Perfil da Pobreza em Moçambique," Poverty Alleviation Unit, Ministry of Plan and Finance, February 1995.

SOCIAL INDICATORS	Mozambique	SSA
Infant Mortality Rate (per 1000)	89 Urban 140-300 Rural	107
Year 2000 Estimated Fertility Rate	6.1	5.8
Kilo Calorie/day	1680	2120

Between 1983 and 1992, RENAMO destroyed or closed 1,373 rural health units, decreasing the population density to health units from 9,730 persons per health unit in 1985 to 12,900 in 1992. Health coverage declined to between 35% and 40% (including preventive medicine). With rural water coverage of about 30% of the population, water-borne diseases have become one of the major causes of Mozambique's very high mortality indicators. UNDP and other donors cite an infant mortality rate of 140-173 and an under-five mortality rate of 280 per 1000.

The vulnerability of the rural population to external shocks such as drought and other natural disasters is high as families and communities rebuild their assets and accumulate the resources they normally depend upon to withstand external shocks. Within the general rural population, the returning refugees and displaced families make up a very vulnerable subgroup.

#### E. The Rural Economy

##### 1. Population

Mozambique has a population of about 16 million people, growing at an estimated annual rate of 2.6%. About 90% of the population is rural. However, more than one-third of the rural population has been displaced or otherwise affected by the widespread violence, looting and destruction in rural areas of the country during the 16-year insurrection and more recently by the severe 1992 drought. Over four million people sought refuge in more secure areas, while an additional 1.7 million fled to neighboring countries.

Although 80% of Mozambique's population is involved in agriculture and agriculture-related activities, reliable statistics on rural employment in Mozambique are not available. Agriculture (crops and livestock), fishing, forestry and mining are generally cited as the current or potential subsectors for rural employment. The fisheries subsector plays an important role in Mozambique's economy, employing about 60,000 artisanal fishermen. Coastal and deep sea fishing are a major economic activity, with shrimp/prawn exports accounting for about 40% of total export revenues in 1993. No recent employment figures exist for forestry and mining, but they are assumed to be negligible.

Urban areas account for most of the low levels of existing wage employment. One source has estimated total wage employment in Mozambique (net of military and domestic service employees) at 340,000, with state and private enterprises accounting for 250,000 and the civil service for 90,000.

##### 2. Structure of the Rural Economy

###### a. Geographical Factors

Mozambique has a total land area of 786,380 square kilometers, with an additional 13,000 square kilometers of inland waters, including Lake Cahora Bassa and part of Lake Malawi (Lake Niassa). The country is 2,500 km long from north to south and 250 to 300 km wide from east to west.

Among the regions, the topography and climatic conditions are quite diverse. Topographically, Mozambique can be divided into four zones: a coastal zone extending from the Tanzanian border to the Save River with elevations less than 200 meters above sea level; a middle plateau zone, occupying higher elevations north of the Save River, with elevations of 200 to 500 meters; a northern plateau zone covering parts of Niassa, Cabo Delgado, and Zambezia provinces, with elevations of 500 to 1000 meters; and a western highland zone covering elevations in excess of 1000 meters in Niassa, Tete, and Manica provinces.

Climatically, the northern region--from the Zambezi River to the Tanzanian border--falls within the East Africa Monsoonal System with a well-defined monomodal rainy season from November/December to March/April. Annual rainfall ranges between 1000 mm and 1400 mm. The central region extends south from the Zambezi River to the Save River and is influenced by the Indian Ocean subtropical anticyclonic system of the southeast trade wind zone, with rainfall between 800 mm and 1200 mm. Where the north and center system overlap rainfall is as high as 2000 mm. The southern region (south of the Save River) has an unpredictable and irregular rainy season, with frequent long dry periods. The average annual rainfall drops to 600 mm to 800 mm, often falling to as little as 200 mm.

Total arable land is estimated at 36 million hectares (46% of the country's total area), with only about 8% of this total currently cultivated. In general, the clay soils found in the northern part of the country, despite the typical tropical need for phosphate and nitrogen, are more fertile than the sandy soils of the south. The most fertile areas are found among the alluvial soils adjacent to the major rivers: the Lurio in the north, the Zambezi in the center and the Save and Limpopo in the south. The potential for irrigation is considerable (about 3.3 million hectares) and vastly underdeveloped (90,000 hectares are currently in irrigation schemes).

In part because of the geography of the country, the pattern of colonial development varied considerably between the southern, central, and northern regions. Agriculture in the south has been concentrated, since colonial times, along the alluvial soils of the Limpopo River and the Incomati River and their tributaries, with large public investments in irrigation schemes.

Other than these two river valleys, southern Mozambique has offered little in the way of dependable agriculture. In addition, because of their close proximity to Maputo, the southern provinces became a source of labor for the early gold and slave traders, revenue from the sale of labor contracts to the South African gold mines, and cheap labor for manufacturing in Maputo. The prolonged absence of men from the household in order to earn wages eventually became a tradition. This left their families trying to survive on rainfed agricultural production in drought-endemic areas and on remittances.

A plantation economy developed in the northern and central regions where concession companies<sup>18</sup> were established. The Niassa Company was highly dependent on the communal agriculture of the indigenous inhabitants, leaving behind a largely peasant-based agricultural system in Niassa and Cabo Delgado. The Mozambique Company was more successful in establishing operational plantations in the center of the country. The Zambezi *prazos* established plantations in the lower Zambezi River valley, leaving the upper river areas as labor pools and traditional farming systems.

The impact of this divergent colonial structure on the agricultural sectors of

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<sup>18</sup> The Mozambique Company, between the Zambezi River and the 22nd parallel, the Niassa Company, north of the Lurio River, and the Zambezi *prazos*, along both sides of the Zambezi River and the areas between the two other companies.

these three regions is evident in the next table.

Percentages of Marketed Output by Region, at Independence

	South	Center	North	Total
Smallholder	4	11	16	31
Plantation	1	33	1	35
Settler	14	14	6	34
Total	19	58	23	100

Another important distinction between the three areas is that the family group in the North and Center is predominantly matrilineal and matrilocal, and in the South patrilineal and patrilocal, leading to very divergent impacts from changes in land use and the rural economy. Consequently, although policies are national in scope, their impact on the smallholder subsector and on groups within it--particularly women--have considerable regional variation.

Regional variations also have a profound impact on the present food security situation and possibilities for market articulation. Because the colonial administration developed infrastructure and market networks to serve Portugal and neighboring country markets, most of the transportation infrastructure runs east-west rather than north-south. Also, because of the massive amounts of food imports in recent years and the difficulties of transportation between and even within regions, parts of Mozambique are better integrated economically with neighboring countries than with the rest of Mozambique.

The two large urban markets of Maputo and Beira, for example, have up to now been served to a much greater extent by commercial imports or food aid than by surplus domestic production (e.g., from Cabo Delgado or Nampula provinces). The geography of the country and the war-affected rural security situation between 1977 and 1992 made the articulation of a national economy difficult and encouraged the establishment of informal cross-border trading patterns.

b. Agriculture Activities

In post-independence Mozambique, farming has been carried out by three major types of producers, smallholders, large farms, and cooperatives. There are about 2.5 million family farms (5 persons/family on average) cultivating between 1.0 and 1.5 hectares on average. The most important staples are maize, cassava, sorghum, rice, peanuts and beans. The main export crops are cashew, cotton, sugar, copra and tea. The livestock sector is relatively small as the national herd--cattle in particular--was decimated during the war. Although the country has ample grazing land, large livestock development is limited by the devastation of stock during the war as well as infestation of large areas by the tsetse fly, especially in the northern provinces.

The smallholder subsector accounts for about 95% of the total cultivated area and about 98% of the estimated food crop production. Since independence, most smallholders have had either no production incentives or access to markets and services. Consequently, they have engaged primarily in subsistence agriculture. In addition, as a further strong disincentive, stored crops and crops yet in the field were targeted for theft or destruction by RENAMO. In this environment, to minimize risks, farmers adopted complex farming systems with a wide range of crops, crop mixtures and crop rotations. However, a rapid vulnerability assessment conducted by CARE in early 1995 in the southern provinces found that many returned households continued to be at risk

nutritionally because they had not yet re-established their traditional mix of on-farm and off-farm activities. Cultivation is manual, with very simple tools. Animal traction and mechanization in general are now virtually nonexistent except in a few areas. Some smallholders produce cash crops such as cashew and cotton in areas where there is adequate security and access to markets.

Family farmers (smallholders) are defined by Law 6 - 1979 as farmers who exploit the land for their own necessities and do not employ salaried labor. Smallholders can be sub-divided into three categories:

- 1) largely subsistence smallholders in rural zones, with cropped areas of 1 to 3 hectares. The production system involves heavy dependence on family labor using hand tools and few, if any, purchased inputs;
- 2) internally displaced ("*deslocados*"), members of the group above but who have been forced to migrate to relatively secure districts and for the most part have been accommodated in temporary villages. For these families, land access consists of 0.6 to 1 hectare; and
- 3) entrepreneur farmers, often women, in the Green Zones around the cities. This group markets about 85% of its production of fruits and vegetables in urban or peri-urban markets.

In addition to the smallholder subsector, commercial farmers (often referred to as "*privados*" to differentiate them from smallholders, state and cooperative farms, and large private enterprises established after independence) represent an important source of innovation and market response. These 3,000 or so producers average 35 hectares in size and are characterized by the use of some hired labor and a greater degree of purchased inputs. Twenty percent of "*privados*" are Portuguese settlers who remained after independence and have farms that tend to be larger and older. Another group of more recent entrants is made up of former smallholder producers who have expanded their area and technology, typically through a contractual arrangement with a large commercial agricultural enterprise.

Large commercial farm enterprises (averaging over 1,000 hectares in size) are often operated as joint ventures with the government, having taken over what had formerly been State farms. The State farms, in turn, had generally taken over large private enterprises abandoned by the Portuguese colonial concessions. As part of this process, State farm encroachment on traditional smallholder land was considerable. Although the cycle of large landholding--from colonial plantation to State farm to joint venture agribusiness--has largely been played out outside of the smallholder subsector, every stage of this process has had some negative consequences for the smallholder group. However, those smallholders associated with large commercial ventures are much better off than other smallholders in these areas due to improved security, access to inputs, etc. Large enterprises do not account for a significant portion of total food production but are important in the export sector and in the evolving land use patterns and allocation conflicts.

The total area cultivated for the 1992/1993 season by commercial farms has been estimated at about 130,000 hectares, with food crops (mainly maize and rice) accounting for about 45% of the area cultivated and export crops (mainly cotton and copra) for 55%.

### 3. Sources of Rural Income

Rural household income is defined as the cash value of production for own-consumption plus remuneration from the sale of goods and services including in-kind payment and remittances by those people who ate together in the last year on a regular basis in a specific location. The sources of rural

household income include

- 1) on-farm crop and livestock production that is consumed by the household;
- 2) off-farm income<sup>19</sup> from the sale of agricultural produce (crops, livestock, forestry and fisheries);
- 3) wage earnings and in-kind income from off-farm labor (e.g., mining, manufacturing, and farm labor);
- 4) earnings from off-farm, non-agriculturally-related activities (e.g., from services or sale of consumer goods); and
- 5) remittances.

The situation of the labor market and household income is difficult to assess, given the lack of reliable and comprehensive (and in some cases nonexistent) data on wages, employment, labor force and productivity. In addition, the mass movement of a significant portion of the population because of the war and periodic natural disasters contributed to the difficulty of gathering information. Mozambique suffers from widespread absolute poverty that is estimated to affect some 60% of the population.<sup>20</sup> In 1992, there were an estimated six million displaced people (out of a total estimated population of 15-16 million), most of whom were forced to survive in crowded accommodation centers and urban slums.

Information on living standards is very limited but it is indisputable that the majority of Mozambique's population is extremely poor. A national household study will be implemented in 1995 to generate information for policy-makers. Enough information exists, however, to establish a generally accepted context. Most poor people are rural or originate from rural areas. About 70% of rural households are absolutely poor and about 60% of the urban population is in absolute poverty.<sup>21</sup>

-- The subsistence and informal sectors still provide the only income source for an estimated 90% of Mozambicans. Of the recorded wage labor workforce in 1993, 47% were employed in the shrinking industrial sector and 28% in transport and communications. The civil service employs around 105,000. The main features of the labor market are typical of a developing country: an excess supply of unskilled labor, acute shortages of skilled labor and very low productivity levels. Since 1990, the problems of unemployment have been compounded by the return of emigrant workers from the former German Democratic Republic and South Africa. Tremendous pressure is being exerted on the labor market and its weak institutions by large numbers of returning refugees, displaced and disabled persons, demobilized soldiers and retrenched workers. Within the scope of the peace process, the GRM is working with donors on resettlement and training programs to minimize further increases in unemployment arising from the military demobilization. There is no comprehensive employment policy in Mozambique and the labor market information system is ineffective. The institutional weakness is exacerbated by the gradual withdrawal of the government from productive activities and the flight of skilled labor from the public to private sectors of the economy and to

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<sup>19</sup> Off-farm includes any activity other than on-farm subsistence crop and livestock production.

<sup>20</sup> Based on the number of households meeting one of two extreme poverty criteria employed by the UN: 1) daily caloric intake below two-thirds of the minimum requirements; or 2) prevalence of growth faltering in children.

<sup>21</sup> "O Perfil da Pobreza em Moçambique," Poverty Alleviation Unit, Ministry of Plan and Finance, February 1995

donor-funded projects.<sup>22</sup>

The Mozambican labor market is characterized by high labor force growth rates, declining wage employment and real wages, acute skill shortages and a rapidly growing urban informal sector. All of these factors reflect a depressed labor market and increasing poverty. In 1990 7.8 million people were in the labor force (out of a population of about between 12 and 16 million), indicating a labor force participation rate of 52%-48%.

Unpublished data from a 1991 population survey indicated that agriculture accounted for 80% of the total employment in the country; wage employment accounted for only 17%. A new feature of employment status in 1991 was the huge size of self-employment (family sector), which accounted for 46% of total urban employment. In 1980 this sector was virtually absent. The displacement of people to urban areas has created a large urban informal sector.

The most important sources of vulnerability for rural households are drought and other natural disasters. The predominantly rainfed (and low-input) agricultural system of Mozambique's smallholders makes them highly susceptible to the vagaries of climate and to the impact of plant diseases and pests. The war reduced the possibility that Mozambique's smallholders could use off-farm employment to protect household consumption from the vagaries of weather. Off-farm income has provided only 15% of total rural income compared to the average of 40% found elsewhere in sub-Saharan Africa. The war also inflicted major damage on the informal safety net by curtailing remittance flows between households and by loosening the ties of family and community. Rural households will remain vulnerable until they have rebuilt their assets, inter-regional markets in food grains fully re-emerge (to reduce the consequences of local production shortfalls), and the rural economy recovers sufficiently to provide enough off-farm employment.

The available evidence suggests that the 60% to 70% of rural households that fall below the absolute poverty line depend upon subsistence agriculture in normal circumstances. Rural poverty is strongly associated with social systems disrupted by the war, limited ownership and access to productive assets, low productivity of smallholder agriculture, and limited access to market opportunities for cash crops.

Michigan State University (MSU) has conducted a survey of the northern provinces (Cabo Delgado, Niassa and Nampula) that provides valuable insights into the sources of rural household income (recently corroborated on a national basis by the GRM's Poverty Alleviation Unit). The survey found that on-farm income (from crop and animal production) represented a very high proportion of total income--approximately 85%. Off-farm income (cash and in-kind income from off-farm labor, earnings from non-agricultural activities, and remittances) represented an important but significantly smaller proportion. Remittances only accounted for 0.6% of total gross household income. These results, of course, will differ to some extent in other geographic regions. For example, small livestock are an important source of rural household income in the southern provinces (approximately 35% in some districts) and, to a lesser extent, in the central provinces. In the northern provinces, however, livestock holding, which traditionally plays an important savings and insurance role in rural Africa, is a very risky activity that many households have decided not to undertake or to conduct on a reduced scale, primarily due to tsetse fly infestation. In addition, remittances from Mozambican miners in South Africa are a higher source of income in the southern provinces. For example, Save the Children (U.S.) conducted a survey

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<sup>22</sup> This issue is of such that it was discussed at a side session at the 1993 Consultative Group meeting in Paris and was also subject to several GRM/donor initiatives to retain stalled employees in the public sector.

in 1994 in Gaza Province which indicated that remittances can account for up to 50% of household income. However, given the dramatic changes taking place in South Africa, they estimate that this source of income will decline substantially over the next few years. Other sources of income--small-scale mining (Tete, Manica, and Niassa provinces) and fishing (along the coastal areas)--are only important in specific geographic areas. The overall picture illustrates that, in the present environment, on-farm income represents the most important source of total household income in rural areas.

The State Secretariat of Fisheries presented its Master Plan at a conference in October 1994. The Plan responds to an urgent need for a strategy in the sector that emphasizes the role of the private sector. It also emphasizes the importance of the sector, which contributed 54% to total exports in 1993. The GRM expects that the Master Plan will have a significant effect on Mozambique's balance of payments, increasing the positive net amount from \$40 million in 1993 to \$84 million in 2005. The GRM further expects an increase in employment of 40% (mainly artisanal) over this period, with significant participation of women in processing activities. The Plan envisions upgrading the currently non-viable industrial fleet, promoting pelagic fisheries outside the Sofala Bank and establishing new fishing harbors. The Plan also increases attention to artisanal fisheries for improving production and reducing post-harvest losses.

Mining, which has considerable potential and has been generating interest among prospective investors, has been hindered by insecurity, obsolete equipment and transport problems. The most significant minerals are the pegmatite deposits in Zambezia Province, which are now being mined for columbotantalite, beryl, mica, bismuth and semi-precious stones. Mozambique probably has the world's largest reserve of tantalite, which is used in the electronics industry, and for special steels. The large potential of tantalite may eventually make it Mozambique's most important mineral export. Tantalite mining at Murrua (originally supported by the former East Germany and Soviet Union) had to be abandoned during the war for security reasons. However, Russian and South African mining houses have been reexamining the deposits. An internationally competitive tax regime for the petroleum and mining sectors came into effect in 1993. Informal artisanal mining exists in Manica and Niassa provinces, particularly in gold (much of which is allegedly smuggled into Tanzania).

Since independence, manufacturing has been largely urban-based and hobbled by a shortage of imported raw materials and spare parts, a lack of skilled labor and experienced management, a statist orientation for heavy industry inappropriate to the country's capacity, increasingly obsolete equipment, power shortages and weak markets. There was a marked decline in production between 1981 and 1986, particularly in the heavy industry sector. In response, industrial rehabilitation was given high priority under the ERP in 1987. At first the decline was reversed, with industrial output growing by 8.7% in 1987. Foreign funds helped enterprises overcome bottlenecks stemming from the inability to obtain imported raw materials and spare parts. Despite that initial positive response, however, manufacturing output has declined since the late 1980s, particularly in textiles and clothing, pharmaceutical products and electrical equipment. The main problems have been a lack of raw materials, low effective demand in the internal market, inability to compete with imported products on price or quality (partly due to the current tax and customs regime), and the drought that significantly weakened agro-industry.

There are currently a variety of projects and plans to improve the manufacturing industry, mainly by developing a better policy environment for private enterprises. One of these projects is the Institute of Local Industry Development, established in the early 1990s to promote the expansion of small and medium-sized enterprises, that are seen as a safer basis for industrial growth than the big heavy industries favored in the past. Another involves

production corridors formed by the GRM in 1992 to provide special incentives to encourage businesses to set up along the transportation corridors linking Mozambique's ports with neighboring countries. A third is a revision of investment regulations in 1993, allowing the Investment Promotion Center (CPI) to take advantage of increased foreign investment interest after the end of the war. A stifling environment remains, however, for the many dynamic microenterprises which could, with some encouragement in the way of credit lines and easier access to licenses, generate considerable employment and production.

Off-farm income generation often plays a key role in facilitating acquisition and use of productivity-enhancing inputs. Off-farm income can increase purchased input use or capital investments where credit is unavailable or costly to use, or where other sources of cash income for loan repayment are lacking. It can also play a role in facilitating conservation investments for which credit is rarely available. Off-farm activities also smooth household income and help to reduce risk by diversifying the sources of household income. However, unlike in other African countries where off-farm income (particularly trading and small-scale manufacturing) is an important source of rural household income, in Mozambique--devastated by war, a host of natural disasters and inappropriate economic policies--off-farm income makes a minor contribution to rural household income. Overall, the low off-farm share is understandable, given the effect of rural violence on the willingness and ability to invest in off-farm enterprises, and the lack of opportunities for off-farm earnings.

## II. Constraints

### A. Constraints to Growth and Income

#### 1. Macroeconomic

A stable macroeconomic framework is essential to attaining sustainable economic growth. Such a framework is usually defined as one with low inflation, competitive real exchange and interest rates, stable fiscal policy and a viable balance of payments situation. Although it is difficult to quantify the growth impact of these macroeconomic factors, experience in other countries has shown that GDP growth is directly linked to the rate of inflation, the fiscal deficit and the degree of exchange rate distortions.<sup>23</sup>

In terms of the elements described above, Mozambique has made significant progress in eliminating exchange rate distortions (measured by a decrease in the difference between official and parallel market rates--13% on average in 1994) as well as in reducing monetary financing of the fiscal deficit. However, the overall macroeconomic program remains fragile because of the relatively high domestic rate of inflation (71% by the end of 1994), high fiscal deficit (30% of GDP, before grants, in 1994), large balance of payments and trade deficits (\$848 million in 1994), high debt service ratio (after debt rescheduling), and dependency on external aid, which funds a large share of imports and the GRM's budget.

#### a. Exchange Rate Distortions

A remarkable achievement of the ESRP has been the substantial adjustment of the official exchange rate since 1987. However, because of the relative importance of external aid as a source of import financing (donors finance 75% of imports), the exchange rate market is highly vulnerable to sudden

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<sup>23</sup> "Does Macroeconomic Policy Matter? Evidence from Developing Countries," Stanley Fischer, Occasional Paper No. 27, International Center for Economic Growth, 1993.

fluctuations in external aid flows, with negative implications for short-term exchange rate stability. In order to avoid wide fluctuations in the exchange rate, the monetary and fiscal program requires accurate estimations of external aid flows throughout the year. This task is particularly difficult because donor pledges and actual disbursements are subject to many uncertainties.

#### b. Fiscal Policy

The fiscal adjustment in Mozambique has entailed a considerable increase in fiscal revenues as a percentage of GDP and consequently a reduction of previously large current account deficits. This, combined with the increasing level of external grants and concessional loans, has been the basis for an expansion in overall expenditures, especially in public investment. Nevertheless, the level of recurrent expenditures to cover the maintenance and operating costs of priority sectors is grossly inadequate to meet minimum quality standards. The need to keep a balanced budget, combined with the prevailing financing structure, has led to a much faster growth in public investment, 70% of which is financed by external aid. Meanwhile, recurrent expenditures have remained relatively unchanged as a percentage of GDP. Although a reallocation of funds from the investment to the recurrent budget would clearly enhance efficiency, this has proved difficult because the composition of external assistance continues to favor tied aid and investment projects, largely due to the lack of transparency and accountability in the budgetary process.

With interest payments on debt and defense expenditures accounting for over half of current public expenditures, there is little margin left for financing other recurrent costs. In the past, too many resources have been devoted to national defense and security and not enough to rural infrastructure. In addition, too many resources have been captured for public sector use via deficit spending, especially unproductive use of resources in the industrial sector.

#### c. Financial Sector

There are five commercial banks in Mozambique, two state-owned and three privately-owned. None of the three privately-owned banks has an interest in financing agricultural production. All of the head offices of the private sector banks are located in Maputo, far from the main agricultural production centers, although most have branches in the provincial capitals.

Because of current macroeconomic instability and high levels of financial repression, most banking sector activity is in short-term trade finance. Most credit has been provided to non-performing public enterprises, thereby crowding out credit for the private sector. Financial repression has forced many activities into the informal sector, which will only move back to the banking system as banking services and returns on financial services improve.

#### d. Domestic Inflation

Following the liberalization of prices in 1987, the domestic rate of inflation has been brought down from an average of 165% in 1987 to 63% in 1994. Domestic inflation remains high, signalling difficulties in monetary control and programming. To a large extent, slow progress in reforming the financial sector has been an important explanatory factor. In particular, difficulties in resolving accounting problems of other items net, which represent 80% of total assets and liabilities in the banking sector, confound the problem. This has consistently led to faster than programmed expansion in domestic credit.

The continued high levels of inflation act as a tax on the poor and also create significant distortions. High rates of inflation have eroded the real purchasing power of households, as reflected in the fact that the nominal per capita income level of \$80 is the same as it was at the time of independence (1975). This has occurred as a result of the GRM's attempt to capture resources for unproductive public sector and parastatal uses.

#### e. External Viability

The viability of Mozambique's balance of payments relies substantially on external assistance for import financing and debt rescheduling. External aid (loans and grants) accounts for 75% of merchandise imports (30% through project finance and 45% through import support purposes). Mozambique's debt burden is one of the highest in the world and represents four times the country's GDP. While successive debt rescheduling has resulted in substantial debt relief, the actual debt service is closer to 25% of exports of goods and services compared with a scheduled debt service of 150%. Further debt rescheduling or debt forgiveness will be required to ensure viability in the long run.

#### f. Aid Dependency

Mozambique's overall adjustment program and economic recovery have been critically dependent on the substantial flow of foreign aid provided by the international donor community. Mozambique receives about \$67 per capita in foreign aid, almost double the average for the Southern Africa region.

Mozambique's dependency on external aid is illustrated by its importance as a source of financing of imports and the GRM budget (see above). External aid will provide financing for 65% of the GRM's budget in 1995. Clearly, Mozambique's growth prospects and fiscal policy would be adversely affected by shortfalls in external aid, at least in the medium term. In particular, given existing budgetary imbalances (a fiscal deficit of 30% before grants and 9% after grants), fiscal policy is highly vulnerable to a reduction in import flows which, in turn, generate counterpart funds needed to finance a substantial proportion of the recurrent budget (over 14%). In the longer term, this raises serious concerns about the sustainability of fiscal expenditures and consequently about Mozambique's growth prospects.

#### g. Insecurity

The insecurity situation precluded a more rapid supply response to the adjustment program. First, it had a detrimental impact on Mozambique's core agriculturally-based industrial and service activities. The disruption of the rural economy caused by the war and subsequent displacement of millions of smallholders was exacerbated by the destruction of key commercial networks and industrial installations. Second, the insecurity inevitably slowed the restructuring process itself. Essential to this process was the phasing out or transfer of the state economy into an emerging private sector--through the privatization program and the generation of new activities. However, by increasing investment risks, the war made an already complex process even more difficult to manage. Third, the efficiency of investment and external aid was adversely affected by the insecurity. While investment aid rose substantially, insecurity restricted the scope of projects to mainly urban areas, with adverse impacts on the quality of investment and Mozambique's absorptive capacity.

#### h. Implementation Capacity and Human Resources

The acute scarcity of skilled labor and overall underdevelopment of human resources remains Mozambique's major long-term growth constraint. The need to

implement a large number of externally-financed projects raises the demand for skilled labor. Given the inelastic local supply, the excess demand is partly met by a substantial flow of technical assistance (estimated at over \$300 million per year). Nevertheless, the remaining excess demand has pushed salaries of certain skilled categories to international standards, which is inconsistent with the country's per capita income level.

Mozambique's limited capacity to absorb existing levels of external aid has had important implications both on efficiency and macroeconomic grounds. In particular, the "brain-drain" in the civil service caused by more attractive salaries offered by aid agencies necessarily affects the government's performance and policy implementation. From a macroeconomic perspective, pressure to adjust salaries of technical staff and high level civil servants to levels comparable to international technical assistance has negative implications in terms of long-term sustainability of recurrent expenditures.

The current policy and regulatory framework suffers from a lack of implementation. Lack of transparency and ineffectiveness represent major constraints to increasing household income because they create uncertainty and disincentives, thus severely constraining the development of a vibrant, competitive private sector. Overall, this lack of transparency and accountability is manifested in virtually all facets of Mozambican society, e.g., the regulatory environment (through inappropriate policies and a complex web of licensing requirements, which invite corruption and increased transaction costs).

#### i. Resource Mobilization

Mozambique's main challenge in the next decade is to build upon the peace and policy reforms to effectively establish sustained economic growth and poverty reduction while reducing further macroeconomic imbalances. It is essential that investment continue to grow in real terms to renew the capital stock to support high production in the new economic environment. However, the economy will be in no position to generate sufficient domestic savings to finance investment in the short to medium term, even assuming an accelerated expansion in GDP. In view of Mozambique's extremely low levels of per capita consumption and income, the negative level of private sector domestic savings is unlikely to be reversed in the medium term. The scope for increasing government savings is also limited. On the revenue side, there is ample room for expanding the relatively small tax base. The introduction of a value-added tax (which the GRM plans later this year) would eliminate distortions and, because of its self-checking nature, encourage the integration of the large informal sector into the revenue base. On the expenditure side, further tightening of the recurrent budget will be difficult, particularly in light of existing needs in priority sectors.

It is highly unlikely that the extraordinary level of external aid will continue in the medium term because a) the restoration of peace will preclude access to certain emergency funding channels; b) recent political development in the region will expand demand for concessional aid to other countries; and c) the restoration of the rural economy will require that food aid eventually be phased out, with little likelihood that it will be replaced by other types of aid. In line with restructuring of the economy, Mozambique will also need a shift in the relative composition of investment from the public to the private sector. This will require a much larger role for foreign investment.

#### 2. Business and Investment Climate<sup>24</sup>

The business and investment environment in Mozambique, as embodied in the

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<sup>24</sup> See the Business and Investment Climate Section of the Economic Annex for details.

Commercial and Investment Codes, is antiquated and does not meet the needs of present-day business. In practice, it takes an excessive amount of time to do ordinary business, such as clearing imports through customs, obtaining export permits, etc. By current estimates, it requires well over a year just to obtain permission to establish a private business. Of about \$870 million in applications for foreign investment submitted to the Center for the Promotion of Investment since 1985, just over \$160 million are under implementation.

According to a 1994 World Bank study,<sup>25</sup> the adverse business climate in Mozambique is essentially rooted in the past dominance of the State, which sought to control rather than facilitate private sector activities. Even minor transactions require notarized signatures, special paper and stamp taxes. A number of registrations, permits and licenses must be obtained from a variety of government agencies. These requirements frequently complicate the entry and exit of businesses and inhibit competition. Regulations lack transparency and procedures are not standardized or automatic. Consequently, very few private (and even government) entities are fully aware of all the steps needed to complete a specific transaction. Regulations are frequently enforced on a discretionary basis and add unwarranted additional costs. The GRM's limited capacity to administer complex and cumbersome procedures further adds to the costs of doing business in Mozambique. Delayed responses by government agencies to applications and authorizations are a major obstacle to operations. The enforcement of demanding regulations carries a very high opportunity cost for the State which could be using scarce resources in more productive ways.

### B. Constraints to Rural Household Income

#### 1. Sectoral Policy

The GRM's past policy of controlling prices and intervening in the domestic marketing of agricultural products stifled the development of a competitive, efficient private sector. Producer prices of several important agricultural products have continued to be subjected to a minimum (floor) price system. In practice, this amounts to administrative price fixing because of poor implementation of the policy by GRM officials and private traders. Although the adjustment toward international prices has been substantial, floor prices have *de facto* become fixed due to habit and the lack of competitive markets. This *de facto* price fixing not only reflects difficulties in implementing policy changes, but also rent-extracting practices by certain elements of the public sector. The result is an impediment to strong supply response and improvements in agriculture's terms of trade and profitability.

Although effective competition among private traders has grown at the district capital level and in the immediate surrounding areas, the rural zones are still characterized by monopolistic/monopsonistic trading and pricing policies. Although the smallholder's share of the world export price for crops such as cotton and cashew, has increased in the last couple of years, it remains considerably below border parity prices. Until very recently, GRM policies had the effect of encouraging inefficient and uncompetitive companies to absorb much of the export earnings.

To provide a competitive and efficient marketing system for smallholders, private sector participation in marketing must increase. The tax regime related to export crops must be more transparent. Farmers must know and understand more the relationship between world and farmgate prices. This will encourage more exports and raise smallholders' share of the world price.

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25 "Investment Study," World Bank, 1994

The liberalization of food markets--largely driven by USAID's P.L. 480 Title III program and Private Sector Support Program--has continued and is nearly complete. The policy reform effort has contributed to food security by stimulating production. Markets for food crops have been extensively liberalized, thereby benefitting smallholder producers. Only a few commodities are still subject to price setting (bread and flour, for which the controlled prices are close to market-clearing levels). The GRM continues, however, to set floor farmgate prices for eight crops, and to define the "marketing campaign" as the four quarters after harvest. Food production is rising as returnees begin production and other smallholders take advantage of the new incentive structure for producers.

Rural traders are still few, as a result of a poor policy and regulatory environment. Removal of a few key policy/regulatory constraints (such as licensing requirements and transport fees) will allow more traders into the market. Increased competition would provide more effective marketing for smallholders and provide higher producer prices by minimizing marketing margins. The competition will also benefit poor consumers and trade by transferring food efficiently from surplus to deficit areas, improving food security and reducing seasonal fluctuations in consumer prices.

## 2. Marketing

The general situation of agricultural markets in Mozambique fits the description of African "stage one" markets presented in the Africa Bureau paper on agricultural marketing.<sup>26</sup> These characteristics include

- a policy and regulatory environment that does not provide adequate incentives to farmers to produce marketable surplus nor to private businesses to engage in marketing activities such as collection, storage, and processing;
- a dilapidated or inadequate marketing infrastructure;
- private marketing agents who tend to be small in scale and undercapitalized, and who tend to turn stocks over as rapidly as possible; and
- a majority of producers who focus on meeting household food security requirements (most producers, however, sell small quantities of staple foods immediately after the harvest in order to meet cash requirements).

Although this characterization is appropriate, the agricultural marketing situation of Mozambique is made more complex by the large amounts of food aid (emergency and commercial), and by the disarticulation of the national economy.

### a. Market Organization

Under the previous centrally-controlled system, the Ministry of Commerce had responsibility for overseeing rural trading operations and for licensing all private traders. For each rural area, the provincial office of the Ministry licensed one or more wholesalers ("armazenista") to act as a distributor for a list of essential items. This structuring of rural trade did not permit a natural growth of a competitive private sector. Since then, the GRM has made impressive progress in eliminating restrictions on trade, and the parastatal agricultural marketing body AGRICOM is basically bankrupt and no longer a

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<sup>26</sup> A Strategic Framework for Promoting Agricultural Marketing and Agribusiness Development in Sub-Saharan Africa, Office of Technical Resources, Bureau for Africa, Publications Series No. 91-1, January 1991

major player. Consequently, the old State-controlled system has largely been dismantled, either by decree or by disintegration. The dismantling of the old system, however, has been uneven, depending on the acquiescence and/or efficiency of GRM personnel carrying out the new policies. What will take the place of the former system has yet to develop.

The changing rural economy of Mozambique forces one to ask the difficult question of how efficient markets will emerge. First, underdeveloped market communications infrastructure and the lack of market support services (such as marketing research) inhibit market performance. Due to the war and the economic orientation of the country after Independence, private marketing systems collapsed and were never fully replaced. The Mozambican economy was dominated by a command system in which resources were not allowed to move freely in response to price and other market signals. Rural producers were forced during marketing campaigns to sell their surpluses right after harvest. Market information under this system consisted of an announcement that licensed traders would be in the countryside within a given period of time to buy produce at prescribed prices. The sheer size of Mozambique and distances between commercial centers currently are constraints to the evolution of an efficient market information network. Traders and wholesalers do not readily know where marketable surpluses exist in the countryside. Producers do not readily know where markets exist for their surplus production. The lack of this basic information leads to inefficiencies and higher marketing costs because traders must follow hearsay in ferreting out production for sale. In addition, it also puts the rural producer at a serious disadvantage in negotiating a sales price for her/his surplus production. Consumers are forced to pay higher prices because less produce finds its way to market.

Second, until very recently Mozambique lacked any capacity to collect, analyze, and disseminate market research and basic information. Agricultural statistics reflect government policy with regard to production levels (marketing quotas) and prices. Consequently, agricultural policy has been made in a vacuum of information. Due to their socialist orientation, central planners did not reward or equip their staff to conduct production or market research and data collection, let alone analysis--even though it is desperately needed by policy-makers, traders, producers, and consumers. Therefore, a monumental task remains in redefining the roles of and retraining government workers, private traders, producers and consumers. Fortunately, the GRM has recognized the problem and has begun the process.

#### b. Marketing Infrastructure

The lack of efficient and cost-effective marketing networks is a major constraint. Marketing infrastructure (electricity transmission lines, roads, bridges and railroads) has largely been destroyed by the war with the result that much of the service network (marketing, transport, banking and the social sectors) have become inoperative. Lack of maintenance has contributed to the severe deterioration of the transport network.

##### (1) Financial Intermediation

For the moment, the lack of formal credit from the banking system is not a major constraint to smallholder production and will not be until the level of technology employed by smallholders is improved and the relative cost of purchased inputs declines as marketing costs are reduced. This may occur soon. Several private cotton companies are already providing inputs to

farmers on credit. In fact, MSU studies<sup>27</sup> demonstrate that it is only through input use that cotton farming is profitable. Other studies indicate that there may be scope for promoting the expansion of private, informal savings and credit systems that mobilize local savings. The lack of formal credit in the near term is a much more serious constraint to improving rural trading networks, investment by the private sector in productive assets, and financing agricultural marketing. Very high nominal interest rates in the formal banking system make it extremely unattractive to borrow funds and even more difficult to repay loans.

## (2) Roads

The National Directorate of Roads & Bridges (DNEP) which builds and maintains the road system, estimates the country has 29,000 km of road, as follows:

Paved/primary roads	5,000 km.
Gravel roads	3,000 km.
Earth roads/tracks	21,000 km.

Of the 29,000 kilometers of roads in Mozambique, it is estimated that only 30% of the major paved road network is in good condition, and more than one-third is not transitable on a regular basis. The feeder roads (low-volume secondary and tertiary roads) are also in poor condition and many are currently impassable due to destruction by war, deterioration because of lack of maintenance during the war, and land mines. Consequently, vehicular traffic is very low and sporadic on much of the network. This constitutes a major bottleneck to the transport of farm produce to the points of consumption and export.<sup>28</sup> In addition, insurance policies are largely unable to cover the risks faced by transporters, including, of course, travel on mined roads.

The coming of peace has resulted in a dramatic increase in traffic volumes. For agriculture to recover, the need for good roads is critical. The dramatic post-war 100% to 500% increase in traffic volume has placed a severe strain on already weak road structures, resulting in an accelerated decline in the condition of the roads and increased transport costs (the cost of operating a truck on a poor road is about 2.5 times that of operating on a good road). The rehabilitation and maintenance of the road network is in urgent need of acceleration.

In general, rehabilitation, maintenance and development of the road system are constrained by inadequate institutional capacity, inefficient operational policies and procedures, and lack of funding. In an effort to deal with maintenance, in the mid-1980s, the GRM created special units to maintain and rehabilitate roads; a unit was established in each province and provided with a pool of capital equipment. The limited efforts they have been able to mount have been largely limited to the main national and regional roads (the "primary" roads).

The problem of maintenance has been compounded by the levy of very low user charges for heavy trucks and a low price for diesel fuel. Although the price of diesel fuel has been kept near import parity price as part of the restructuring of the petroleum sector, the relatively low price--compounded by delays in collection of fuel taxes--has meant inadequate revenue flowing into the Road Maintenance Trust Fund. As a result, those vehicles that inflict the

<sup>27</sup> "The Determinants of Household Income and Consumption in Rural Nampula Province: Implications for Food Security and Agricultural Policy Reform," MOA/MSU/UA, Research Team Working Paper No. 6, August, 1992

<sup>28</sup> Railroads are not a major factor in domestic marketing. Most rail lines connect Mozambican ports to neighboring countries rather than to productive areas within the country.

maximum punishment on the roadbed have contributed little toward funding its maintenance. Conversely, for transport operators the poor condition of the roads has drastically reduced the life of tires, suspension systems and wearable parts, which are expensive to replace and require foreign exchange; as a consequence, transport services are exorbitantly expensive, and tend to be concentrated along the better-maintained roads.

Feeder roads, which connect scattered rural communities to the highway system, are vital to the movement of food, consumer goods and surplus food and export crops from farmgate to the markets, and to the small ports and railheads. Most feeder roads in Mozambique are earth or dirt roads that require frequent maintenance work to remain passable. The neglect of maintenance work during the past two decades has rendered a large proportion of them impassable, cutting off access to and from many rural communities. The revival of the rural economy cannot occur without urgent attention to the feeder roads system.

#### (a) Mines

During successive wars (independence and civil), the belligerents placed as many as a million land mines on roads, around strategic installations, along national borders, around disputed towns and, to deter settlement, near schools, wells, clinics, agricultural plots and fields, and villages. A major donor-supported effort to address the problem began in early 1993; since then various operators have cleared 4,500 kilometers of key roads (opening up much of the Zambezia valley to trade and settlement) and scattered refugee routes and areas near towns.

Land mines will remain a serious problem in Mozambique for at least the next decade, and their clearance will have to be factored into investment in roads and other rural infrastructure, as well as in agriculture in some parts of the country. In 1994, the GRM created a national commission to set policy and coordinate activities regarding mine clearance and decided that implementation would remain in the hands of specialized NGOs and private, for-profit companies.

#### (b) Transport Fleet

The GRM/multidonor Roads and Coastal Shipping (ROCS) I project document estimated the country's total road vehicle fleet in 1991 to be no more than 45,000 units. Much of the fleet was aged and in poor condition, which, in conjunction with the poor condition of the roads and the scarcity of spare parts, made for high operating costs, low availability levels, poor service reliability and, ultimately, high prices for both freight and passenger movements. A large part of this former capacity existed either with parastatals (CAMOC, AGRICOM, DPCCN and TRANSCARGA), or in-house with large corporations for their own needs. The parastatal truck fleets are now considerably diminished, including those held by the Department for the Prevention and Fight against Natural Disasters (DPCCN) and AGRICOM. With the onset of peace, commercial operators have found a variety of ways to expand the private sector transport fleet, making the aged, almost moribund parastatal truck fleet largely irrelevant.

Private trucking operators and clearing and forwarding agents who were contacted during a 1992 review of the transport sector cited as their main problems the difficulty and high cost of vehicle financing; harassment from GRM officials; the unavailability and high cost of spare parts, tires and accessories (partly due to the lack of foreign exchange); and the lack of reliable maintenance capacity, particularly outside Maputo. The problems remain the same today.

Transport costs have come down considerably since the war ended, as reflected to some extent in the prices that some NGOs have been able to negotiate with truckers. In the main, however, private trucking still remains a risky enterprise, with a high rate of business mortality but ample reward for those who make it. Some of the bigger, established operators tend to provide only a "liner" service on safer, high-density routes such as Maputo-Beira-Tete.

### (3) Rail and Ports

Historically, the best organized transport mode has been the rail-ports system, which evolved mainly to serve the trading interests of neighboring South Africa, Zimbabwe, Malawi and Swaziland, and which was financed in substantial measure by these interests. For this reason, the three rail systems are oriented east-west, providing short, quick and relatively cost-effective routes to the sea for the export and import trade of these neighbors. Because Mozambique stretches some 2,500 km from North to South, and the population is densest along the long coastline, the rail system does not adequately serve Mozambique's own needs for the movement of freight and people.

In 1973 the foreign exchange earnings generated by the rail-ports system were important to the country's national accounts; the trade account deficit of \$122 million was all but canceled by foreign exchange earnings of \$115 million from the rail-ports system.<sup>29</sup> However, the rail-ports system has since been functioning far below its potential, consuming about \$1 billion of foreign assistance and accumulating, as of the end of 1993, approximately \$240 million in debt to the State, the Commercial Bank of Mozambique (BCM) and international financing agencies.

Some of the reasons for the poor performance were common to the railways of the region generally and are now well-known:

- aging infrastructure, motive power and rolling stock; poor maintenance;
- inefficient utilization of assets;
- rigid pricing systems for broad social considerations;
- rising costs that were not fully recovered from the tariffs charged, partly because of the absence of traffic costing systems;
- inadequate allocations for maintenance of equipment and of service standards;
- poorly paid, poorly motivated staff suffering from low morale;
- a monopolistic attitude with little appreciation of the changing needs of the market and of the growth of a vibrant competitive alternative mode, viz. road transport;
- the exodus of skilled human resources after independence; and
- the inexperience and inadequacy of the new managements of the rail systems.

In Mozambique these factors were overshadowed by the effects of the long years of civil war. Whatever resources became available went into trying to re-open or keep open routes. In these circumstances, normal maintenance activity received little attention, and the GRM never developed considerations of operational efficiency, planned maintenance or cost-effectiveness. It also reinforced the tendency, already strong, for decision-making to be centralized, since the GRM had to support many activities that should otherwise have run as financially self-sufficient and was able to obtain a very large part of funding and technical assistance from external donors.

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<sup>29</sup> "Mozambique Transport Sector Review", World Bank, 1989

Beginning in late 1991, awareness grew that the huge capital investments helped create a dependency on external grant financing, reducing the need for rational asset replacement policies and financing through normal financial market sources. The focus on keeping motive power functioning also masked the fundamental organizational rigidity and inadequacy of the rail-ports institutional and managerial systems, and the inadequacy of human resource capacity at both management and specialist skill levels. Increasingly, these weaknesses stood out as serious constraints to correcting the situation, but had to be developed before the potential of the system could be realized.

#### (4) Coastal Shipping

Associated with the rail-ports system is coastal shipping. The Port/Rail Authority (CFM) manages not only the three corridor ports of Maputo, Beira and Nacala but also the regional ports of Pemba and Quelimane and about 15 tertiary ports. The National Maritime Directorate (DNM) oversees coastal shipping.

Given the long coastline and the high density of population along the coast, coastal shipping has the potential to transport large volumes of north-south traffic, both for export/import and for markets within the country. It should also be the least-cost mode for such traffic (water transport is generally associated with low cost). Yet the cost of transporting a ton of maize from Pemba, Cabo Delgado to Maputo is no less than the cost of bringing it from the U.S.! Similarly, the ROCS I report stated that the cost of moving containerized domestic cargo traffic by coastal shipping is \$40/ton which compares<sup>30</sup> unfavorably with \$50/ton for international traffic from Karachi to Maputo.

The small coastal ports are the main outlets for rural agricultural hinterlands not served by roads or directly by a regional port. Their current poor performance is attributable not so much to the failure of agricultural production as to poor management by CFM. Facilities are rudimentary; infrastructure (i.e., berthing quays, warehousing), navigational aids and handling equipment are insufficient; waiting times for ships are extremely long; and palletization is not possible. Management is extremely short of qualified personnel and organization is inadequate. In some cases, therefore, to keep their businesses going, port users (i.e., agricultural producers and shipping companies) have in practice taken over the running of the ports--as, for example, have the copra producers at Macuse and the sugar interests at Chinde.

Some coastal shipping services are provided by the government-owned company, NAVIQUE (currently being privatized), which operates between the regional ports, and by feeder services between the regional ports and the tertiary ports operated by TRANSMARITIMA.<sup>31</sup> Both companies have old and poorly maintained equipment, lack management skills, and are further handicapped by poor facilities and operation of the ports. To improve the situation, under ROCS I, the GRM has transferred small tertiary ports from CFM to the National Maritime Directorate (DNM) which is also responsible for coastal shipping. Other changes for this sub-sector include a new policy framework and a coastal shipping recovery strategy, a major role for the private sector, customer and trade facilitation measures, and investment in developing small ports.

#### (5) Summary

<sup>30</sup> \*First Roads and Coastal Shipping Report, Staff Appraisal Report,\* World Bank, 1992

<sup>31</sup> TRANSMARITIMA is owned by CFM, NAVIQUE and TERMAR.

The high degree of centralization and government control of the transport sector has led to large-scale inefficiencies, higher costs, rent-seeking, and bureaucratic lethargy in the system. With the assistance of the international community, the GRM has been overhauling the road, rail and port systems. In the roads subsector, the National Department of Roads and Bridges (DNEP) accepts that the private sector must be given a much more significant role in the rehabilitation and maintenance of the road inventory. This acceptance of the role of the private sector, though growing, is not as integrated into the port/rail and coastal shipping subsectors.

### 3. Rural Enterprises

Off-farm rural employment, already at low levels, was considerably reduced by the war. The legal and regulatory environment for rural enterprises remains extremely unclear and is characterized by excessive regulation. Laws governing property and contract agreements are not strictly enforced. Rural enterprises are also characterized by a lack of basic business and accounting skills that impedes the quality of their productive assets. Available evidence<sup>32</sup> indicates that small-scale artisanal fishing and mining, light manufacturing, and petty trade are basically embryonic at this point in Mozambique's development. The Mission's monitoring of rural activity over its transition program shows that many returning refugees from neighboring countries have picked up basic skills and are beginning to develop their nascent entrepreneurial talents. A growing body of anecdotal evidence suggests that rural enterprises have the potential to grow and contribute to meaningful employment.

With the return of peace and the successful conduct of multiparty elections, the environment for rural business activity has changed dramatically. However, it will take more than improved marketing policies and peace to foster the growth in numbers and volume of rural businesses. The current environment lacks

- virtually any services available to the private sector,
- a supportive business and investment climate,
- financial services,
- market information, and
- no consulting services.

Without these services, rural enterprises of any size will take longer to develop and grow.

There are essentially no consulting services to support rural enterprises in Mozambique. Most of the larger agro-processing industries are well-established and know the ropes of conducting business. The firms that most suffer from the lack of support services are the small to medium-sized businesses that purchase and transport goods or agricultural produce for resale. These businesses typically do not keep formal records of transactions, do not have business plans, and do not accumulate savings they could re-invest in their enterprises.

In the countryside, rural microenterprises and households that engage in off-farm activities to generate income are pretty much left to their own devices, except perhaps where an established NGO is providing services. These microenterprises represent the informal sector in rural areas--a sector that is largely unaccounted for in national statistics reporting on GDP and income. One subset of these microenterprises, rural group enterprises based on village organizations, is increasingly requesting assistance in business skills development. While members are individually hampered by the lack of literacy

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<sup>32</sup> USAID is currently undertaking an extensive survey of rural enterprises because of the paucity of information that currently exists.

and numeracy skills, as a group they can pool their resources, mobilize savings, and develop business activities that they could not accomplish individually.

#### 4. Agricultural Output

##### a. Land Access

Land policy and issues arising from it are complex in Mozambique and must be analyzed at several levels. The analysis must differentiate between problems resulting from past FRELIMO ideological action (such as forced villagization, state enterprises, etc.) and those caused by the war-induced migrations, post-war resettlement, and concessions.

The war has caused severe disruptions in the countryside, resulting in increased pressure on land in more secure areas. The increased population concentration has led to intensive cultivation on small amounts of available land and to new production and land use patterns. Prior to the displacements, most family producers practiced shifting cultivation with fallow intervals of about seven years. Because access to land no longer permits this system and production technology has not changed, increased production has increased erosion, lowered soil fertility, and decreased productivity. The coming of peace has alleviated some of the extreme pressures on the land where families have returned to their original areas, in which the natural resource base may actually have improved because of the long fallow period during the war.

In addition to the war, the divestiture or abandonment of State farms and new joint ventures between large corporations and the government created a number of other current land problems. Through this divestiture process, land use rights have often been formalized at the expense of traditional smallholders located on and around the former State farms. Under the current law, the family farm sector has customary land tenure rights while the commercial sector has leasehold tenure rights. The 1979 Land Law states that all land is the property of the State and that individuals and groups have the right to use it for up to 50 years with a lease--except for family farms, which are not required to have a lease as long as the land is occupied within the regulations. These indicate that a family can have a quarter of a hectare of irrigated land and half a hectare in rainfed agriculture per adult family member. A family can have up to ten hectares if it practices shifting cultivation. The law prohibits the transfer of land through sale, rental, or mortgaging, although it allows inheritance of land with title.

Within the ongoing, *ad hoc* process, land use rights are granted to (or otherwise taken by) commercial farms while smallholders are not seen as requiring other than traditional holding rights. Even if a smallholder should desire a more formal tenure, the process is cumbersome and very difficult. In this situation, the claims of the commercial sector have an obvious advantage and have created a number of land conflicts around the country. This situation has become a great deal more complicated since security improved and the internally displaced and refugees have returned to their land. Further clouding the situation in the last five years is the fact that different levels of government (legally and extra-legally) have been granting the same or overlapping concession rights.

As mentioned above, agricultural land is potentially abundant in the country, with only a small fraction of total arable land under cultivation. Nevertheless, the average size of smallholder farms has diminished from around 1.5 hectares at independence to 1.1 hectares today. Survey results from the 1992 MOA/MSU study in Nampula at the end of the war indicate that the lowest quartile of producers have extremely small amounts of land (0.5 ha or less). Even in relatively secure areas in Nampula with relatively abundant land, land is not available to the smallholder sector. At the same time, household

income is highly correlated to the size of land holding, irrespective of the number of adult family members, indicating that access to land in some areas is a severe constraint.

Land is by far the most available and valuable productive asset in the country, and land access was severely affected by the war. Sorting out the land situation poses major political and social problems. The historical development of land use by different sub-sectors, the war, and the granting of concessions have created an unstable situation. As in other areas affecting the agricultural sector, the old system is rapidly passing away; what will take its place is only now emerging within a very volatile context. Sorting out land tenure will be a major issue and preoccupation of the GRM, to ensure that smallholders have sufficient access to land to provide for the country's greatest source of food security and rural household income needs.

#### b. Technology Development and Transfer

In recent years, the GRM has made an effort (with the assistance of donors) to provide extension services to smallholder. Two types of extension systems currently exist: 1) a commodity-based extension system (primarily for cashew nuts and cotton) organized around crop-specific institutions; and 2) a modified training and visitation system operated by the National Directorate of Rural Development of the Ministry of Agriculture. However, due to the impact of the war, limited financial resources and the extremely rudimentary level of education of extension agents, current extension activities are fragmented and generally ineffective. The links between research and extension are also very weak.

After independence and the creation of the Instituto Nacional de Investigaçao Agronomica (INIA, the national agronomic research institute), attempts were made to re-orient research to the needs of the smallholder. However, the lack of clear research priorities as well as severe financial and human resource constraints have considerably limited the effectiveness of the country's agricultural research system. In spite of the limitations, INIA scientists participate in regional agricultural research networks supported by the International Agricultural Research Centers (IITA for cassava, CIP for potato and sweet potato). Sustained growth and increases in rural household income requires a continuous increase in the productivity of the factors of production. This in turn requires the generation and, most importantly, dissemination of a flow of technologies well-suited to farmers' needs and constraints.

Although there is no formal varietal release program, four corn varieties have been released since 1984, six varieties of cassava and sweet potato, ten varieties of beans, three of cowpeas, and four of sorghum. Some are the result of breeding programs, while some have been screened and selected from local and imported stock.

#### c. Agricultural Inputs

The agriculture sector's supply response, beyond mere subsistence needs of the farming population, will depend on the functioning of markets for surplus production, agricultural inputs and consumer goods. In 1987, with the support of NGOs and several donors, the GRM initiated an emergency program (PESU) to provide assistance to displaced populations through the distribution of free seeds and hand tools. The emergency program is over, although pockets of extreme need will continue over the next couple of years, and with the resettlement of refugees and internally displaced, the continuation of free distribution of inputs through programs such as PESU should be discouraged as it prevents the entry of private operators and the establishment of a self-sustaining input supply system, including seed production and distribution.

The donor-supported parastatal seed company, SEMOC, maintains an effective monopoly on seed production. The current intentions of the GRM are not yet clear on the future of both PESU and SEMOC.

#### 5. Food Aid

Emergency food assistance has been a mainstay of Mozambique's food supply for almost a decade. Many parts of Mozambique (especially in the South) are drought endemic with irregular rainfall that regularly prevents rural households from producing sufficient crops for their own consumption needs. In these areas, farmers in the past diversified their sources of income to include livestock, agro-forestry, and remittances, in order to meet their food needs. The war seriously depleted these farmers' ability to maintain this diversification, killing off their workers and interfering with their ability to harvest and market agro-forestry products. In the North and parts of the Center--as a 1992 MOA/MSU survey in Nampula Province indicates--returned refugees and internally displaced persons will require several more agricultural seasons before they are able to bring sufficient land under cultivation or will have diversified their activities and income sources enough to ensure food self-reliance.

According to the study, smallholders were participating to a limited degree in both food and cash crop markets, primarily as sellers but also as buyers. The great majority of producers surveyed used the food market as one key component in their survival strategies, and most producers in two of the districts surveyed cultivated and sold traditional cash crops (cotton and cashew) in addition to food crops. Nevertheless, purchases of food did not overcome the calorie deficiencies exhibited by significant numbers of smallholders.

The structure of rural food markets in areas surveyed by MOA/MSU indicates some degree of change, with new itinerant traders ("*ambulantes*") entering the market. *Ambulantes* tend to pay higher prices than those offered by traditional merchants, leading to some degree of increased competition. Nevertheless, the traditional merchants continue to dominate the marketing of all the products surveyed, paying approximately the floor producer price established by the government.

The most sustainable way for Mozambique to become nationally food self-reliant is to re-establish foodcrop marketing in the country. In 1993 and 1994, donors attempted to purchase domestically-produced surplus maize (largely in the northeast), but were unable to cost-effectively transport the maize to the deficit areas. Until infrastructure is restored and foodcrop markets work efficiently, Mozambique will require food aid assistance.

The presence of large amounts of emergency food aid at certain times, however, carries the risk of depressing prices and making marketing of domestic production uncompetitive. Unless emergency food aid<sup>33</sup> is reduced and gradually phased out, the restoration of agriculture production and marketing will take place in an uncertain and distorted environment. The production and marketing of food and increases in rural household income must be carefully monitored so that as rural output and marketing of surpluses rise, food aid becomes highly targeted and converted to food for work or cash for work programs to avoid undermining markets for local products.

During the time that foodcrop production and marketing are being re-established, commercial food aid is critically needed to provide a broad food safety net for the 60% of the urban population that is absolutely poor. The most important commercial food aid commodity, yellow maize, is considered an

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<sup>33</sup> This does not refer to commercial food aid which, if used properly, can be a powerful tool to increase the competitiveness of farmers and act as a mechanism for policy dialogue with the government.

inferior good, and its market price is significantly discounted against that of white maize. As such, it is primarily used by poorer consumers. However, commercial food aid is also difficult to manage without inhibiting white maize production and marketing from the center and south of Mozambique. Continued monitoring of domestic production and marketing and movement toward full import parity prices are essential to facilitating the country's transition to food self-reliance.

## 6. Natural Resource Management

Mozambique's rich natural resource base and low population density appear at first to offer only limited scope for widespread environmental degradation in rural areas. To the contrary, as a result of the war-related disruption of productivity, resources (particularly tropical forests) have recovered in some areas of the country.<sup>34</sup> During that same period, however, in other areas the civil war had a very negative impact on the country's resource base. Displaced populations were crowded near the secure towns and cities, creating severe shortages of land and concomitant soil erosion and loss of fertility in those areas. According to EPAT, the traditional slash and burn farming system is sustainable in the near term if displaced households return to their traditional areas,<sup>35</sup> where they can practice long periods of fallow. If long fallow periods are not possible, the traditional system is unsustainable and new technologies must be adopted.

Other natural resource problems have arisen in these same areas of high population density. The demand for fuelwood increased the cutting of trees. Of special concern is the mangrove ecosystem as it is a vital habitat for the reproduction of shrimp and prawns, an important source of income for coastal dwellers and the country. Another threat to the unique mangrove ecosystem is the change in salinity levels due to the construction of large dams on the main rivers flowing through Mozambique.

## 7. Biodiversity

The war was a major impediment to the conservation of the country's wildlife resources. The management of Mozambique's extensive system of parks and reserves collapsed, while guerrillas poached many large mammals for food and to finance military operations. Within the period of this strategy and in the areas where agricultural potential is highest, there is likely to be little opportunity for communities to benefit from community participation in the management of wildlife and forest reserves. Within the Mission's strategy areas, the IUCN and Global Environmental Facility are working with the major parks and neighboring communities. The GRM, in conjunction with several donors, will be initiating implementation of its National Environmental Management Plan (NEMP), including priority ranking to identify the country's main environmental problems and designing an appropriate strategy to address them.

### C. Institutional and Human Resource Capacity

Mozambique has one of the world's weakest human resource bases. This applies to all sectors and all government ministries. Out of a total population of 16 million, the country has fewer than 3,000 university-trained people. Less

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<sup>34</sup> "Environmental Issues Relevant to the Preparation of USAID/Mozambique's Country Program Strategic Plan," prepared by Environmental and Natural Resources Policy and Training (EPAT) Project, Winrock International Environmental Alliance, August 1994.

<sup>35</sup> "Environmental Issues Relevant to the Preparation of USAID/Mozambique's Country Program Strategy Plan," prepared by Environment and Natural Resources Policy and Training (EPAT) Project, Winrock International Environmental Alliance, August 1994.

than 15% of senior civil service personnel have university training, and one-third of senior civil servants have only completed primary education. Even compared with the rest of sub-Saharan Africa, the situation in Mozambique is dramatic. For example, the gross enrollment ratio for secondary education is only 7% compared to a sub-Saharan Africa figure of 23%.

According to a 1991 survey of the top levels of the civil service, only slightly more than half of the 247 central government department heads had completed secondary school. At the district level, of 206 district directors surveyed, only 74 had gone beyond primary level and none had attended university.<sup>36</sup> According to a 1992 UNDP project document, at that time there were only 130 university graduates in the Ministry of Agriculture, 81 of whom (62%) were based in Maputo. Contrasting these numbers with the 180 (condensed from 500) donor projects supporting agricultural development illustrates the gravity of the situation. Existing staff capabilities are seriously overstretched.

The lack of trained staff is being addressed by the World Bank and other donor projects, particularly with regard to technology development and transfer. A World Bank Education Sector Assessment noted that at Independence there were no national agricultural research scientists, and in 1989 the entire professional staff of the National Institute for Agronomic Research (INIA) numbered 32 (only 14 Mozambicans), none of them with graduate degrees. At the end of 1992 INIA had six national scientists with graduate training, and only three research stations were in regular use (Umbeluzi, Chokwe, and Lichinga). The situation has changed little since the assessment was done. Both World Vision Relief and Development and Food for the Hungry International, with USAID and other funding, collaborate with INIA sub-stations for adaptive research, and with the Extension Service of the MOA for extension. However, the capacity of the Extension Service is similarly weak, and they are undergoing restructuring, with agents being re-trained under a FAO project.

Mozambique's current social indicators are very low, both in absolute terms and in comparison with other countries in sub-Saharan Africa. The primary school enrollment ratio stands at 55% and the literacy rate at 32% (compared to 68% and 50%, respectively, for sub-Saharan Africa as a whole).<sup>37</sup> These ratios are national averages, and actual figures in rural areas are much lower. The scarcity of human resources at all levels of the labor force is an overwhelming constraint for the country's long-term development. In addition, health indicators in Mozambique reflect the terrible health conditions in the country (e.g., infant mortality rates reaching up to 173/1000 in some areas of the country).

The transformation of the country's mostly traditional agriculture into a dynamic, market-oriented sector will require the emergence of a class of farmers and entrepreneurs that is better educated (in terms of basic literacy and numeracy), healthier and open to progress. To achieve this will require improvements in basic information (for increasing the general cognitive skills of the labor force), specialized training, and improved health conditions. Because public services are woefully inadequate to provide education and training for the vast majority of farmers, access to information will have to come from the private sector (NGOs and companies). Without progress in these areas, improvements in labor productivity and income will be severely constrained.

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<sup>36</sup> "Education Sector Assessment," prepared for USAID/Maputo by the Improving the Efficiency of Educational Systems Project, Florida State University, July 1992.

<sup>37</sup> World Bank Vision Document, November 1993.

#### D. Conclusions and Synthesis

The economic distortions that inhibit the development of agricultural production by the family sector in Mozambique have a long history. Both the colonial legacy and statist policies after independence kept this group at a disadvantage in realizing its potential as the backbone of the country's agricultural development. Recent economic reforms have been impressive but their full impact has yet to be felt.

The old centralized, state-controlled system is no longer functioning and the new market-oriented one is only now emerging. Hindering that process are the ubiquitous constraints associated with agricultural development, complicated by the unique features of Mozambique: the continuing impact from the disruptions of the war and drought and massive amounts of imported food aid.

The principal constraints to growth in the rural economy, and hence to the economy as a whole, are the destruction of infrastructure caused by the war, lack of market networks, instability of land access, lack of transportation and storage facilities, lack of equity and credit for commercial transactions and productive investment, and lack of trained personnel and institutional capacity. USAID/Maputo's assistance will, therefore, promote the development of efficient market networks as the best means to ensure the efficient allocation of scarce resources and the transmission of appropriate economic signals to producers and consumers.

For the first several years of this strategy period, food aid will continue to be a significant factor in the country's food security, with its importance declining as domestic production increases. Support for agriculture and food aid must be combined, to get food to the neediest families without serving as a disincentive to the country's agricultural producers. The number of people at nutritional risk is still extremely high and the amounts of imported food aid will largely depend on local production. The development of markets to move local production to consumers remains the best option for assuring food security for the entire population.

Improving the efficiency of agricultural marketing systems will require changes in the policy and regulatory environment, a stronger and broader infrastructure base with reliable services, more knowledge and better trained marketing agents, and an expansion of rural enterprises. This will be a long-term process in Mozambique--it is not a quick solution.

The limits on what can be achieved are readily apparent: the deteriorated infrastructure, the weak or absent marketing network and systems, and the thin human resource base. In addition, there is a great deal that is simply not known about production and consumption factors and constraints throughout the country. The limitations, however, reinforce the idea that improving agricultural marketing systems is the most efficient way of ensuring that sufficient incentives reach individual producers, traders, and agribusinesses, laying the foundation for development.

### III. Amplified Strategy Description

#### A. Strategic Objective: Rural Household Income Increased in Targeted Areas

This Strategic Objective is central and fundamental to enhancing human productivity. Furthermore, it complements the Mission's other two Strategic Objectives: increased use of essential maternal child health/family planning services in focus areas and government more accountable to citizens.

Increasing income enables individuals and households to make important

consumption and investment decisions. In the case of the former, income is an important determinant of food consumption levels, particularly at lower levels of household income. Increasing household income will contribute to the alleviation of food insecurity, a perennial problem in Mozambique. In the case of the latter, household income increases investment in education and health services to improve their general well-being. As has been seen elsewhere, health and education are highly correlated with income at both the individual and societal levels. Life expectancy rises with average income.

### 1. Description

Rural household income is defined as the cash value of production for own-consumption plus remuneration from the sale of goods and services, including in-kind payment and remittances by those rural people who ate together on a regular basis in the last year in a specific location. The sources of rural household income include:

- on-farm crop and livestock production consumed by the household;
- off-farm income from the sale of agricultural produce (crops, livestock, forestry and fisheries);
- wage earnings and in-kind income from off-farm labor;
- earnings from off-farm, non-agriculturally related activities (e.g., from services or sale of consumer goods); and
- remittances.

The necessary and sufficient conditions to increase Mozambican rural household income are:

- increased access to markets;
- increased earnings from off-farm activities;
- increased agricultural output; and
- increased remittances.

Increasing remittances is beyond the manageable interest of the Mission and is a relatively minor component of household income in the targeted areas.

### 2. Strategic Approach

This strategy proposes to increase rural household income by combining a top-down and bottom-up approach. Focusing solely on a top-down approach (e.g., get prices right and everything else will follow) has not been effective in sub-Saharan Africa. On the other hand, utilization of a bottom-up approach--focusing solely on the household level--has not succeeded where severe macroeconomic distortions exist. All of the selected program outcomes allow the Mission to combine the two approaches.

At the same time, this approach addresses both the demand and supply components of the development equation. On the demand side, the Mission will work closely with the GRM to first improve the policy and regulatory environment for market and business development. This will help to create the conditions to permit the rural population to engage in marketing activities, broadly defined to include commerce, processing, storage, and any other activities which add value to local production. Developing the infrastructure favorable to the growth of markets is also key. Second, on the supply side, sustained growth and increases in rural household income require continuous increases in productivity. This in turn requires the generation and dissemination of technologies, availability of inputs, market information, and financial and other services to farmers and entrepreneurs.

The Mission determined that in order to increase rural household income, the strategy would have to focus on specific geographic areas where economic potential exists, particularly in agriculture, taking into account need (the degree to which households were affected by the war) and geo-political considerations. In addition, the Mission determined that some concentration on key agricultural commodities--specifically maize and cashew--that are widely-grown and associated with high demand, existing markets, and rural income would bring quantifiable benefits in terms of income and household food security to a large number of rural households.

The targeted areas include the primarily maize-based cropping areas from the Beira Corridor (parts of Northern Sofala and Northern Manica), Zambezia and Nampula provinces, and the cashew tree/cropping areas of the coastal regions of Sofala, Inhambane and Gaza. The Mission expects to make few direct interventions in the cashew tree system in the coastal areas south of Beira. Nonetheless, these areas will directly benefit from the policy changes that will be sought. The areas identified for targeting have good agricultural potential, including as they do part of the nation's breadbasket; are potential suppliers for Mozambique's principal domestic and export markets; and have been severely affected by the war. Roughly 33% of Mozambique's population are encompassed by the identified areas.

USAID/Maputo believes that increasing rural household income in these areas is within our manageable interest. While it is not within the Mission's manageable interest to affect incomes nationwide, the policy and regulatory reforms adopted by the GRM will have national benefits that go beyond targeted geographical areas. It will be possible to have an impact on rural household income (a high-level strategic objective) in the targeted areas because Mozambique is starting from very low levels of rural income. Even though the required rebuilding efforts are daunting, they are by no means insurmountable in a targeted approach.

The Mission recognizes that individual households will want to diversify their income sources to the extent possible. In the medium term, therefore, the strategy intends to diversify the household's sources of income. In the short term, however, the strategy focuses on increasing maize and cashew nut production because they are, at the moment, the major component of rural household income and, in the case of maize, the primary food staple in the diet of the strategy area. In the coastal areas, cashew nuts are the single most important determinant of rural household income. Corollary benefits of the strategy will be to re-establish the environment for Mozambique's recovery as a major world supplier of cashew nuts and cashew nut exports as a major source of foreign exchange. As market opportunities will be generally, but not necessarily, tied to agriculture, the Mission has developed a flexible approach whereby support to rural enterprises will respond to the expressed local needs for income-generating activities, including assistance in developing general business skills of small and microenterprises.

The Mission's strategy recognizes that the demand and supply sides of the rural economy are inextricably linked by market forces. Experience shows that demand already greatly exceeds current production, and most of the binding constraints are related to marketing. Also, consumers do not always have the income to purchase as much food as their household requires, even when it is available. Initially, what is required is to generate the best conditions possible for markets to work and create income-generating opportunities for rural households. Concomitantly, the strategy will address the supply side of the equation: access to land, improved technologies, and agricultural inputs.

With this in mind, the Program Outcomes (POs) we have chosen in order to accomplish our Strategic Objective are: PO 1.1 Increased Access to Markets;

PO 1.2 Rural Enterprises Expanded; and PO 1.3 Increased Agricultural Output.<sup>38</sup>

### 3. Expected Impact

#### Strategic Objective One:

Increased Rural Household Income in Targeted Areas

#### Performance Indicators:

1. % increase in the average rural household income<sup>39</sup>
  - female head of households
  - male head of households
  - both male and female head of households
2. Off-farm income as a % of total household income

#### B. Program Outcome 1.1: Increased Access to Markets

##### 1. Impact Considerations

An efficient agricultural marketing system

- (1) transmits information to the producer about the demand for specific crops and methods to produce these crops utilizing the most appropriate technology given the indigenous resource base;
- (2) delivers the mix of inputs required by farmers to produce commodities, and collects and pays for that output in a timely manner;
- (3) is the conduit through which agricultural products move from the farmgate to the consumer, including the processes by which they are transformed and value is added to them by agribusiness;
- (4) transmits information to consumers in order to maximize their well-being;
- (5) transmits information to agribusinesses so that they may adjust activities to maximize returns; and
- (6) compensates producers and marketing agents with incentives, especially higher incomes, and opportunities to use that income to buy goods and services that can raise living standards.<sup>40</sup>

The main instrument for improving the efficiency of domestic marketing will be the promotion of a more competitive private trading system, through

- policies that guarantee free entry into the retail and wholesale trade;
- pricing policies that allow adequate margins to cover the costs and risks of private operators; and

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<sup>38</sup> These program outcomes are fully consistent with the collective experience of the Africa Bureau as documented in "A Strategic Framework for Promoting Agricultural Marketing and Agribusiness Development in Sub-Saharan Africa," Office of Technical Resources, Bureau for Africa, USAID, January 1991.

<sup>39</sup> The cash value of production for own-consumption plus remuneration from the sale of goods or services including in-kind payment and remittances by those people who ate together on a regular basis in the last year in a specific location.

<sup>40</sup> "A Strategic Framework for Agricultural Technology Development and Transfer in Sub-Saharan Africa," Division of Food, Agriculture, and Natural Resource Analysis, Office of Analysis, Research, and Technical Support, Bureau for Africa, USAID, December, 1992.

- programs to support the development of private marketing, transport and storage facilities.

## 2. Programmatic Approaches and Feasibility

Macroeconomic and sectoral policies and regulations affect marketing activities and help determine the incentives available to producers and entrepreneurs to increase productivity. The restoration of an appropriate incentive framework is the principal mechanism by which the GRM can initiate the recovery of production and trade. A pricing and marketing policy and regulatory framework that is transparent and effective must be developed and implemented to provide appropriate incentives to the private sector, particularly foreign investors.<sup>41</sup> Specific policies (such as free market access to purchase and export raw or processed products such as cashew, road maintenance and taxation issues) will have to be analyzed with appropriate policy recommendations adopted and implemented.

Overall, the current policy and regulatory environment suffers from a lack of implementation and transparency. The inherent uncertainties and disincentive effects of these weaknesses are significant constraints to both increased household incomes and a vibrant, competitive private sector. Of particular concern are policy and regulatory obstacles to more effective and efficient marketing of agricultural products--especially of export crops and access to and security of tenure to land. For two of the most important exports, cashews and cotton, smallholders are the most significant producers. National food security is highly dependent on smallholder land tenure security as smallholders are the food producers as well as the primary export producers.

This strategy proposes to strengthen markets by increasing access to markets through joint investments with the GRM in infrastructure and by improving the enabling environment that encourages opportunity and choice for private sector investments. Specifically, the Mission is proposing a combination of project assistance, non-project assistance (NPA) and food aid to address these constraints to access.

Project assistance will be directed principally toward three major constraints:

- the physical constraints to market access, such as roads and bridges and on-farm storage;
- weak or almost non-existent service networks, such as market information, private sector providers of general contracting services, and transport services; and
- weak management of market infrastructure, including the National Directorate of Roads and Bridges, the provincial road construction companies, coastal shipping, and possibly other entities, as identified during results package design.

Project conditionality, non-project assistance and food aid will be directed toward such policy constraints as those related to, among other issues, transaction costs of market entry and access, road maintenance and privatization of GRM functions related to road construction and maintenance,

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<sup>41</sup>The economy is in no position to generate sufficient domestic savings to finance investment in the medium to long term, even assuming an accelerated expansion in GDP. In view of Mozambique's low level of per capita consumption and income, negative private domestic savings, and limited scope for increasing government savings, Mozambique's growth and export prospects will depend to a large extent on the actual flow of private investment, including foreign, over the next decade.

increasing transport capacity (e.g., fees, tariffs, non-tariff barriers, etc.) and broadening financial services. In the early part of the strategy, the Mission expects that the NPA will use the CIP mechanism. In that case, the NPA may also directly address the lack of equipment and supplies necessary for improving market access (e.g., computers, trucks, heavy equipment, etc.) and increasing marketable products (e.g., production inputs and processing equipment).

The Mission will work through a small inter-ministerial policy group--consisting of representatives of the Ministries of Plan/Finance, Commerce/Industry/Tourism, Public Works/Housing, Transportation/Communication, State Administration, Agriculture/Fisheries and the National Institute of Rural Development--to develop and monitor implementation of a reform agenda. Depending on the nature of the policy constraint, the Mission will address it through policy conditionality for the NPA or project assistance and/or project finance joint studies or research with the GRM and other partners.

Commercial food aid will have the added benefit (beyond providing the forum for policy dialogue and directly contributing to food security) of physically strengthening market networks by its actual flow through a variety of private sector suppliers just as it does now. As Title II food aid also moves up the emergency relief-development continuum from emergency to mitigation, the PVO sponsors are expected to increase the share of resources going into Food for Work (FFW) or Cash for Work (CFW). The Mission has already had informal discussions with the GRM and PVOs about the potential for CFW to help villages provide basic maintenance on feeder roads benefitting their producers. During the design of the Rural Access Project, the issue of a role for community maintenance will be explored.

### 3. Anticipated Results

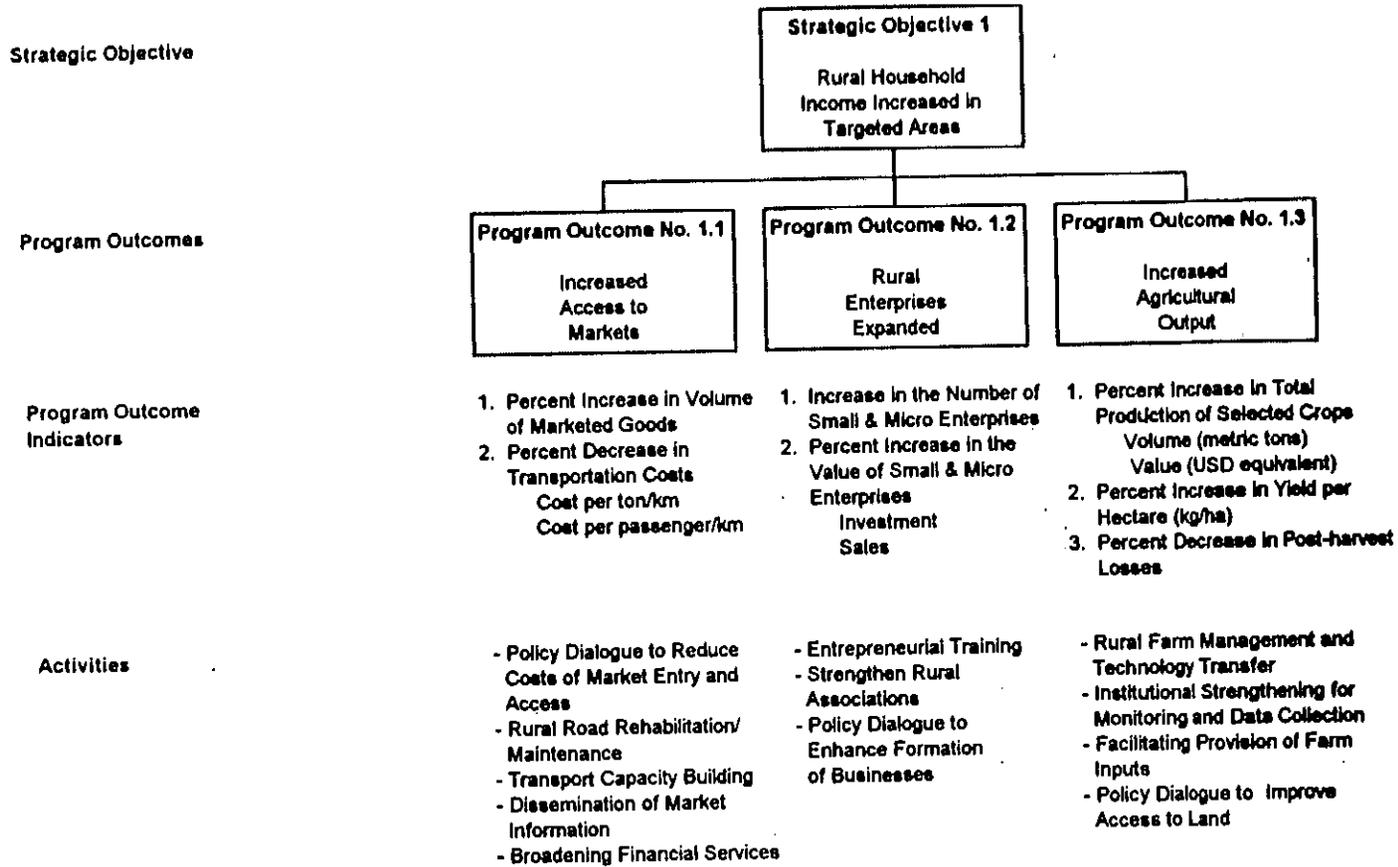
Program Outcome 1.1: Improved Access to Markets.

Performance Indicators:

1. Percentage increase in volume of marketed goods<sup>42</sup>
2. Percentage decrease in transportation cost:
  - cost per ton/km
  - cost per passenger/km

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<sup>42</sup> Marketed goods include food and other consumer goods such as kerosene, soap, clothing, etc.



### C. Program Outcome 1.2: Rural Enterprises Expanded

#### 1. Impact Considerations

In a situation where wide-spread unemployment and underemployment exist, increasing rural business activities is important for creating job opportunities. Of particular interest to the Mission are enterprises that not only contribute to food security by increasing household income but also increase women's access to land, employment, capital and technology. Other than policies that generally affect the private sector (licensing, taxes, pricing policies, land tenure security, financial intermediaries), the Mission has identified few specific policies that only affect microenterprises, although arbitrary implementation or regulation leaves microenterprises vulnerable to rent-seeking regulators.

#### 2. Programmatic Approaches and Feasibility

The Mission will provide project assistance to promote small and microenterprises, including assistance to individually- and group-owned enterprises, and, if significant rural employment generation is possible, to medium-sized enterprises based in rural areas.

Over the last several years, a number of donors have financed small and microenterprise projects with varying degrees of success. The more successful efforts use NGOs rather than GRM institutions as intermediaries. This strategy will work through PVOS, except as policy reforms are necessary. Depending on the nature of the policy constraint (e.g., entry, regulatory, tax regime, etc.), the Mission will include it in its overall policy agenda for NPA or will use project-financed joint studies with the GRM and other partners.

In deciding which enterprises to target, USAID/Maputo will look at the potential numbers of rural households affected and the potential increases in rural household incomes, and its assistance will be directed at achieving the greatest impact. If, for instance, the Mission can achieve the greatest broad-based impact by assisting small and microenterprises, it will direct the bulk of its assistance toward those firms or utilize such Global or Africa Bureau projects as PRIME or SAEDF. On the other hand, if the indirect benefits to rural households from assisting a fewer number of small- to medium-sized firms who purchase agricultural produce or supply production inputs are as large or larger, the Mission will concentrate on the more substantial firms.

Unfortunately, USAID/Maputo is not in a position to define the relative importance of our assistance to each type of firm that is located in or serves the Mission's targeted rural areas. Rural business activities are only now beginning to re-establish themselves and the Mission has just begun conducting surveys and needs assessments for post-conflict rural Mozambique. However, it is anticipated that the Mission will directly assist a significant number of group and individually-owned small and microenterprises. The Mission's assistance to the medium and large-sized enterprises will take the less direct form of improvements in the business climate and access to imports.

In March 1995 the Mission began a survey to inventory the types of rural enterprises that currently exist and assess their developmental needs. Together with the GRM and NGOs, the Mission will conduct research to refine approaches to assisting rural enterprises and inform policy-makers of reforms necessary to stimulate growth in numbers and output.

#### 3. Anticipated Results

Program Outcome 1.2: Rural Enterprises Expanded

Performance Indicators:

1. Increase in the number of small and microenterprises
2. Percentage increase in the value of small and microenterprise:
  - investment
  - sales

D. Program Outcome 1.3: Increased Agricultural Output

1. Impact Considerations

Land is by far the most available and valuable productive asset in the country. Access has been severely affected by the war, FRELIMO's Marxist ideology as promulgated in the Land Law, legal and extra-legal concessions, and post-war resettlement. Although agricultural land is potentially abundant, as a result of the factor listed above, only a small part of the total arable land is under cultivation. For smallholders who produce over 90% of domestic food production, all of the cashew nuts, and the majority of the cotton, the average size of landholding has diminished since Independence. Sorting out the land situation, while posing major political and social problems, will be a major issue of the GRM's over the strategy period to insure that smallholders have sufficient access to land to provide for the country's greatest source of food security and rural household income needs.

The most sustainable way for Mozambique to become nationally food self-reliant is to re-establish foodcrop marketing in the country. To do so, the agriculture sector's ability to respond beyond mere subsistence needs of the farming population will depend on the functioning of markets for surplus production, agricultural inputs and consumers goods. The principal inputs which are needed in the short term are seeds, tools, fertilizer, improved varieties, and land. Land-related issues have been discussed above. The Mission will work with the GRM, NGOs and the for-profit private sector to create a policy environment that fosters the expansion of private-sector supply of inputs.

Due to the impact of the war, limited financial resources and the extremely rudimentary level of education of extension agents, current extension activities are fragmented and generally ineffective, as are links between research and extension. Although attempts have been made to re-orient research towards the needs of the smallholder, the GRM's lack of clear research priorities and severe financial and human resource constraints have considerably limited the effectiveness of the country's agricultural research system. Some PVOs are already engaged in agronomic research and other technology development and transfer in partnership with the GRM.

Mozambique has one of the world's weakest human resource bases. At the end of 1992 INIA had six national scientists with graduate training, and only three research stations were in regular use (Umbeluzi, Chokwe, and Lichinga). The situation has changed little since the assessment was done. Both World Vision Relief and Development and Food for the Hungry International, with USAID and other funding, collaborate with INIA sub-stations for adaptive research, and with the Extension Service of the MOA for extension. However, the capacity of the Extension Service is similarly weak, and they are undergoing restructuring, with agents being re-trained under a FAO project.

The transformation of the country's mostly traditional agriculture into a dynamic, market-oriented sector will require the emergence of a class of farmers and entrepreneurs that is better educated (in terms of basic literacy and numeracy), healthier and open to progress. To achieve this will require

improvements in basic information (for increasing the general cognitive skills of the labor force), specialized training, and improved health conditions. Because public services are woefully inadequate to provide education and training for the vast majority of farmers, access to information will have to come from the private sector (NGO and companies). Without progress in these areas, improvements in labor productivity and income will be severely constrained.

## 2. Programmatic Approaches and Feasibility

Assistance will be delivered through project assistance to the GRM, grants to PVOs and NGOs, and indirectly to the private sector through NPA policy reform related to the trade and investment climate. The Mission has had great success in moving toward achievement of this program outcome through grants to PVOs under the PVO Support Project (656-0217). The strategy proposes continuing a similar approach as its major programmatic approach. In addition, the Mission proposes tapping PRIME and SAEDF resources to provide direct assistance. The Mission, however, will also provide project assistance to strengthen the private sector, possibly by assisting the replication of models involving private and mixed capital companies that provide inputs and technology transfer to smallholders, and modest investments in public sector research related to sustainable agriculture, particularly where the research institutions are partnered with NGOs. The Mission will continue to pursue policy reform of critical constraints through the NPA.

## 3. Anticipated Results

Program Outcome 1.3: Increased Agricultural Output.

Performance Indicators:

1. Percentage increase in total production of selected crops:
  - Volume (metric tons)
  - Value (US \$ equivalent)
2. Percentage increase in yield per hectare (kg/ha)
3. Percentage decrease in post-harvest losses

## E. Other Donor/GRM Activities

The GRM, with the assistance of donors, is in the process of developing two important documents: a comprehensive agricultural strategy and five-year investment plan and a rural poverty alleviation strategy; a preliminary version of the latter was presented to donors at the 1995 Consultative Group meeting. During the preparation of the poverty alleviation document, the Mission had considerable success in orienting the approach toward one emphasizing the need for economic growth and incomes through the establishment of a favorable policy and regulatory environment, the development of market infrastructure and increased human resource capacity.

The Mission must replicate that success in the development of the comprehensive agricultural sector strategy. In the absence of a GRM strategy that supports reform and promotes the private sector, assistance to date has been *ad hoc* and piecemeal, with a focus on individual projects rather than the development of the whole agricultural sector. The main focus of the GRM, the World Bank and other donors is on provision of agricultural services and institution-building through various public sector programs, including the upcoming IDA Smallholder Agriculture Project in FY 96 and follow-on in FY 98. The World Bank will soon initiate an agricultural marketing study, with assistance from MSU and USAID/Maputo.

However, the GRM cannot afford to lose sight of a number of important policy, regulatory and implementation issues that must be resolved, such as the roles of PESU (the emergency seeds and tools program), SEMOC (the parastatal seed company) and the National Cereals Institute (ICM, the "successor" to the defunct AGRICOM). PESU should phase out operations in order not to compete with the growth of private input trade. SEMOC should become private, or at least allow competition in an open market. ICM should be drastically restructured, if not abolished.

There is a gap in the assistance provided by donors in the important areas of agricultural marketing, agriculture pricing policy, land tenure security, and rural enterprise development. It is in these areas that the Mission has successful, ongoing programs.

#### F. USAID Comparative Advantage

USAID/Maputo's investments in road rehabilitation are planned and implemented within the framework of the Roads and Coastal Shipping (ROCS) projects, a multi-donor sector program coordinated by the World Bank and GRM. Coordination is close, with the proposed roads to be rehabilitated selected from the universe identified in the ROCS project, approved by DNEP and cleared through the World Bank. Consultations with the other donors providing either direct financing or parallel financing have been, and will continue to be, integral to the strategy implementation and project design.

There are no other donors financing any activities related to the development of a market information system. As can be seen in the above table "Other Donor Activities in Strategy Areas" table there are a number of donors who are involved in statistics, capacity-building in the public sector, and (hidden within the general rubric of rural development/ agricultural development) on- and off-farm storage.

USAID/Maputo has been in the forefront of fostering an expanded role for the private sector and, consequently, a reduced role for the public sector. Not all donors are comfortable with the U.S. position that the public sector should leave the productive sectors to the private sector. The Nordics, Britain, and the Netherlands have been the least accepting. However, after 10 years of discussions with the other donors and relatively widespread acceptance by the GRM (based on successful research and policy dialogue), some acceptance of the Mission's position has been obtained, notably by the Swedes and the Netherlands. Less agreement has been gained from Norway and the UN family.

USAID/Maputo has a successful history of working in the rural/agricultural sector, including provision of food aid, infrastructure development (particularly roads and commodity imports), a variety of grassroots interventions, and implementation of policy reform, particularly as it relates to agriculture marketing and pricing policy and to land tenure.

The Mission's partners in this work have been the Land Tenure Center on land access and Michigan State University on agricultural pricing and marketing issues. A number of PVOs and NGOs now working on the emergency program and the resettlement of refugees and internally displaced households are already working on market development, increasing rural business activities, and increasing agricultural output (inputs, extension, adaptive research). These institutions provide the Mission with historical continuity and are strong potential partners for achieving the proposed program results.

**TABLE: OTHER DONOR ACTIVITIES IN MACROECONOMY**

DONOR	ACTIVITIES	NATURE OF ACTIVITY
IMF/World Bank	External Sector and Trade Policy	Exchange Rate Management, Export Promotion, Trade Policy, Aid Commitments and External Debt
	Pricing Policy	Price Policy
	Fiscal Policy	Fiscal Imbalances, Tax Reform, Public Expenditure Management and Counterpart Funds
	Enterprise Reform	Promote Efficiency of Enterprise Sector and Business Environment
	Financial Sector Policy	Monetary and Credit Policy, Financial Sector Reform and Interest Rates
	Agricultural Policy	Pricing, Credit, Marketing, State Farms, Land Distribution, Public Expenditure, and Emergency Aid Distribution
	Transport Policy	Public Expenditure, Pricing and Role of Private Sector
	Social Policy	Poverty Alleviation, Health, Education, Population and Environment
World Bank	Second Economic Recovery Credit	Management of Public Expenditures and External Aid Monetary Policy and Strengthening the Central Bank Financial Sector Reform Enterprise Sector Reform
	Financial Sector Capacity Building Project	Technical Assistance/Training
	Private Sector and Export Development Study	Will form major part of next adjustment credit, addressing business and investment climate constraints
IMF	Enhanced Structural Adjustment Facility	Monetary Policy Reform Pricing Policy Enterprise Sector Reform Fiscal Policy

DONOR	ACTIVITES	NATURE OF ACTIVITY
UNDP	IS Economic FR/PL Trade Sector Policy Economic Management/Planning Support to Economic Management	Technical Assistance Technical Assistance Technical Assistance Technical Assistance
ODA	Central Bank Management of FOREX Financial Sector Capacity Building Co-finance SERC	Technical Assistance Technical Assistance
Danish	Co-finance SERC Balance of Payments Support	Technical Assistance Balance of Payments Support/Import Support
Swiss	Co-finance SERC	Balance of Payments Support/Import Support
Sweden	Balance of Payments Support	Balance of Payments Support/Import Support
NORAD	Import Support	Import Support
Germany	Structural Adjustment (IV, V, VI)	Balance of Payments Support Technical Assistance
European Union	General Import Program (I, II)	Balance of Payments Support/Import Support
Dutch	Technical Assistance Banco de Mocambique Commodity Import Support Debt Remission	Technical Assistance Import Support Debt Relief
Japan	Import Support	Import Support

P:\PPA\PRM\CPSP\DONORMGT.MAT

TABLE: OTHER DONOR ACTIVITIES IN THE AGRICULTURE AND RURAL DEVELOPMENT SECTORS

DONOR	ACTIVITIES (\$value)	NATURE OF ACTIVITY
World Bank/IDA	Rural Rehabilitation (\$20 million)  Rehabilitation of Agriculture Services(\$35 million) Agriculture Rehabilitation (\$15.4 million) Roads and Coastal Shipping (ROCS)	Agricultural extension, institutional support, rural trade in Sofala and Zambezia (Buzi, Dondo, Chinde, Nhamatanda, Mocuba, Nicoadala, Alto Molocue, Gurue) Agricultural services  Institutional support, infrastructures, markets in Inhambane, Gaza
IFAD	Rural Recovery Program (\$14 million)  Development of Artisanal Fisheries (\$7 million)	Agricultural development, rural trade, roads, institutional support, social structures in Niassa (Lichinga, Sanga) Credit, trade, roads, equipment supply in Nampula (Angoche, Moma)
UNDP	PROAREA (\$240,000)	Institutional support for MOA and INDER, extension, social infrastructure in Tete, Niassa, Inhambane
NORAD	Rural Recovery Program (\$7 million)  Fisheries (NOR 51.5 million)	State Administration, social services, ag extension in Cabo Delgado (Montepuez, Namuno, Balama) Institutional support
French Coop'tion	Institutional Support (\$2 million)  Rural Rehabilitation(\$4 million) Fisheries-Aquapesca (FF15 million) Decentralization Credit (FF20 million)	Agricultural extension, institutional support, technical asst for policy in Gaza (Chokwe) Rehabilitation of small infrastructures in C.Delgado, Nampula and Zambezia
European Union	Microenterprises (\$2 million) Semoc Chimoio Seed Potato (ECU 0.463 million) Nampula Cotton Project (ECU 6.0 million) Cabo Delgado Development Project(ECU 2.0 million) Manica Smallholders (ECU 5.0 million) Road Works (\$47 million)	Rural Microenterprises in Gaza Manica seed potato Agriculture, Nampula  Cabo Delgado Agriculture  Agriculture, Manica Sofala, Zambezia

DONOR	ACTIVITIES (\$value)	NATURE OF ACTIVITY
Germany/GTZ	Agriculture (\$10 million)  Grain Terminal Matola (DM 42.7 million)  Technical Assistance (DM 29.5 million)	Agricultural services, social infrastructure, institutional support, rural roads in Sofala (Gorongosa, Marrromeu) Agricultural services, social infrastructure, institutional support, rural roads in Manica (Manica, Sussundenga, Catandica, Chimolo)  Agriculture
UNICEF	Rural Recovery Program (\$ 400 Thousands)	Social services, institutional support to INDER in Zambezia, Manica, l'bane, Sofala (Ile, Namacurra, Barue, Panda, Massinga, Beira) Maputo, Gaza, Nampula, Manica, Sofala
African Dev. Bank	Mafambisse Sugar Rehabilitation (\$40 million) Cashew Development (\$14 million)  Road Works/ Manica (\$51.1 million)  Massingir Rural Development (\$60 million)	Rehabilitation of sugar plant in Mafambisse, Sofala Institutional support, seed procurement, germplasm in Nampula (Namapa, Nampula, Mogovolas, Meconta, Angoche, Monapo) rehabilitation of Massinger Dam, extension, smallholder irrigation in Massingir, Gaza
Sweden	PESU (SEK 36.0 million) Agriculture (SEK 74.0 million) Road Works (SEK 1.4 million)	Import Support for seed and tools Institutional Support, National Seed Company, Rural Development
DANIDA	Agriculture Training Center (DKK 17.5 million)  Agriculture (DKK 29.7 million) Agriculture (DKK 71.4 million) Seed Control (DKK 6.2 million) Agriculture (DKK 13.4 million) Fisheries (DKK 10.8 million) Fisheries (DKK 18.4 million) Agriculture/Livestock (DKK 15.0 million)	Niassa Training Center/ Agriculture/Education  Tete Province/Rural Development Zambezia Province Support to SNS (National Seed Services) Plant Protection (INIA) Master Plan Fisheries Support to Small-Scale Fisheries Animal Production

DONOR	ACTIVITIES (\$value)	NATURE OF ACTIVITY
Australia	Agriculture (AUD 100,000) Agriculture (AUD 50.0 million) Agriculture (AUD 55.8 million)	Inhambane Green Zones Distribution of seed and tools Program of Rural Extension
Italy	Agriculture/Rural Development (Lira 3,887 million) Agriculture (Lira 12,894 million) Agriculture/Livestock(Lira 55,428 million) Agriculture (Lira 28,195 million) Agriculture (Lira 112,720 million) Agriculture (Lira 51,000 million)	Xai-Xai, Gaza  Rural Development in Homoine, Inhambane  Livestock, Sabie Medio Incomati  Integrated Rural Development, Manica  Rural Development, Maputo province  Corumane Dam, Maputo
Spain	Agriculture (Pesetas 35 million)	Tree Replanting Xai-Xai
United Kingdom/ODA	Agriculture (GBP 445,000) Agriculture (GBP 1.802 million) Road Works (\$8.8 million)	Assistance to DPA/Zambeia Assistance to NGO/Agriculture  Zambeia

***ANNEX II***

ANNEX 2

DEMOCRACY/GOVERNANCE

Table of Contents

I.	Background . . . . .	3
A.	Historical Context . . . . .	3
	1. Pre-Independence . . . . .	3
	2. Post-Independence . . . . .	3
	3. RENAMO . . . . .	4
	4. Political Liberalization -- 1983 - 1991 . . . . .	4
	5. Peace Accord -- October 1992 . . . . .	5
	6. Elections -- 1994 . . . . .	5
	a. Preparations . . . . .	5
	b. Results . . . . .	6
B.	The National Assembly . . . . .	6
C.	The Presidency . . . . .	7
	1. Structure . . . . .	7
	2. Decentralization . . . . .	7
D.	Legal Sector . . . . .	8
	1. The Legal System . . . . .	8
	2. Court Systems . . . . .	8
	a. Regular . . . . .	8
	b. Specialized Courts . . . . .	9
	c. Community Courts . . . . .	9
	3. Ministry of Justice . . . . .	9
	4. Office of the Attorney General . . . . .	10
	5. Auditor General and State Inspector . . . . .	10
	6. Police . . . . .	10
E.	Civil Society . . . . .	10
	1. Definition . . . . .	10
	2. Traditional Authorities . . . . .	10
	3. Voluntary Associations . . . . .	11
	4. Communication and Media . . . . .	11
II.	Constraints and Opportunities . . . . .	13
A.	Political Accountability . . . . .	13
	1. Political Parties . . . . .	13
	2. Cost and Financing . . . . .	14
	3. Institutional Capacity . . . . .	14
	a. Technical Secretariats . . . . .	15
	b. Non-Governmental Organizations . . . . .	15
	4. Voter Understanding . . . . .	15
	5. Donor Assistance . . . . .	15
B.	Freedom of Association and Organization . . . . .	16
	1. Social Fabric . . . . .	16
	2. Rights of Association . . . . .	16
	3. Lack of Organizational Skills . . . . .	16
	4. Donor Assistance . . . . .	17
C.	Objective and Efficient Judiciary . . . . .	17
	1. Codes, Procedure and Tradition . . . . .	17
	2. Legal Professionals . . . . .	17
	3. Institutional Structures . . . . .	18
	a. Regular Court System . . . . .	18
	b. Office of the Attorney General . . . . .	18
	c. Ministry of Justice . . . . .	19
	d. Police . . . . .	19
	4. Citizen Knowledge of Rights . . . . .	19

- 5. Donor Assistance . . . . . 20
- D. Bureaucratic Accountability . . . . . 21
  - 1. Transparency . . . . . 21
  - 2. Legislative Oversight . . . . . 21
  - 3. Internal Controls . . . . . 21
  - 4. Donor Assistance . . . . . 22
- E. Freedom of Information and Expression . . . . . 22
  - 1. Press Freedom . . . . . 22
  - 2. Lack of Additional Independent Press/Radio . . . . . 23
    - a. Print. . . . . 23
    - b. Radio. . . . . 23
    - c. Television. . . . . 23
  - 3. Language/Literacy . . . . . 23
  - 4. Quality of Reporting . . . . . 24
  - 5. Donor Assistance . . . . . 24
- F. Efficiency within Public Institutions . . . . . 24
  - 1. Role of Government . . . . . 24
  - 2. Budget . . . . . 24
  - 3. Human Resources . . . . . 25
  - 4. Structures and Processes . . . . . 25
    - a. Over-Centralization . . . . . 25
    - b. Assemblies . . . . . 25
    - c. Significant Procedures . . . . . 26
  - 5. Donor Assistance . . . . . 26
- G. Donor Support for Democracy and Governance Activities . . . . . 27

III. Amplified Strategy Description . . . . . 31

- A. Strategic Objective: Government More Accountable to Citizens . . . . . 31
  - 1. Program Outcome No. 1: Role of Government in Social Sectors and in Economic Management Publicly Debated . . . . . 33
  - 2. Program Outcome No. 2: Sustained Informed Public Debate . . . . . 34
    - a. Sub-Program Outcome No. 1: Increased Transparency of the Budget Process and Land Allocation Process . . . . . 35
    - b. Sub-Program Outcome No. 2: Improved Independent Analysis of Government Policies . . . . . 37
    - c. Sub-Program Outcome No. 3: Broadened Exchange of Information, Analyses . . . . . 38
  - 3. Program Outcome No. 3: More Sustainable Electoral Process . . . . . 39
    - a. Sub-Program Outcome No. 1: More Capable and Representative Political Parties . . . . . 40
    - b. Sub-Program Outcome No. 2: STAE More Capable of Sustaining Administration of Elections . . . . . 41
    - c. Sub-Program Outcome No. 3: More Effective Mozambican NGO Voter Education Programs . . . . . 42
  - 4. Program Outcome No. 4: Government Decentralized in Selected Districts . . . . . 43

## I. Background

### A. Historical Context

Both Portuguese colonial rule<sup>1</sup> and FRELIMO's post-independence Marxist-Leninist ideology institutionalized in Mozambique a cultural belief in the primacy of state power, authority and responsibility. The structures and processes that followed from this belief centralized human capacity, control and flow of resources, and all decision making--down to routine provincial and district-level functions--in the capital, Maputo. The effect, paradoxically, has been to undermine the authority and presence of government in much of the country.

#### 1. Pre-Independence

Under colonial rule, social classes in urban areas were highly stratified and the government exercised extraordinary control over peoples' daily lives. Government resources--primarily from the provision of labor for South Africa's gold mines--and services flowed to urban centers to the principal benefit of the social elites in the private sector and colonial civil service. Outside the urban centers the exercise of government was implemented indirectly, either through private corporations or through coopted traditional leadership structures. District administrators had some degree of autonomous authority, but they associated themselves closely with and operated through traditional authorities.

#### 2. Post-Independence

With independence in 1975, FRELIMO sought to expand the central government's control over the country. Private corporations were nationalized and traditional leaders were replaced by FRELIMO village secretaries. In 1976, a program was initiated to move rural peasants into communal villages. Ostensibly created to facilitate the provision of services, the communal villages also became a mechanism of control and later a defense against the RENAMO insurgency. Under Operation Production, in 1982, thousands of unemployed and undocumented people (and others caught up in the process) were removed from Maputo City and "resettled" in Niassa Province, the most remote part of the country. Peoples' Assemblies were established at the local, district and provincial level ostensibly to increase popular participation in government. However, suffrage in the elections of the assemblies was restricted to FRELIMO party members and the party determined who could be a candidate.

Government resources continued to flow to and be controlled by an elite urban population (principally the military leadership, party members and civil servants). This tendency was exacerbated by the RENAMO insurgency which--through destruction of rural infrastructure and terrorism directed at the population, especially government service providers--effectively restricted the government's influence to an archipelago of urban centers, major corridors and other secure zones.<sup>2</sup>

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<sup>1</sup> Although Portuguese colonial rule lasted almost 500 years, development of state institutions and control over the territory did not really occur until the beginning of the twentieth century.

<sup>2</sup> Even in the post-war, post-election period, there continue to be significant areas formerly held by RENAMO in which the government's authority and administrative control do not penetrate. In zones such as Dombe, Manica Province, and Morrumbala in Zambezia, for instance, travel and activities continue to be controlled by RENAMO.

### 3. RENAMO

RENAMO was created<sup>3</sup> in the late 1970s, with support from the Rhodesian government whose objective was to destabilize Mozambique as punishment for allowing rebels against the Rhodesian government to operate from Mozambican soil. With the independence of Zimbabwe in 1980, South Africa, officially and unofficially, took over and significantly increased support for RENAMO, in retaliation for Mozambique's support for the African National Congress. Despite the anti-Marxist propaganda produced by RENAMO supporters in South Africa, Portugal and the United States, to outside observers the objective of RENAMO was seen as solely military. Nonetheless, RENAMO gained a significant following--particularly in the central provinces of the country--among those disaffected by FRELIMO policies and among traditional authorities who had been undermined by FRELIMO but courted by RENAMO.

### 4. Political Liberalization -- 1983 - 1991

Recognizing the failure of its past policies, FRELIMO began to take more pragmatic positions, starting with its 4th Party Congress in 1983. On April 5, 1984, President Samora Machel of Mozambique and President P.C. Botha of South Africa signed the Nkomati Accords whereby Mozambique agreed to deny harbor to the ANC and South Africa agreed to stop financial and material support to RENAMO. Later that same year the United States started a development assistance program in Mozambique by financing commodity imports for the private agricultural sector, and increasing food assistance. Implementation of new policies permitting foreign investment, liberalizing prices and marketing, and encouraging private enterprise followed, leading to a shift away from the Soviet bloc toward the West. In a key speech in 1986, President Machel expressed the government's intention to begin a process of decentralization and created a new Ministry of State Administration to oversee the process. At its 5th Party Congress in 1989, FRELIMO formally broke with Marxism-Leninism. The collapse of the Soviet Union in 1990 ended FRELIMO's still significant military support from that source.

A new Constitution, enacted in November 1990 after a year of nationwide discussion and debate, reinforced FRELIMO's sharp break with the past. The new Constitution repeatedly affirms its grounding in democratic principles: "The will of the citizens may be the greatest value of our sovereignty."<sup>4</sup> It provides for democratic, multi-party elections for the President and the National Assembly and the delinking of the FRELIMO Party from the State. The government is composed of a strong executive, the presidency; a legislative branch, the National Assembly;<sup>5</sup> and a judiciary branch.

The role of the State changed from one of control to one of regulation and promotion. However, "[t]he Constitution is evidence of the fact that [the debate over the role of government] is not over in Mozambique and that many still see the State as playing a key or central role--one which implies a fairly large degree of control." How this debate plays out will be "especially critical in the agricultural sector which for some time to come may be the basis for economic growth. This also becomes critical in the political sphere--allowing peaceful resettlement to take place and traditional life to develop without State interference can make the difference between

<sup>3</sup>The origins of what became RENAMO are somewhat murky, with some historians suggesting that RENAMO was an off-shoot of FRELIMO created by that party's post-independence clamp-down on opposition views. Whatever its origins, it remains the case that it did not become a significant force until organized by the Rhodesian government in the late 1970s.

<sup>4</sup>Constitution of the Republic of Mozambique, 1990.

<sup>5</sup>Assembleia da Republica.

sustained peace and renewal of fighting."<sup>6</sup>

The Constitution guarantees the protection of human rights, including equality before the law, personal integrity, political rights (e.g. expression, association, and assembly), and legal and religious rights. Many of the rights and freedoms provided for, however, require additional laws to further define them and put them into effect. Subsequent laws passed on the right to associate and assemble, for example, do put some restrictions on the exercise of these rights, although these are not onerous. The Press Law, on the other hand, imposes regulations on the press that could impinge on the freedom of expression and information. "[Freedom of the press] is the only freedom which is specifically singled out with specific restrictions and given a separate organization to 'protect' it."<sup>8</sup>

The Constitution also provides for the decentralization of certain authorities of government to the district level. However, "where is the tension between the old form of centrally controlled government involvement in every aspect of life and the newer democratic form of decentralized government more clearly reflected than in the areas of the Constitution dealing with governmental structures at levels below the national level."<sup>9</sup> A fuller discussion of decentralization follows later in this document.

#### 5. Peace Accord -- October 1992

In October 1992, after two years of negotiations mediated by the Vatican-based Saint Egidio<sup>10</sup> religious community and spurred by Mozambique's worst drought of the century, the government and RENAMO signed a General Peace Accord (GPA) ending over 16 years of civil war and setting a timetable for demobilization and multi-party national elections. Under the terms of the GPA, the United Nations was invited to supervise the peace process--participating in or chairing the various commissions established and providing over 7,000 peacekeepers to monitor the process--and to monitor and certify the freeness and fairness of the elections.

#### 6. Elections -- 1994

##### a. Preparations

Elections for the presidency and the National Assembly, originally scheduled for October 1993, took place October 27-29, 1994, in accordance with the Peace Accord and the Electoral Law of December 1993. The presidential election was based on national popular vote. The legislative election for 250 seats was based on proportional representation at the province level, for parties winning at least 5% of the national vote. Legislators (delegates) were then drawn from provincial party lists according to the percentage of the provincial vote won by each party.

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<sup>6</sup>Williams, Anne, "Analysis of the Constitution", *Democratic Initiatives Project Paper, Annex I, September 1991*.

<sup>7</sup>The Constitution sets out a series of rights designed to respect the integrity of the person, including *inter alia* the right to life, the right not to be subjected to torture or cruel and inhumane treatment, and rights to good name and reputation, to privacy, and to inviolability of the home and of private communications.

<sup>8</sup>ibid.

<sup>9</sup>ibid.

<sup>10</sup>Observers to the peace process negotiations included Italy, Portugal, the United Nations, the United States, and France.

Twelve political parties and 2 coalitions met all conditions to compete in the legislative elections, and 12 presidential candidates (only one not affiliated with a party) were fielded. Most of these parties, however, were never viable, having little financial backing and being based on individual personalities and little understanding of how to run a political campaign.

The official budget for the elections ran to \$63.4 million, of which the GRM contributed \$5.4 million. A number of other important electoral costs, not included in the budget, were also covered by the donors. These included nearly 3,000 international election observers, additional civic education activities and training, and transportation and subsistence support for political party poll monitors. The high cost of the elections<sup>11</sup> reflects the tremendous logistical challenges of the electoral process: Mozambique is a vast country with a dispersed and illiterate population and devastated transport and communications infrastructure. Yet 80% of the eligible population were registered to vote. To achieve this level of participation about 89,000 electoral officials, registration agents, and political party monitors were trained, and officials, monitors and voting kits were transported to over 7,000 polling stations.

Donor involvement went far beyond the substantial financial support. Keeping the overall peace process--and the electoral process in particular--moving forward required extensive pressure on both RENAMO and FRELIMO and constant donor coordination. Without this pressure from the donor community, it is doubtful that the elections would have taken place.

#### b. Results

Voter turnout was high, with 88% of the registered voters going to the polls. The number of spoiled and blank ballots was relatively low (under 12%) and the international community deemed the process free and fair. Joaquim Chissano, the incumbent and the FRELIMO candidate, received 53.3% of the presidential vote, and Afonso Dhlakama of RENAMO came in second with 33.7%. Only three parties received at least 5% of the national vote and thus won legislative seats: FRELIMO 44.33%, RENAMO 37.78%, and UD 5.15%.<sup>12</sup> RENAMO won the legislative elections in the five central provinces.

Based as they were on universal adult suffrage, the elections were a major step in reversing the historic tendency of centralized and statist governance. The elections were highly significant for the long-term development of democracy in Mozambique; however, they were heavily donor-financed and donor-driven, and as implemented, too costly for Mozambique to replicate and sustain. Local municipal elections to be held in 1996 pose a logistical and financial challenge to the GRM and will require donor support.

#### B. The National Assembly

Under the Constitution, the National Assembly is a relatively weak institution. Its 250 members meet only twice a year in regular session, although extraordinary session can be called by the President, the Permanent Commission of the Assembly or one-third of the Assembly. The Permanent Commission remains responsible for the work of the Assembly between sessions. In addition, there are six other commissions related to different sectors of the economy and government functions. While the Assembly does approve the

<sup>11</sup>The cost was high in terms of Mozambique's ability to finance. Taking into account only the official budget for the 1994 elections (91% donor financed), the cost was approximately \$10 per registered voter; Mozambique's annual per capita GDP is less than \$80.

<sup>12</sup>The largely unknown UD (Democratic Union) Party is a coalition of three separate parties. It has been suggested that its success in the elections may be largely due to its position on the ballot--the same position on the legislative ballot as Chissano's on the presidential.

national budget and reviews and approves legislation, the laws tend to be of a general nature, with the details later determined by the President or the Council of Ministers by decree or order. The Assembly can be dissolved by the President in certain circumstances but does not have the authority to impeach the President. Historically, all decisions of the Assembly were made by majority vote. The staff of the Assembly is small and weak, although supplemented while the Assembly is in session.

In the immediate post-election period, the consolidation of the peace process will depend on the ability of the Assembly delegates to assume their new roles and find ways to work collaboratively. This will be particularly true given FRELIMO's slim margin in the Assembly (129 of a total 250 delegates) and the lack of a clear set of common interests binding the members of any of the parties (FRELIMO, RENAMO or UD). Through the exercise of parliamentary procedures and rules, the Assembly could serve as an important forum for RENAMO and FRELIMO to find common ground and build trust. However, the delegates--most of whom are new to parliamentary process--inherit an institution whose structure and processes are more conducive to single party rule than multi-party deliberation. An ad hoc committee in the Assembly is in the process of preparing recommendations, for presentation in March 1995, on how the Assembly should change to adjust to a multi-party system.

### C. The Presidency

#### 1. Structure

The President of the Republic serves as the Head of State, Head of Government, and Commander-in-Chief of the armed forces. The Constitution provides the President with extensive authority for appointing individuals to particular positions; among the most important are the entire Council of Ministers (including the Prime Minister), all Provincial Governors, the President and Deputy President of the Supreme Court, the Attorney General, and the Presidents of the Constitutional Council and Administrative Court.

The members of the Council of Ministers (some head ministries, others serve as senior advisors to the President) may not also be members of the National Assembly. In addition to the Assembly's legislative powers, both the President and the Council of Ministers have the authority to promulgate law (Presidential decrees and orders), although some types of laws require approval by the Assembly.

From the central government to the provincial and district levels, there are two lines of authority: administrative and political. The political line links the President to the governors and through them to district administrators. Each ministry, in turn, may also have technical and administrative staff at the provincial and district levels (e.g., provincial health officers and district health officers). These officers report to both the next higher authority within their ministry (e.g., district health officers report to provincial health officers), but also to the representative of the political line of authority at their level (the district administrators and provincial governors).

#### 2. Decentralization

Since the enactment of the 1990 Constitution, the government has been taking steps to plan for and implement decentralization--both devolution and deconcentration--of the government functions. On the deconcentration side, various ministries (such as Health, Commerce, Education and State Administration) are taking steps toward the deconcentration of planning, implementation and resource management to the provincial and district levels. The progress made to date varies considerably from one ministry to another. One of the key tools in this administrative deconcentration has been the

development of a post-war National Reconstruction Plan coordinated by the Planning Commission, now combined with the Ministry of Finance.

In May 1992, the Council of Ministers approved a set of proposals, based on a presentation by the Ministry of State Administration, which formed the basis on which decentralization began. These specified the principle of decentralization, that devolution would be implemented only at the district (urban and rural) level,<sup>13</sup> and that it would be a gradual process starting with only five cities.<sup>14</sup> Work since then has focused on: preparation of ground-breaking legislation to provide for decentralization; analysis of the role of traditional authorities in Mozambican society; building human resource capacity to cope with new governance structures; determining mechanisms for financial decentralization; and studies of the viability of the municipal governments in the five urban districts and six rural districts.<sup>15</sup>

The Municipal Law of 1994 provides for a gradual devolution of central government power (including taxation) to municipal governments in selected urban and rural districts. As outlined in this framework law, the municipal governments will mirror the national government in that there will be a municipal assembly, a president of the municipality (a mayor), and a municipal council. The municipal assembly and president will be elected by universal adult suffrage within the district, with assembly delegates elected by slate and individual party candidates competing for the presidency. The municipal council will be appointed by the president of the municipality, but half of its members must also be members of the assembly.

#### D. Legal Sector

##### 1. The Legal System

The Mozambican legal system is based on a civil law system<sup>16</sup> inherited from Portugal at independence. The 1990 Constitution allows the Portuguese laws from the colonial period that are compatible with the Constitution and with laws passed since independence to continue in effect. With relatively few new major laws promulgated since independence (numerous minor laws have been enacted) and the 1990 Constitution leaving implementation of its provisions to future legislation, Mozambique's legal system continues to be highly dependent on the Portuguese legacy.

##### 2. Court Systems

###### a. Regular

As provided for under the Constitution, the regular court system became independent from the Ministry of Justice in 1992. It has a traditional hierarchical structure. There are 120 district courts with limited penal and

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<sup>13</sup> That is, no authorities would be devolved to the provincial level.

<sup>14</sup> These were to be the five urban districts covered by the World Bank's "Local Government Reform and Engineering Project": Maputo, Beira, Nampula, Quelimane, and Pemba.

<sup>15</sup> Studies of the rural districts are being financed by the Swedish International Development Agency (SIDA). The districts are: Boane (Maputo Province), Buzi (Sofala Province), Angonia (Tete Province), Monapo (Nampula Province), Lichinga (Niassa Province), and Mocimboa da Praia (Cabo Delgado Province).

<sup>16</sup> A major difference between civil law and common law systems, put somewhat simplistically, is that civil law codifies the rights, freedoms, authorities, and responsibilities of various parties, while common law is based on custom and precedent and unwritten in statute or code.

civil jurisdiction within their geographic areas. Eleven provincial courts have civil and penal jurisdiction within each province and serve as the courts of appeal for the district courts in their provinces. The Supreme Court is responsible for the operation of the entire court system, receives appeals from the provincial courts, and has trial jurisdiction in cases involving high government and judicial authorities.

To staff the theoretically multi-judge courts, there are two types of judges: career track, professional, fully titled lawyers; and judges elected by national, provincial and district legislative bodies.<sup>17</sup> The elected judges are to participate in fact finding and may vote on the decisions of the court.

#### b. Specialized Courts

Outside the regular court system, there are several other courts--military courts, labor courts, maritime courts, fiscal courts, customs courts and the Administrative Court--with special jurisdictions. The Administrative Court serves as the auditor for the whole government: it reviews all personnel actions of the government which involve the commitment of funds; serves as a trial and appellate court for all cases involving government contracts; and serves as the appellate court for the Ministry of Finance's fiscal and customs courts. Its decisions are not appealable. The Administrative Court had not been very active for several years but is being reactivated.

#### c. Community Courts

Also outside the regular court system are approximately 880 community courts created by the FRELIMO government in 1977. Staffed by non-professional, elected judges, they handle family matters, small disputes, and misdemeanors. They hand out penalties of no more than 30 days of community labor. Their use is voluntary and their decisions can be ignored.

In addition, many Mozambicans, particularly in the rural areas, continue to rely on traditional authorities and local FRELIMO party structures to adjudicate or arbitrate community-level disputes.

### 3. Ministry of Justice

The Ministry of Justice's responsibilities, much reduced since the 1992 independence of the courts and Attorney General, are limited to arranging for training of judicial personnel, conducting research, and drafting new or revised legislation. It also oversees the prison system, notarial offices and the now defunct National Institute for Judicial Assistance (INAJ).<sup>19</sup> The Ministry also has plans to create a Center for Judicial Studies (CEJ), to provide training for magistrates, court clerks, and judicial administrators, and for which preliminary design work is being financed by the World Bank.

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<sup>17</sup> The Constitution provides for an appellate review level between the provincial courts and the Supreme Court. It also provides for a Constitutional Council, separate from the Supreme Court, to serve as the final authority on the constitutionality of legislation and government decrees and to supervise the electoral process. Neither has been established. The Supreme Court is performing these functions in the interim. For the 1994 election an electoral court was established, as called for in the Electoral Law.

<sup>18</sup> Note that the only legislative body currently functioning is the National Assembly. District assemblies still exist legally but they are voluntary.

<sup>19</sup> INAJ effectively stopped functioning in 1993 when the Director left for training. Legislation has recently been enacted to create an Institute for Judicial Patronage and Assistance (IPAJ), which is expected to require obligatory service from all new lawyers. INAJ combined the functions of legal services for the poor with licensing lawyers to practice law. IPAJ will only deal with legal services, and the yet-to-be-created bar association will be responsible for licensing lawyers.

#### 4. Office of the Attorney General

The Attorney General's Office (*Procurador-Geral*) represents the government in legal matters, exercises the prosecutorial function, and oversees the legality of government actions. It performs many functions--e.g., supervises the collection of evidence by police and makes the initial determination of the suitability of a case for trial--that in other civil code systems are the responsibility of investigating judges.

#### 5. Auditor General and State Inspector

The Office of the Auditor General (*Inspector-Geral das Financas*) is responsible for financial audits of all government ministries and agencies, to control the use of government budget funds. The Auditor General reports to the Minister of Planning and Finance. The State Inspector (*Inspector de Estado*) reports to the President, and is empowered to inspect and investigate all operations of the provincial governments, to ensure that they are following applicable laws and regulations.

#### 6. Police

The Mozambican Police (*Policia da Republica de Mocambique, PRM*) falls under the Ministry of Interior. Under a recently established, not yet fully implemented structure, the PRM is headed by a Police Commissioner and his deputy and has three directorates. The National Directorate of Public Safety has three branches for transport and communications, traffic, and protection police. This directorate also includes border police and a special rapid-response unit. The other two directorates are the National Directorate of Criminal Investigation and the Administrative Directorate. The Provincial Police Commissioner is the Ministry of Interior representative at the provincial level.

The PRM is a national force of 20,000 men and women, including uniformed and plain clothes officers and technical and administrative staff. There is approximately one police officer for every 800 citizens. However, most of the police are concentrated in the provincial capitals, with limited presence in rural areas.

### E. Civil Society

#### 1. Definition

A vibrant civil society--the antithesis of highly centralized, statist governance--is the foundation of democracy and popular participation in governance. Civil society is the "sphere of social interaction between the household and the state which is manifest in norms of community cooperation, structures of voluntary association, and networks of public communication."<sup>20</sup> While academic circles and donor agencies continue to debate how to define civil society, this definition provides a useful framework for understanding the situation in Mozambique.

#### 2. Traditional Authorities

As discussed earlier, local traditional authorities were coopted by the Portuguese as a mechanism of indirect colonial rule, and after independence they were banned by the FRELIMO government and replaced by individuals named by the government. Today there is evidence of still-strong traditional

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<sup>20</sup> Fox, Lealie, et al., "Assessment of USAID's Capacity for Rapid Response: In Support of African Civil Society", Associates in Rural Development, January 7, 1994.

leadership in many parts of Mozambique, but large regional variations in the traditional authority systems exist, depending on the way the Portuguese and FRELIMO exercised their power and on the impact of the war. Ongoing research to determine what systems exist will be important to understanding whether and where traditional authorities reflect the interests of the people they oversee and how links will be made to the formal government system.<sup>21</sup>

### 3. Voluntary Associations

The status of voluntary associations and other non-governmental organizations (NGOs) is the most commonly used indicator of a vibrant civil society. Under Portuguese rule, efforts to create voluntary associations were frequently crushed. After independence, cooperatives (of agricultural producers and consumers, for example) and associations (of women, youth, and journalists) were formed and controlled by the FRELIMO government. These organizations largely controlled social relationships and behavior, and membership often was not voluntary. The few other NGOs that existed were either thinly disguised FRELIMO organizations or nominally independent organizations founded and headed by government or party officials.<sup>22</sup> A survey of Mozambican NGOs in 1992<sup>23</sup> found only 87 registered organizations. Of these, many were recently formed and most were inactive and organizationally weak.

Since that survey was conducted and following the signing of the General Peace Accord, there has been a dramatic surge in the number of voluntary associations forming. Most of these new associations are based in urban and peri-urban areas, are not formally registered, and appear to have formed to lobby and exert pressure for government benefits for their members. In more rural areas, voluntary associations are less evident (although no formal survey has been conducted), with the exception of the traditional village and community governance processes and religiously oriented groups. With continued peace and reintegration of the displaced population, there could be a resurgence of rural community-level voluntary associations.

### 4. Communication and Media

In Mozambique, the primary means of communication--for exchanging information, identifying others with common interests, and creating networks and associations--is inter-personal, face-to-face conversation with others in one's immediate vicinity. Popular media, government controlled or independent, is limited in its reach outside of urban areas, and fora for discussion, debate and exchange of ideas outside of Maputo are rare. This is due in large part to the destruction of civil infrastructure (e.g., road networks, telecommunications, and electricity supply) and constrained investment in and maintenance of infrastructure during 30 years of pre- and post-independence war. Outside of the major corridors, overland travel (the most cost effective method for bringing people together) is severely restricted by long distances and dispersed settlement patterns, lack of transport means, presence of land mines, and the deterioration of the existing road network. Public access to telecommunications networks--including telephone and radio, telex, facsimile and electronic messaging--is limited to a handful of larger towns, and in them to a handful of wealthier residents and

<sup>21</sup> Article 8 of the Municipal Law of 1994 provides for the integration of traditional authorities in municipal structures in order to solicit their opinions and suggestions, and ensure their participation, in the decisions which affect the well-being of the population.

<sup>22</sup> One reason for the prominent role party and government officials played, and continue to play, in Mozambican NGOs is the lack of other qualified people to lead these organizations. Educated people, especially those with strong organizational skills, are in high demand in both the public and private sectors, and there are strong incentives to hold multiple positions in and out of government.

<sup>23</sup> Manning, Carrie, "Mozambican Nongovernmental Organizations and the Democratic Initiatives Project," August 19, 1992.

organizations.<sup>24</sup>

While the number of popular media sources is growing, their coverage is still low and largely restricted to urban centers. The government-controlled Radio Mozambique estimates that they reach 60%<sup>25</sup> of the population. The RENAMO radio estimates that they cover 20% of the Maputo population; it also has shortwave transmissions which have a potential nationwide reach. A number of private radio licenses have recently been approved or are pending approval<sup>26</sup>. These private radios may have a wider outreach in provinces outside of Maputo (for example Radio Pax in Beira and Radio Encentro in Nampula). The two television stations (privately-owned RTK<sup>27</sup> and the government-owned TVM) have an even more limited broadcast area, with TVM broadcasting in an 80km radius of Maputo, Beira and Nampula, and RTK restricted to greater Maputo. For both radio and television, reception is further limited by the lack of radios or televisions, and the electricity or batteries to operate them, in the country. In many towns, however, these constraints are partially ameliorated by the use of public chalk boards, *Jornais do Povo*, on which government agencies and other organizations or individuals display major news items as broadcast on the radio.

- Several weekly and daily newspapers exist, including the pro-government papers *Noticias*, *Domingo* (weekly) and *Diario* (for Beira). In addition, there are three weekly independent newspapers: *Savana* (MediaCoop), *Demos* (CoopArtes) and *Crescente*<sup>28</sup> (Muslim Community); three daily news-sheets--*Mediafax* (MediaCoop), *Imparcial* (Imparcial Media), and *Incrível* (Compographica)<sup>29</sup>; and several English-language newsletters and an electronic news service for the expatriate community. A number of general interest weekly and monthly magazines are also published, including *Tempo*, *Economia*, *Ipexport*, and *Senda*. The market for these periodicals is principally for the well-educated urban population. *Noticias* and *Savana*, with the largest circulations, reach approximately 30,000 and 20,000 readers, respectively. Expansion of circulation beyond that level will depend on improvements in the country's transportation system and an increase in Portuguese literacy.

At the national and inter-regional level, communications are further constrained by the lack of a *lingua franca* in the country. Less than 30 percent of the population speaks Portuguese (leaving aside functional

<sup>24</sup> In Mozambique, the telephone density (direct exchange lines, DELs, per 100 people) is 0.35% and for Maputo it is 5.5%. By comparison, the density in Namibia is 5.5% and over 60% in the United States and Japan. Sources: "Mozambique Telecommunications Development & Management Report to the International Conference," Telecomunicacoes de Mocambique, April 1994; "New Project Description: Telecommunications Sector Development (690-0274)," USAID/SARP, February 24, 1993.

<sup>25</sup> Radio Mozambique's own estimates of listenership, published in 1994, range from 15% to 70%. The constraint is listener access to working radios, not the reach of Radio Mozambique's transmissions, which now theoretically cover the country.

<sup>26</sup> Operational: RM, RTK, Radio Miramar (Igreja Universal do Reino de Deus)  
Licensed: Radio Maria (Catholic Church, Maputo, Inhambane).  
Radio Encontro (Archdiocese of Nampula), Radio Pax (Franciscans-Beira).  
Not licensed: Radio FM Sociedade, (Ind.) Multimedia (Suleiman Kebir), Radio Projeccao, Radio Coopimagem

<sup>27</sup> The owner of RTK is a member of the Frelimo Party Central Committee.

<sup>28</sup> *Crescente* began publishing on March 3, 1995.

<sup>29</sup> *MediaFax*, *Incrível*, and *Imparcial* are distributed by facsimile. *Incrível* just began distribution in 1995. For all three, "daily" means Monday through Friday only.

literacy),<sup>30</sup> the official national language, and no indigenous language is spoken widely across the country. For women this constraint is even more severe than for men as far fewer women understand spoken Portuguese.

## II. Constraints and Opportunities

In his address to the USAID Africa Mission Directors' Conference in May 1991, David Gordon outlined six factors that must be in place for "good governance:"<sup>31</sup> political accountability, freedom of association and organization, an objective and efficient judiciary, bureaucratic accountability, freedom of information and expression, and efficiency within public institutions.

### A. Political Accountability

Political accountability is achieved "through an objective system for periodically renewing the mandate of a government or changing the political leadership by peaceful and democratic means."<sup>32</sup> In Mozambique, the October 1994 national presidential and legislative elections were a first step in providing for political accountability. The following are the constraints to the continuation of this process.

#### 1. Political Parties

For effective political accountability in the near and long term, there must be a viable opposition to compete in all elections. Numerous political parties are expected to contend for the municipal elections in 1996, but most are too weak organizationally and lack the constituency building and campaigning skills that are necessary to compete effectively. If no changes are made to the Electoral Law<sup>33</sup> to expand the types of Mozambican organizations that can monitor the balloting, the political parties must also have the skills and resources to field poll monitors to ensure the freeness and fairness of the electoral process.

To provide for political accountability, constituency building skills should become even more important for political parties after the elections than during the campaign. The 1993 Electoral Law and the 1994 Municipal Law specify that the selection of delegates in both national and municipal assembly elections will be based on party lists for each province, rather than on election of individual candidates. This blunts the effectiveness of the electoral process as an instrument of political accountability of individual delegates. Assembly delegates have greater allegiance to their party than to the citizens who voted for them. Conversely, voters do not have a

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<sup>30</sup> According to Imparcial (November 30, 1994), the results of a recent survey by Vox Populi, the Brazilian consulting company retained by FRELIMO for electoral strategy development, shows that 82% of Mozambicans speak Portuguese.

<sup>31</sup> Gordon, David, "Governance and Democratization in Africa: Issues for USAID," Address to the USAID Africa Mission Directors' Conference, Baltimore, Maryland, May 19-24, 1991. Gordon defines governance as "the use of political authority and exercise of control over a society and the management of its resources for social and economic development." Democracy, he states, is "a far more narrow concept than governance, but has substantial overlap with it." It is a "system that meets three essential conditions: ... competition ... for effective positions of government power; an inclusive level of political participation ...; and a level of civil and political liberties ...

<sup>32</sup> Gordon, Ibid.

<sup>33</sup> The Electoral Law of 1993 was customized to meet the needs of the 1994 election. It will have to be amended, at a minimum, before future national elections take place.

representative they can hold accountable for addressing their interests and needs.

In order for this "party list" type of system to work successfully, as it does in European democracies, party platforms must be easily differentiated--voters need to know who is on the slate and there have to be mechanisms within the parties for vetting constituent views. Party policy platforms in Mozambique's 1994 elections were largely non-existent. Instead the parties dwelt on charges and counter-charges from the war years. Few people in the country had seen or heard who was on each party slate for the Assembly, and the parties made little effort to publicize the lists or the individuals' qualifications. While FRELIMO and RENAMO do have strong geographic bases, the provinces that the delegates represent are too large (larger than many European countries) for there to be much contact between constituents and delegates. Internal party mechanisms for soliciting and reviewing constituency views are largely non-existent.

## 2. Cost and Financing

The 1994 national electoral process was expensive. For the process to become sustainable (in terms of Mozambique's ability to finance it without repeated large donor investment), efforts must be made to identify ways to reduce the overall cost. It is estimated the coming municipal elections will cost significantly less overall--approximately \$16-20 million<sup>34</sup>--but donor financing can also be expected to be much lower. It is not clear where the government will find the financing to sustain the electoral process, municipal and national, into the future.

The largest cost in the 1994 elections was logistics due to the size of the country and the lack of infrastructure. For the municipal elections this should be less of a concern since they will be taking place in only a limited number of districts, many of which are urban municipalities. The cost of logistics will be a factor in the second round of presidential elections in 1999, but by then most areas that were inaccessible by road in 1994 should be easier to get to by other means than expensive aircraft charters.

The cost of materials (for registration and balloting) was the second highest cost area in 1994. It may be possible to build on the investments that were made in some materials used in 1994. Theoretically the durable items in the election kits (urns, trunks for ensuring ballot security) can easily be used again, provided action is taken soon to secure these materials. The high-cost registration card system was intended to be built on, with the same cards being used in subsequent elections and new ones produced only for new voters and corrections or replacement of originals. Again this depends on actions being taken to preserve the registration lists and equipment. The remaining materials to be procured would be ballot papers and other consumables and replacements or additions to the durable items. Building on this base should keep the cost down, but it remains to be seen how much the recurrent costs will be.

Training, civic education and personnel costs will continue to be costly for the foreseeable future. While it may be possible to use staff with experience in the 1994 election and voters will already be familiar with the voting process, training will be needed to re-enforce, remind, and teach changes to the process.

## 3. Institutional Capacity

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<sup>34</sup>"Consolidation of the Democratic Process in Mozambique: Some Priority Areas for Assistance, Draft Briefing Paper," UNDP, March 1995. The report presumes that the elections will only take place in a small number of districts.

In the 1994 elections, donors provided substantial technical assistance, in addition to the financial contribution, to ensure that the elections went smoothly. Since it is unlikely that this level of technical assistance will be repeated, it is critical that Mozambican institutions be strengthened to carry out their roles in future elections. With national elections alternating with municipal elections every two to three years, these organizations must have the capacity to be constantly preparing for or implementing an election. Most important among these institutions are a) the election technical secretariats (national, provincial and district) responsible for conducting the electoral process, and b) the non-governmental organizations responsible for voter education and election monitoring.

a. **Technical Secretariats.** The technical secretariat for elections (STAE), which was responsible for the implementation of the 1994 elections, will cease to exist after April 23, 1995. Legislation is anticipated, however, that will establish a new entity, directly under the Minister of State Administration and overseen by an inter-Ministerial committee, that will be responsible for the administration of future elections. As in 1994, subordinate STAEs<sup>35</sup> will be established at the provincial and district levels for future national and municipal elections. There are many open questions on how the STAE will be organized and staffed. In preparing for the 1994 elections, the absentee rate among technical and supervisory staff was high and, to show balance between political parties, many positions were filled with individuals lacking the requisite qualifications.

b. **Non-Governmental Organizations.** Mozambican non-governmental organizations that can implement voter education programs and, if allowed, monitor the electoral process will be crucial to the long-term sustainability of the electoral process. Few of the Mozambican organizations that have demonstrated interest in such activities have the capacity to implement them nationally or over a large region.

#### 4. Voter Understanding

Voter understanding of the steps to voting and the significance of the electoral process are critical to political accountability. Without the former, the balloting will be slow and many of the ballots will be spoiled, thereby undermining elections as a mechanism of accountability. Without the latter, accountability is lost because the voter doesn't understand the connection between the act of voting and how government performs. In Mozambique, with its low level of literacy and education in general, this constraint is difficult to overcome. During the 1994 elections it appeared that most voters had learned the mechanics of voting, but comprehension of its significance, beyond the expectation of peace, is less certain.

#### 5. Donor Assistance

Three donors--the U.K., Netherlands, and the Friedrich Ebert Foundation--have indicated their plans to provide assistance in strengthening political parties. The U.K.'s assistance will be in the form of study tours; no more details are yet known on the future programs of the other two.

UNDP has been the primary donor (mainly as the administrator of an electoral trust fund for the 1994 elections) providing technical assistance to the STAE. UNDP has already begun plans to provide additional assistance to strengthen STAE. In late March 1995, a UNDP team will arrive in Mozambique to help the STAE determine how best to continue its function for future elections. Norway

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<sup>35</sup>The new entity may not retain the same name, but for purposes of this paper "STAE" will also denote the future elections entity.

has also stated its intention to assist the STAE, but its plans are still unclear.

Various donors--including Denmark, Finland, Friedrich Ebert Foundation, Italy, the Netherlands, Norway and Switzerland--have indicated their intention to help finance municipal elections, including voter education, registration, materials, training and logistics. Denmark has specified its interest in supporting registration and civic education in Tete and Zambezia Provinces. The European Union, the largest donor in the 1994 elections, has yet to indicate how much of a role it will play in the municipal elections. Other details on what each donor will finance and how much they will provide will probably not be available before a budget for the elections has been issued.

## B. Freedom of Association and Organization

An active civil society is the cornerstone of any democracy. It serves as a counterbalance to and watchdog over government. It is also the sphere of activity in which citizens can work together to address their problems themselves in the absence of government or in collaboration with government.

### 1. Social Fabric

The existence and growth of civil society is dependent on people in society being able to trust each other and work together to solve their common problems. In most countries, this social fabric exists and is taken for granted. The fabric of Mozambican society--including civic norms of community cooperation--was severely strained by the death toll (estimated at over one million people) from the sixteen-year civil war, the psychological damage to communities and individuals targeted by and forced to participate in heinous terrorist acts, and the dislocation of over five million people from war and drought. Nonetheless, there are already indications that civic norms are largely intact. In the two years following the signing of the General Peace Accord, the country did not slip into anarchy as was feared, and millions of displaced Mozambicans returned home peacefully. The fact that the national institutions did function during the recent elections, and the fact that Mozambicans voted *en masse* and peacefully, speak positively for the existence and capacity for development and expansion of civic norms.

### 2. Rights of Association

Mozambican law guarantees the basic freedoms needed for voluntary association and the development of organizations. While the laws themselves are not a binding constraint, citizens' (including many government and legal sector officials) knowledge of what the laws permit, and the protection of those laws by the courts and other authorities, are weak. Citizens who do not know that they have the right to associate are less likely to participate in associations and less likely to object to infringements on those rights. For groups of illiterate or poorly educated people, working through the maze of government administrative forms and procedures that may be required to implement their activities is a formidable constraint.

For associations that take on controversial issues (even those composed of lawyers), the risks are considerable. Consider the case of the Mozambican League of Human Rights, which published a report on *habeas corpus* weaknesses in the penal system related to prolonged incarceration of prisoners without hearings or chances for bail. The director of the League, who had been an opposition party candidate in the 1994 election, was subjected to a scathing attack by the government weekly Domingo and accused of engaging in partisan politics because of the League's criticism of the legal system.

### 3. Lack of Organizational Skills

Among the basic functions of a voluntary association are the recruitment of members, organization of those members for some objective (e.g., manage a water pump, implement a civic education campaign, petition the government), organizational and strategic planning, and raising and management of funds to implement activities. Not all of these are relevant to all associations, which vary in size and objectives. The fact that the skills needed for carrying out these functions--skills for creating, organizing and maintaining organizations--are in short supply in Mozambique is a binding constraint to the growth and sustainability of existing organizations and the creation of new ones.

#### 4. Donor Assistance

Canada, Denmark, the Netherlands, Norway and Switzerland either already are or anticipate assisting Mozambican organizations that defend or monitor human rights. Denmark has specifically identified the League of Human Rights as the beneficiary of its support. Muleide (Women's Association for Law and Development, an NGO working on legal rights of women) is receiving support under the World Bank's "Capacity Building: Public Sector and Legal Institutions Development Project." The Friedrich Ebert Foundation intends to finance activities to strengthen trade unions. There are undoubtedly numerous other donor activities to strengthen associations not normally captured under the heading of "democracy/governance," but most are small and targeted at specific organizations in specific sectors.

#### C. Objective and Efficient Judiciary

The constraint to good governance in Mozambique in the legal sector is more fundamental than the objectivity and efficiency of the judiciary. The national legal system is so weak that it begs the question of whether the rule of law exists in much of the country.

#### 1. Codes, Procedure and Tradition

The Portuguese civil law system is "one of [civil law] tradition's most complicated, formalistic and archaic varieties,"<sup>36</sup> and Mozambique's version has not even kept pace with the numerous changes made to Portuguese law since 1974. Mozambique's Commercial Code, for example, dates from 1888, long before the introduction of many modern business processes and instruments. "There is a great need for preparation of new legislation to implement the provisions of the Constitution and to provide a modern legal structure on which a market economy and multi-party democracy can be based."<sup>37</sup>

Determining which codes and procedures are currently in effect, taking action to eliminate duplication and inconsistencies, and then updating key codes<sup>38</sup> and procedures are top priorities for establishing a body of laws to govern the country. Completing these high priority tasks will require a lengthy and intense effort by high-Mozambican legal experts closely complemented and assisted by international experts in civil code.

#### 2. Legal Professionals

In 1992, there were only 100 fully titled lawyers in the country (compared

<sup>36</sup> "Legal Sector Consultancy Report for USAID/Mozambique," Checchi and Company Consulting, Inc., October 1992.

<sup>37</sup> Ibid.

<sup>38</sup> The government's priorities for updating are (in order of priority): Commercial Code, Civil Code and Procedure, and Penal Code and Procedure. Enactment of a new Family Law is also a priority, since Mozambique has never had such legislation.

with an estimated need of over 800), approximately 50 judicial technicians with a bachelor-equivalent (2 to 3 years study) degree in law, and 30 to 40 judicial assistants with some legal training in addition to their primary or secondary-level education. It was estimated at that time that only 40 lawyers matriculate each year, out of a starting class of 100, from the only law school in the country. However, more recent estimates suggest the actual number who matriculate is much lower.<sup>39</sup> The five-year law program has a fixed curriculum with no electives, and a staff of eight full-time and 31 part-time teachers who are all lawyers. There are no continuing education programs, with the exception of some limited instruction for district judges. There is legislation in place permitting the formation of a Bar Association, which is now being organized.

### 3. Institutional Structures

#### a. Regular Court System

The court system is an extremely weak institution, especially at the district level. Only 50% of the 120 district judgeships are filled; the sitting district judges have on average only a ninth-grade education, and none are lawyers.<sup>40</sup> Of the 50 authorized professional judgeships in the provincial courts, half are vacant, 17 are filled with lawyers, and the rest are filled with judicial technicians. The courts lack materials needed to function properly (including copies of the codes<sup>41</sup> and other information about the law). Lack of office space further limits the ability of the entire court system, and most acutely the district courts, to process cases.

The court system's lack of capacity is further illustrated by the large backlog of cases. In 1993, there were 78,600 pending criminal cases in the provincial courts. In 1994, the number of pending cases rose to 85,000. The backlog is not just at the provincial level as the Supreme Court currently has over 900 cases pending.

The Supreme Court plans to re-introduce six-month courses for district judges. With thirty judges per class, all the district judges could receive a minimum level of training within three years. The first such course was financed from 116e funds administered by the U.S. Embassy and further funding was to come from the legal sector component of the World Bank's Capacity Building Project. Due to delays in that project, no further courses have taken place.<sup>42</sup>

Other efforts by the Supreme Court to improve the court system are hampered by the lack of funds. In fact, budget allocations for salaries only cover 46% of the requirement to fully staff the courts and the only investment funding is for the expansion of the Supreme Court building.

#### b. Office of the Attorney General

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<sup>39</sup> The problem for many aspiring lawyers centers on the formal defense of a final thesis; in Mozambique's resource-poor academic environment, there are few materials for preparing such dissertations, and limited capacity of the faculty to supervise thesis work.

<sup>40</sup> Op cit., Checchi and Company.

<sup>41</sup> Even in Maputo the only available copies of some codes are in private libraries. The legal library used by the Ministry of Justice up until the 1994 elections was the private library of the then Minister of Justice.

<sup>42</sup> Additional attention should also be given to how the courses are conducted. USAID's 1992 assessment of the legal sector raised questions about the quality of training in the 116e-financed course. The course, taught only by lawyers, was based on rote memorization and lecture rather than other adult training methods.

The structure of the Office of the Attorney General mirrors the court system, but is even less adequately staffed. There are only 54 representatives (with only grade school education) at the district level, and ten at the provincial level. Of the authorized 2,000 administrative staff, only 40 to 50 positions are filled. "In addition, the work of the Office of the Attorney General faces two problems intrinsic in its nature--how to be truly autonomous although the Attorney General serves at the pleasure of the President of the country and how to combine responsibility for overseeing the legality of all government actions while being responsible for carrying out such major government actions as those involved in the prosecutorial function."<sup>43</sup>

#### c. Ministry of Justice

The permanent professional legal staff of the Ministry of Justice are only five: the Minister, the Vice-Minister, and three advisors. Because of the dearth of such talent in Mozambique, even these five frequently have responsibilities to other parts of the government, the law school, and private business. These are joined by a number of lawyers drawn from other parts of the government, from the law school, and from the private sector to form the Ministry's Technical Council. The members of the Technical Council are assigned duties by the Minister to fulfill the Ministry's responsibilities.

#### d. Police

Most police are poorly trained, due to the lack of qualified instructors and the low education level of the recruits. Low salaries and benefits make it difficult to recruit individuals who meet the minimum qualifications. Legal training in particular is weak, leading to ignorance of the laws and regulations governing relations with citizens and their rights. Poor working conditions, poor conditions of service, low salaries, a low level of basic education and inadequate training affect both professional efficiency and professional ethics. Abuse of citizens' rights, violation of laws and corruption is widespread.

#### 4. Citizen Knowledge of Rights

In her comments on a 1991 Africa Watch report, Anne Williams states: "... rights given are often not respected in present day Mozambique. This is the result of two factors: lack of education and lack of the means of enforcement. Most people in Mozambique do not know their rights. For example, the detainees interviewed by Africa Watch did not know they had the right to an immediate trial, a lawyer, an appeal, etc. A massive civic education campaign is necessary in Mozambique. However, there is another aspect to education which is equally important. Public officials, including the military, special security forces, police, prison guards, magistrates, prosecuting attorneys, etc., must be educated in the rights granted by the Constitution -- and must be publically (sic) held accountable for violating them."<sup>44</sup>

Improving citizen knowledge of constitutional rights is particularly challenging in Mozambique. The task is not simply one of bringing information to those who are ignorant of their rights, but also of overcoming previous training: under both pre- and post-independence laws and policies citizens did not have such rights, and their actions were severely constrained.

Education of the public on what freedoms are guaranteed by the Constitution

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<sup>43</sup> Op cit., Checchi and Company.

<sup>44</sup> Williams, Anne, "The Mozambique Constitution and Human Rights", Annex J, Democratic Initiatives Project Paper, 1991.

and subsequent legislation is critical. There are few efforts being made in this area and most are on a relatively small scale. INAJ (the National Institute for Judicial Assistance) distributed pamphlets and sponsored public service messages on Radio Mozambique. The Catholic Church's Peace and Justice Committee and Muleide, an NGO working on legal rights of women, have also made efforts to educate the public about the law.

Given the lack of knowledge of rights, the inability of most Mozambicans to afford a lawyer and the weaknesses of the legal system, there is a need for advocates to guide citizens through legal processes, speak out for them, or defend them in court. There are few such organizations.

#### 5. Donor Assistance

There are three major donors involved in the legal sector: the World Bank, DANIDA and the European Union.

DANIDA, which has been involved in this sector since 1988, has focused its attention on the law school, INAJ, and the courts. The emphasis of DANIDA's assistance to the courts has been on strengthening the Supreme Court's library (books, training, organization, computer systems and a fax link to five provincial courts), improving the management of the same five provincial courts and financing the annual meeting of the Supreme Court Justices with the presidents of the Provincial Courts. DANIDA is now in the process of designing a \$6 million, five-year follow-on project with the following components: continued support for improving the law libraries; rehabilitation and refurbishing of district courts in 20 districts; and training of judges, prosecutors, and court officials, particularly in the 20 target districts. DANIDA is also seeking ways to support such organizations as the Mozambican League of Human Rights.

The World Bank is providing \$7.2 million (under the "Capacity Building: Public Sector and Legal Institutions Development Project") to strengthen legal institutions and professional capabilities through: expanded legal education; pre- and in-service training for lawyers, magistrates, and other legal workers; creation of computerized legal databases and library collections; and consultants to assist in the revision of codes of high priority, such as the Commercial Code.

The startup of this project has been significantly delayed. Originally intended to begin in 1992, it got underway in mid-1994. The first year of the project was to include study tours and conference participation, training abroad including post-graduate studies local courses for district judges (building on the courses financed by the U.S. Embassy with 116e funds in 1992), and procurement of books and supplies. However, implementation is still sluggish. This slow start is attributed to the government's (the Supreme Court, in particular) recent indication that it cannot meet its 10% contribution.

The EU's contribution, \$4.5 million, is financed by counterpart funds generated from an import support program. It is intended for procurement of equipment, transportation, and paper for the Supreme Court and provincial and district courts, and for construction of eight houses for Supreme Court Associate Judges and twenty houses for provincial judges. However, since financing depends on the generation of counterpart funds, and the legal sector must compete with other sectors for these funds, disbursements have been slow, to date covering only 50% of the equipment and transportation component.<sup>45</sup>

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<sup>45</sup>"Consolidation of the Democratic Process in Mozambique: Some Priority Areas for Assistance," UNDP Draft Briefing Paper, March 1995.

Canada has also indicated its intent to finance capacity building of the legal sector, especially strengthening of the judges, as well as legal advice and defense services. Friedrich Ebert Foundation is expected to finance a civic education program. NORAD, Norway's development agency, is working with the community courts. Italy and the Netherlands are also considering support for the legal sector.

A number of donors--Spain, France, Netherlands, Norway, South Africa, Sweden, the United Kingdom, and Zimbabwe--have indicated their intention to support improvements in the quality of the national police force. France has pledged \$3 million for training and restructuring the police. The UK and Zimbabwe are also interested in police training. Few other details are yet available.

#### D. Bureaucratic Accountability

There are few mechanisms in Mozambique's governance system to ensure accountability of the bureaucracy. Indeed, historically there was little basis for such accountability until the abandonment of Marxism-Leninism and the 1990 Constitution paved the way. Transparency, legislative oversight, and internal control systems are weak or non-existent. Perhaps the most effective mechanism at present is donor oversight,<sup>46</sup> but even that has limited effectiveness.

##### 1. Transparency

Most significant procedures in the government--including budget allocation, land allocation, and contract awards--are not transparent. At a minimum this leads to overlapping and contradictory decisions by government, as in the case of land allocation by different ministries and different levels of government, and provides opportunities and incentives for inefficient allocation of resources and rent-seeking activity. It also limits Mozambican citizens' access to information about government decisions--why they were made, how they are made, by whom, and who benefited--and thus inhibits the ability of citizens and the media to question and hold the bureaucracy accountable.

Transparency of the budget process was one of the major topics of discussion in the government-donor working groups prior to the Consultative Group (CG) Meeting in March 1995. The government has stated its intent to make the budget process more transparent and, prior to the CG, the 1995 budget was made publicly available--a dramatic change from the past.

##### 2. Legislative Oversight

Under the Constitution, the National Assembly has limited oversight responsibilities or powers. "The main controls which that legislative branch has are its power to approve the budget, to ratify certain acts of the President, and to pass all laws of a more generic nature."<sup>47</sup> It is unlikely, especially while FRELIMO holds a majority position in the Assembly, that this will change significantly in the foreseeable future.

##### 3. Internal Controls

The primary existing internal mechanisms for bureaucratic accountability are the functions of the Administrative Court, the Office of the Attorney General, the Office of the Auditor General and the State Inspector. As discussed in

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<sup>46</sup> Mozambique is the world's most donor-dependent country (donor grants and loans provide about 70% of GDP), and uses annual Consultative Group meetings with donors as well as regular reviews by the IMF as the bases for appeals for donor assistance.

<sup>47</sup> Williams, Anne, "Analysis of the Constitution," Annex I, Mozambique Democratic Initiatives Project Paper, 1991.

the previous section, the Administrative Court has not been very active for a number of years, but steps are being taken to revive it. It is unknown when it will be fully operational again and whether it will be effective. The Office of the Attorney General, which is responsible for investigations within the government, is caught in a conflict of interest as both the investigator of government malfeasance and defender of the government.

There are only six auditors in the Office of the Auditor General, which serves as the auditor for all government ministries.<sup>48</sup> In addition to this absence of capacity, the Auditor General, who reports to the Minister of Finance, lacks the independence needed to perform his job effectively. The State Inspector works directly for the President, which gives him considerable powers of investigation but limits his objectivity.

The Ministry of State Administration is considering a role for itself in the monitoring of government operations, but this is still in its early stages.

#### 4. Donor Assistance

As noted above, donors expressed their concerns about the lack of transparency in the government budget process during the preparations for the Consultative Group meetings in Paris in March 1995. Continued pressure from donors on the government to take further steps towards transparency, and donor assistance towards this objective, can be expected. In fact, the donor-GRM Budget Working Group, established to prepare for the Consultative Group meetings, continues to meet and is broadening its purview beyond fiscal issues to address related policy issues.

Co-financing from the World Bank, Swiss Development Cooperation, and British Overseas Development Agency is providing \$10.5 million under the "Financial Sector Capacity Building Project," which includes training of staff in the central bank, commercial banks, and the Ministry of Finance to implement agreed-to policy and institutional reforms in this sector. The planned reforms, covering banking operations and foreign exchange transactions, will contribute to improved government transparency.

Canada has also pledged assistance to strengthen the Office of the Auditor General.

#### E. Freedom of Information and Expression

##### 1. Press Freedom

The Press Law "does go a long way towards regulating the press in a way which could certainly have a chilling effect on freedom of expression and information. It deals with such topics as the objective of the press, public and private press ..., right to the airwaves of political parties, publication of official notices, registration, definition and certification and duties of journalists, right of response (down to the number of words), etc. It establishes the Supreme Council of Mass Communication<sup>49</sup> (sic) and defines its powers, some of which seem quasi-judicial. Finally, the law establishes civil and criminal liability for certain acts of the press, which permit the closing of the media. While censorship is not mentioned, and is, in fact, prohibited by the Constitution, many of the requirements established by the law can have

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\* The State-controlled banks were only recently audited by independent auditors, who determined that the banks were "unauditable". This is clearly a constraint to increasing transparency, but is also a significant source of macroeconomic instability.

<sup>49</sup> Conselho Superior de Comunicacao Social.

the same effect."<sup>50</sup>

The Press Law has not yet been used directly to stifle discussion of sensitive issues, but the self-censorship by the independent press may reflect their concerns about the law and fear of government intimidation. The pro-government print media, primarily Domingo and Noticias, are often used to exert extreme pressure on critics (or presumed critics) of the government.

Even so, the independent media have not come under significant direct attack by the government or government-controlled media. The MediaCoop group of publications and Imparcial (neither of which is entirely impartial or accurate) have, in fact, featured many articles critical of the government and its policies, as well as the international community, without being censored or banned by the Superior Council of Social Communications. A bolder, more critical independent press is likely to develop as the number of independent media groups grows, as long as the government continues to be tolerant of a free press.

## 2. Lack of Additional Independent Press/Radio

a. Print. The small market for printed media is restricted to the better educated population in urban centers. There is, consequently, a limit to the number of nationally distributed, general readership daily and weekly papers and news-sheets that are economically viable. The two daily papers, three daily news-sheets, and four weekly papers may not have saturated the general reader market but they are probably close. Improved telecommunications and transport infrastructure will improve the distribution of these periodicals, but will probably not be enough to support more publications. Continued growth in the number of print media outlets will have to come from greater focus on geographic (city or community-specific) or special interest audiences. These smaller presses are much less expensive to start and operate and could contribute significantly to the distribution of information relevant to readers.

b. Radio. Radio is one of the principal means by which Mozambicans receive news, and there is room for competition with the government and RENAMO stations. Few non-governmental organizations, other than the Catholic Church, have the resources to establish a radio station with national or broad regional coverage. Stations broadcasting to smaller regions or specific cities could find a market by tailoring their programs to the interests and languages of the area.

c. Television. The capital outlays required to start a new television station are prohibitive, especially given the small potential audience and the competition from the existing two Mozambican stations and signals from neighboring countries. The one possible market may be the city of Beira, provided the investments are available.

## 3. Language/Literacy

Low literacy rates and the lack of a broadly spoken language(s) limits the reach of print and radio media. In the near to medium term, these rates cannot be increased sufficiently to make a difference for the distribution of news and information. Inter-personal communication networks and public fora (other than the numerous conferences in Maputo) will continue to be the primary means of communication and sharing information.

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<sup>50</sup>Williams, Anne, "The Mozambique Constitution and Human Rights," Annex J, Mozambique Democratic Initiatives Project Paper, 1991.

#### 4. Quality of Reporting

The quality of reporting varies considerably from one news organization to another, and from article to article. This is due, in part, to limited analytical capacity and experience in reporting on specific topics, particularly complex topics related to governance and economics. At other times, the misinformation appears intentional. In addition, the distinctions between news and opinion on the one hand, and news and advertising on the other, are often not clear.

"The government-controlled media frequently ignored or distorted Rome [Peace] Accord issues and regularly criticized RENAMO military and political leaders for alleged violations of the Accord. The government media also targeted the U.N. Special Representative and various members of the diplomatic community ... They were subjected to an orchestrated campaign which impugned their motives and falsely alleged various conspiracies against the peace process."<sup>51</sup>

#### 5. Donor Assistance

Denmark, Finland, Italy, Norway, the U.K., and the Friedrich Ebert Foundation have stated that they expect to provide assistance to the independent media. Beyond Denmark's and the U.K.'s interest in journalism training, there are few details available on the activities these donors will undertake.

#### F. Efficiency within Public Institutions

To be efficient, an institution must ensure that its objectives and role are consistent with the availability and allocation of its resources (financial and human), its structure, and its processes. In Mozambican public institutions--singly and collectively--that consistency does not exist. To address this disjuncture and thereby improve the efficiency of government, the following inter-dependent issues must be addressed.

##### 1. Role of Government

The 1990 Constitution formally changed the orientation of the government's role in society from control to regulation. However, considerable ambiguity remains because the government's interpretation of its role retains much of the old "control" orientation, as evidenced by continued extensive intervention in most sectors of economic and social activity. Part of this ambiguity is due to the different voices that speak for the different parts of the government; these range from dynamic reformers in some agencies and ministries to unreconstructed hardliners in others.

Aside from being inconsistent with the Constitution, a "controlling" role for government is unsustainable given the severe financial constraints the government faces and the high proportion of the national budget financed by the international community. Mozambicans, in and out of government, need to be engaged in determining the amount of government that is both appropriate

##### 2. Budget

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<sup>51</sup>"Human Rights Report on Mozambique," United States Department of State, February 1, 1995

Annex 4 describes the Mozambican government's serious financial straits: high debt and extreme dependence on donor governments to finance the budget. At the same time, the government continues to insist on playing an interventionist, controlling role in many sectors of the economy. This inconsistency between the financial resources that the government can afford (especially in light of expected declines in donor assistance) and the broad role it has defined for itself is unsustainable. Expenditures, and the government role they attempt to support, must be brought more in line with revenues and the dependence on donors must be reduced. Beyond its economic implications, major cuts in budget outlays must be accompanied by a re-examination of what role the government will play in managing the economy and delivering services. Changes in the government's role will then require a re-examination of the distribution and allocation systems for human and financial resources.

### 3. Human Resources

Like the rest of Mozambican society, the government is crippled in its ability to carry out its role, however defined, by the lack of skilled human resources. Addressing this constraint will require close examination of whether the government can effectively fulfill its assigned tasks; what mix of skills is needed and how to recruit, develop, and retain them; and how human resources should be allocated. Such an examination, in conjunction with a definition of the role of government and financial budgeting, will lead to civil service reform.

Job knowledge and skill training will be a major part of such a reform effort to ensure that government workers understand their jobs, their role in the government and the government's role in society. This will be important at all levels of government, from semi-skilled clerks to delegates to the National Assembly.

### 4. Structures and Processes

Intertwined with the above constraints are the structure and processes of government. Over-centralization of functions and poor design and implementation of specific procedures cause great inefficiencies in the management of any institution.

a. Over-Centralization. Substantial efficiencies in the delivery of government services can be achieved through the decentralization of many planning and budget control functions, authorities and resources to levels of government closest to implementation and customer needs. The government's plans and intentions for decentralizing the government--both devolution and deconcentration--are an important first step.

The 1994 Municipal Law sets both the framework for this devolution and the timetable: a deadline of October 1996 is set for the first municipal elections to take place. However, significant additional detailed legislation covering several areas must still be enacted to implement the process. These areas include decisions on which municipalities (aside from the provincial capitals) will be included, and when; administrative relationships between central, provincial, and municipal levels; financial responsibilities, including taxation; and others.

b. Assemblies. Appropriate processes and structures of the National Assembly and new municipal governments will also have to be created and strengthened for them to be efficient and effective. The National Assembly has already initiated a program to reform its internal processes and procedures in line with a multi-party system. The newly created municipal governments will be struggling to understand their functions and the relationships between the municipal presidency, council, and assembly, and to

establish procedures to fulfill their mandate.

c. Significant Procedures. Some procedures and processes that are critical to the government's ability to function--particularly those related to finances--are inefficient and, at worst, corrupt. The entire budget process, from revenue generation through budgeting and expenditure, is only one that needs to be examined and overhauled. Greater efficiency in the budget process would result in higher revenues, lower corruption, reduced impediments to private sector activity, more time for analysis of budget decisions, and speedier allocation of resources to fulfill the government's role.

#### 5. Donor Assistance

The major donors supporting decentralization and the implementation of the new Municipal Law are the World Bank and the Swedish International Development Agency. The World Bank's "Local Government Reform and Engineering Project" will support municipal reform in 5 of the 11 urban municipalities slated for municipal elections in 1996. SIDA will support reforms of local administrative structures in six rural districts.

The Swiss Development Cooperation is assisting the Ministry of Health in its efforts to deconcentrate administration and management of health services from central to provincial and district health authorities.

Many donors--including Canada, Denmark, the Friedrich Ebert Foundation, the Netherlands, Norway, Spain, and the U.K.--have expressed strong interest in assisting the work of the multi-party National Assembly, but their planning is still in a very early stage. The initial assistance provided to the National Assembly has come from AWEPA, the Association of European Parliamentarians; AWEPA support for the Assembly is expected to continue.

G. Donor Support for Democracy and Governance Activities in Mozambique

DONOR	ACTIVITY (\$ VALUE)	NATURE OF ACTIVITY
World Bank	Capacity Building: Public Administration (\$15.5 million) Local Government Reform and Engineering (\$23.2 million) Financial Sector Capacity Building (\$10.5, co-financed by Switzerland and U.K.)	Including \$7.2 million to strengthen legal institutions and professional capabilities Support municipal reform in five urban municipalities Training
European Union	Support to the National Assembly (\$6.25 million) Preparation of Municipal Elections (\$2.5 million) Support to Decentralisation (\$1.25 million) Support to the Legal Sector (\$ ?)	Equipment and transport for Supreme Court and provincial/district courts
France	Decentralisation Credit (\$4 million) Training and Restructuring the Police (\$3 million)	Focused on drug enforcement, juvenile delinquency, criminal investigation
Zimbabwe	Training in Public Sector Management (\$ ?)	
Finland	Assistance to Independent Media (\$ ?)	
South Africa	Support to Police Training (\$ ?)	Border control (drugs, arms smuggling)
Sweden	Support for Decentralisation of Administration (\$ ?) Support for Improved Police Force (\$ ?)	Reform of administrative structures in six rural districts
UNDP	Assistance in Administration of Elections (\$ ?)	

107

DONOR	ACTIVITY (\$ VALUE)	NATURE OF ACTIVITY
Denmark	<p>Teaching and Administration of Law (\$2.7 million)</p> <p>Legal Sector Support (\$4.2 million)</p> <p>Voter Registration and Civic Education, Tete and Zambezia Provinces (\$ ?)</p> <p>Assistance to Courts and Attorney General (\$ ?)</p> <p>Support for Legal Aid Institutions and Human Rights League (\$ ?)</p> <p>Assistance to Independent Media (\$ ?)</p> <p>Support to the National Assembly (\$ ?)</p>	<p>Law libraries, rehabilitation/refurbishing of district courts, and training of judges, prosecutors, and court officials</p> <p>Journalist training</p>
UNICEF	<p>Information and Social Communication (\$0.8 million)</p>	
Netherlands	<p><del>SAVANA</del> Newspaper (\$0.11 million)</p> <p>Support for the National Assembly (\$ ?)</p> <p>Support for Police Training and Restructuring (\$ ?)</p> <p>Strengthening Political Parties (\$ ?)</p> <p>Support for Municipal Elections (\$ ?)</p> <p>Support for Monitoring/Defense of Human Rights (\$ ?)</p>	<p>Training by AWEPA</p> <p>Regional cooperation</p>
Switzerland	<p>Women's Empowerment (\$ ?)</p> <p>Human/Civil Rights Protection (\$ ?)</p> <p>Administrative Decentralization (\$ ?)</p> <p>Support for Municipal Elections (\$ ?)</p> <p>Support for Deconcentration in Health Sector (\$ ?)</p>	<p>Deconcentrate administration and management of health services from central to provincial/district health authorities</p>

DONOR	ACTIVITY (\$ VALUE)	NATURE OF ACTIVITY
Norway	Support for Local NGOs for Monitoring/Defense of Human Rights (\$0.8 million) Assistance in Administration of Elections (\$ ?) Assistance to Community Courts (\$ ?) Support for the Independent Media (\$ ?) Support for the National Assembly (\$ ?)	
Italy	Technical Support to Local Administration (\$0.6 million) Support for Municipal Elections (\$ ?) Support for the Independent Media (\$ ?)	
Canada	Capacity Building: Legal Advice and Defense (\$ ?) Support to NGOs Defending Human Rights (\$ ?) Assistance to Office of the Auditor General (\$ ?) Support for the National Assembly (\$ ?)	
Friedrich Ebert Foundation	Support to Trade Unions (\$ ?) Support for Civic Education (\$ ?) Support for Decentralisation (\$ ?) Support for Strengthening Political Parties (\$ ?) Support for Municipal Elections (\$ ?) Support for the Independent Media (\$ ?) Support for the National Assembly (\$ ?)	
Spain	Capacity Building and Internal Management of the National Assembly (\$ ?) Police Program (\$ ?)	Technical assistance and eventual financing

169

DONOR	ACTIVITY (\$ VALUE)	NATURE OF ACTIVITY
United Kingdom	Assistance to the National Assembly (\$ ?) Support to Strengthen Political Parties (\$ ?) Assistance to the Police (\$ ?) Assistance to the Independent Media (\$ ?)	Study visits, technical assistance in democratic education  Study visits  Training Journalism and media courses

### III. Amplified Strategy Description

#### A. Strategic Objective: Government More Accountable to Citizens

##### Indicators

- Citizen perceptions of influence on government policies and actions
  - at the national level
  - at the district level

The Mission goal of enhanced human productivity refers not just to improvements in individual capacity for physical and economic production but also to the ability of individuals and groups in Mozambican society to more effectively address their needs and pursue their aspirations. This political aspect of human productivity is constrained by the traditional dominance of the State--(i.e., the executive branch) in Mozambican society, with few if any checks and balances to that power.

The 1990 Constitution allowed for the creation of an independent judiciary, freedom of association, freedom of speech, greater press freedom, a multi-party National Assembly, devolution of central government authority to local government, and multi-party national elections. These provisions, as implemented by subsequent legislation, are important steps in limiting and balancing the power of the President. The presidency remains, however, overwhelmingly powerful and there are few real checks on executive action or inaction. There is, therefore, no assurance that these first steps away from State (executive) dominance will continue and that they won't be subverted by those entrenched interests with the most to lose.

The experiences of the peace process and implementation of terms of the General Peace Accord freely signed by the government and RENAMO highlight the difficulties of continued political liberalization. Lack of political will, political maneuvering and posturing, and mutual distrust resulted in continuous delays and bickering and nearly derailed the process. Only extraordinary, persistent and coordinated pressure, on both the government and RENAMO, from the international community kept the peace process moving forward toward the agreed-upon deadlines.

In the long term, this external pressure is not a sustainable solution. For the sustainability of democracy and good governance, checks on executive branch power and pressure for accountability in the executive branch must increasingly come from Mozambicans. Consequently, the objective of this strategy is to increase executive branch accountability to citizens, civil society and other government bodies.

Achievement of this objective is constrained by three factors. First, there is lack of clarity about what the government's role is in society, i.e. for what aspects of governance is government to be held accountable. Second, there is limited public debate about public policy and the implementation of government programs. Third, there are no effective countervailing forces--institutions and processes--to balance and check the power of the executive. Such countervailing forces include the National Assembly, the legal sector, municipal government, political parties, the media, other non-governmental organizations and the electoral process.

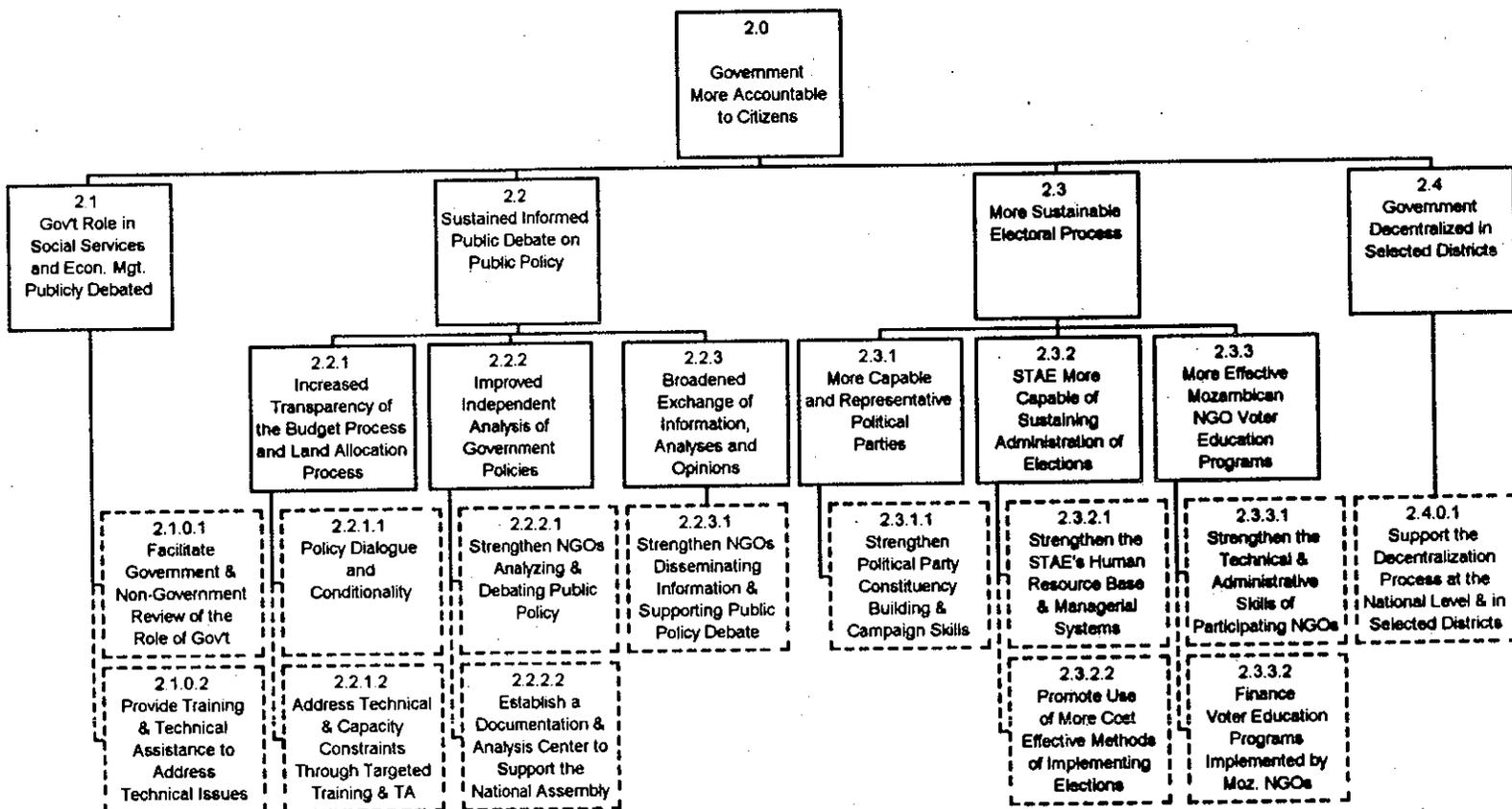
# Democracy Governance Strategy

**Strategic Objective**

**Program Outcomes**

**Sub-Program Outcomes**

**Illustrative Activities**



The intent of this strategy is not to fine-tune government processes but to catalyze and support both dramatic change in the way the Government of Mozambique operates and the new roles played by civil society and government institutions to sustain those changes. Activities under this objective are intended to support Mozambican priorities and complement the programs of other donors. Thus, while this strategy directly addresses all three of these constraints, interventions are focused on areas where USAID assistance will make a difference<sup>52</sup>.

While this objective will be pursued nationally, some interventions will be focused geographically in the provinces of Zambezia and Nampula, to maximize impact of USAID's assistance. These provinces were selected for three reasons. First, the population of the two provinces account for approximately 40% of the national population. Second, during the 1994 national election these were two of the most hotly contested areas in the country. Third, these two provinces overlap with the geographic areas in which the other two strategic objectives will be focused.

1. Program Outcome No. 1: Role of Government in Social Sectors and in Economic Management Publicly Debated

Indicators:

- Working groups studying the role of government convene
- Working groups agree to action plans for aligning government's role with government's resources and Mozambique's needs

Accountability of the executive branch must begin with an understanding of what its role is, and what responsibilities it must fulfill. The 1990 Constitution appears to set the stage for a dramatic shift in the government's role in society from control to regulation. However, there are ambiguities in the Constitution and the implementing legislation, and government programs often maintain a heavy direct role. In addition, the heavy role that the government still seeks to play is inconsistent with its generation and allocation of financial and human resources. Consequently, the government is unable to deliver or sustain delivery of services yet restricts directly and indirectly, private initiatives that might fill the gap.

The problem of heavy and unsustainable government intervention is most acute in the social sectors and in the management of the economy. A clear definition, and subsequent implementation, of a government role in these areas that is consistent with the resources available and the needs of the country is critical for accountability and for sustainable development.

Defining the role of government is an ongoing process in any democratic society. What is lacking in Mozambique are open, constructive fora in which these issues can be reviewed, discussed and analyzed by stakeholders from all parts of society.

Analysis and discussion are not enough, however. Such fora must lead to plans

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<sup>52</sup> No provision is made in this strategy for direct support for the reform of the legal sector. There is no question that the weaknesses of the legal sector are a constraint to accountability of the government. However, there are at least two major donors, the World Bank and DANIDA, and probably others, that are already engaged or prepared to assist in that sector. These donors have a comparative advantage in providing assistance relevant to a civil code system, particularly one based on Portuguese law. There are also already questions about whether the legal sector can absorb even the level of assistance already pledged and planned by these donors.

of action and commitment by participants to implement the conclusions reached. While donors and international non-governmental organizations may play a role in such fora, Mozambicans must retain ownership of the process if sustainable changes are to be realized.

Even more so than most democracy and governance objectives, achievement of this objective must emphasize process rather than a priori defined outcomes. It must further emphasize engaging stakeholders (principally Mozambicans) in that process and building ownership in the process and in conclusions. That is not to say that USAID and other donors and international organizations do not have a role to play. On the contrary, as in Rome peace negotiations and in implementation of the Peace Accord, donors should help guide, facilitate and push the process forward.

To support this process, USAID will provide technical assistance and other financial support to facilitate the creation and deliberations of working groups to analyze the role of government in providing social services and in managing the economy. The facilitation will emphasize a results-oriented, strategic management approach; aligning objectives, responsibilities, plans, processes, structures, and available resources. The structure of this process will be determined as the strategy moves into implementation. As discussed above, participants would include major stakeholders drawn from all sectors of society and parts and levels of government.

The working groups may highlight areas for additional focused analysis or needs for specialized expertise. Such analysis and expert advice are needed to ensure the discussions are well informed. However, where possible, the participants should rely on the extensive bibliography of studies already available and new studies that focus on areas not previously examined.

It may be necessary for the working groups to further focus their agenda on more specific issues (e.g., the provision of pharmaceuticals). How the agenda is focused, how the fora are organized, and the procedures by which they operate are all parts of the process and must be agreed to by the participants. Nonetheless, however the process is organized, it must lead to conclusions that resolve the ambiguities and inconsistencies of the government's role and to clear steps required for implementation of changes.

Initiating and supporting this process of examining the government's role builds on USAID's extensive involvement in ongoing donor-government discussions about the government's role. It also builds on USAID's experiences in other countries with facilitating similar processes through the G Bureau's Implementing Policy Change Project.

This is an ambitious objective. However, greater clarity of the role of government and its alignment with Mozambique's needs and constraints is fundamental to the consolidation and development of democracy and good governance in Mozambique. While this could lead to constitutional reform, the objective here is simply to open up the discussion of the government's role to a wide cross-section of society and not leave it to executive decree.

## 2. Program Outcome No. 2: Sustained Informed Public Debate on Public Policy

### Indicators:

- Increased citizen awareness and understanding of budget and land allocation issues, including alternative opinions
  - deputies in national and district assemblies
  - educated professionals
  - illiterate urban and rural population

For the executive branch to be held more accountable, citizens must be actively engaged in debating public policy. To achieve this, citizens need access to information on what the government is doing: what the government has decided or considering, how decisions are made, who makes them, when they are made and on what basis they are made. Most Mozambicans have little, if any, access to such information, let alone any analysis of how government actions affect them. Dissemination of information from the center (e.g., Maputo) to the periphery (citizens throughout the rest of the country) is important for an informed discussion, but it is not enough. Citizens must be able to share and debate views and analyses and citizen perspectives--opinions, analyses, concerns and preferences--must flow back to decision makers in Maputo and in district and provincial capitals.

While both the first and the second program outcome are intended to increase public debate, they are distinct. The first program outcome focuses on defining the role of government through public debate. This program outcome is intended to sustain and broaden public debate of public policy in general.

There are three constraints to achieving a sustained informed public debate on public policy. First, the government does not readily make information about decisions and actions widely available to the public. Tariffs change, funds are allocated, land is sold or leased with little information about how and why. Often, especially in the case of land allocations, even the decisions themselves are not publicly announced.

Second, analyses of available information--released by government or emanating from other sources--is often weak or inaccurate. Without accurate, easy to understand analyses of government processes, most people will not understand--or will misunderstand--the significance of government policy and its relevance for them. For those attempting to influence policy (e.g., assembly deputies, political parties and interest groups), access to accurate information and analyses is critical.

Third, the dissemination of information and analyses is limited largely to educated elites in urban centers. Consequently, regardless of how transparent the government is and how accurate and insightful the analyses are, few Mozambicans will know more about their government than they did before. Likewise, citizen opinions and perspectives reaching decision makers--and other citizens--are limited by a lack of fora in which citizens can express their opinions and share information.

These constraints to increasing informed public debate will be addressed through the achievement of the following sub-program outcomes and activities.

a. Sub-Program Outcome No. 1: Increased Transparency of the Budget Process and Land Allocation Process

Indicator:

- Number of months before the beginning of the new fiscal year national budget available for public review.
- Number of months after the end of the fiscal year the expenditure report on the budget made public.
- Clear procedures announced and implemented for land use allocations.
- Active public debate nation-wide on land policy and on any proposed changes to land law regulations or to constitutional provisions affecting land

~~ownership or use rights.~~

Opening up all government decision-making-processes and decisions for public understanding and scrutiny is a desirable result for the government to strive towards. However, within the strategy period, USAID's focus will be on the budgetary process (from revenue collection through budget allocation and disbursement) and the allocation of land by the government. Transparency in these processes will set a major precedent for transparency throughout the government, and they are both key processes for which the government needs to be held accountable.

For Mozambique to reduce its dependence on donors to finance the national budget, the government must implement measures to improve control over its financial resources. This includes, *inter alia*, improvements in the collection of taxes and tariffs, alignment of budget allocations with the country's priorities (and with the role of government), and improvements in the expenditure process to ensure that payments are prompt and for intended purposes. This will not only contribute to the effectiveness of the government's meager non-donated funds but will reduce opportunities for corruption and improve the government's responsiveness to citizen priorities.

Private ownership of land is Constitutionally prohibited and the government (whether central or local) retains authority for allocation of land use rights. However, this authority is vested in multiple ministries and government agencies at the central, provincial and local level with overlapping jurisdictions. Land allocations are not publicly disclosed; they are poorly documented, and records of decisions are not well maintained or coordinated. The result is often contradictory allocations of land to different users and abundant opportunities for widespread corruption at all steps of the process. Since land is the major productive resource in Mozambique, this lack of transparency has serious implications for investment, economic growth, and peace and stability.

In both areas there are technical and procedural issues that must be resolved to improve the transparency of the processes. The difficulty of physically producing a complete and accurate budget in a timely manner could be an obstacle to improved budget transparency. Likewise, the mechanics of collating and publishing government land allocation decisions may also be an obstacle.

The primary constraints, however, are political will and limited human resource capacity. Recent government pledges and actions to make the budget process more transparent are a step in the right direction. The government has been far less forthcoming on the land allocation process<sup>53</sup>. The moves toward improved transparency in the budget area are in large part the result of pressure from the donor community, particularly in the months leading up to the March 1995 Paris Club meetings. Keeping these pledges for greater budget transparency and making more progress on transparency of land allocations will depend on senior government commitment and closing the most serious human resource gaps.

The primary activity under this sub-program outcome will be policy dialogue, possibly combined with conditionality for the obligation of program funds. Targeted technical assistance and training will also be provided to address specific technical issues that may arise and the gaps in the skills of key

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<sup>53</sup> This may be changing as the government has recently indicated interest in reviewing the land law, and constitutional modifications, including "de-nationalization" of land ownership have been proposed for discussion by the National Assembly in late 1995.

government personnel. The provision of technical assistance and training will require close coordination with other donors--particularly the World Bank--to avoid duplication of effort.

These activities build on the ongoing discussions with the government about the need for greater transparency and USAID's research on land tenure and state farm divestiture in Mozambique.

b. Sub-Program Outcome No. 2: Improved Independent Analysis of Government Policies

Indicators:

- Quality and timeliness of analysis available to decision makers, especially National Assembly deputies
- Non-governmental involvement in open policy debates

Few independent Mozambican organizations--including the media--have the breadth and depth of technical knowledge to adequately analyze available information on government policies and operations. This is particularly true of complex topics (e.g., those related to governance and economic management) which are difficult to understand and explain simply and accurately to others.

To achieve this sub-program outcome, targeted training and technical assistance will be provided to non-governmental organizations engaged in analyzing and debating public policy. Such organizations could include the independent media, but the focus will be on special interest, activist organizations (business associations, political parties, and watchdog organizations) and possibly research institutions (e.g., the university). Emphasis will be put on those groups addressing public policy related to land allocation and economic management. Strengthening the analyses conducted by these Mozambican organizations will also help sustain the pressure on the government to become increasingly transparent and reduce the tendency to see transparency as only a donor-imposed requirement.

In addition to the organizations noted above, the National Assembly (and the anticipated municipal assemblies) must be able to analyze legislation, regulations and the actions of the executive branch if it is to fulfill its role in representing citizens and in holding the government accountable. Improving the analytical capacity of the National Assembly will contribute to more substantive and constructive debate and thereby strengthen the National Assembly's position vis-a-vis the executive branch. Support will be provided to the National Assembly to establish a documentation and analysis center to meet the specific needs of the deputies to understand legislation under consideration and information released by the executive branch. The center will make an important contribution to the Assembly's ability to serve as a forum for public debate.

Technical assistance and training could also be provided to National Assembly deputies to assist them to understand and analyze the budget process. However, other donors have also stated their intent to provide such assistance.

The training program will require a shift in the emphasis of ongoing Mission training programs to focus more on non-governmental participants. The

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<sup>54</sup> Most in-depth studies are commissioned and conducted by donor agencies and are often not readily available to the public.

training and technical assistance will also build on ongoing research supporting policy reform in land tenure and market systems. The assistance to the National Assembly will build on similar interventions in Bolivia, Chile and Brazil.

c. Sub-Program Outcome No. 3: Broadened Exchange of Information, Analyses and Opinions

Indicators:

- Number of people in Nampula and Zambezia Provinces reached by independent information sources, by type of source, gender- disaggregated
  - radio
  - small press
  - national press
  - alternative sources
- Number and variety of information sources consulted by:
  - National Assembly and municipal assembly deputies
  - citizens in Nampula and Zambezia Provinces

Increasing informed public debate will not be addressed solely through increased transparency and improved independent analysis. Independent mechanisms must exist for the wide dissemination and exchange of information, analyses and perspectives beyond Maputo and the other large urban centers. This exchange of information must flow in all directions: from government to citizens, from citizens to government and between citizens.

The limited reach and number of independent media--both radio and printed--limits venues for sharing opinions and perspectives among a wide audience. Other fora for public debate are even less accessible and more infrequent. Such fora range from formal, representative bodies (e.g., the national and district assemblies) to political party conferences and more inclusive town and community meetings. The National Assembly and the anticipated district assemblies are particularly important fora for public debate due to their role in providing a check and balance to the executive branch of government, both national and local. Public debate--leading to new or revised legislation--in these representative bodies can have a more immediate impact on government actions and policies than other public fora.

Broadening the exchange of information, analyses and opinions depends on expanding the distribution networks of existing independent media organizations. For some newer organizations the primary constraint to broader distribution is related to weaknesses in business planning skills. But the more binding constraints to expanding independent information sources are transport infrastructure, literacy of the population, and the cost of printing or broadcasting.

However, the exchange of information can also be improved through the development of more locally oriented organizations<sup>55</sup> (print and radio media, NGOs and political parties) and alternative networks and fora (e.g., jornais do povo and community meetings) that target the interests and needs of special interest groups or geographic areas. These organizations would benefit from the information and analyses disseminated by national or regional organizations, thereby minimizing their costs and enabling them to focus their writing and information gathering on topics of special interest to their audience. In turn, these local organizations would provide national and

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<sup>55</sup> This would also include local assemblies, but they are dealt with more extensively under the third Program Outcome.

regional organizations with local perspectives on national issues in addition to informing them of local conditions and concerns.

Activities in support of this sub-program outcome will involve strengthening--through small grants, technical assistance and training--independent organizations involved in dissemination of information and support of debate on public policy. The strategy will focus on the smaller, community-based NGOs and media organizations in the provinces of Zambezia and Nampula. This focus is in part because the constraints to expansion of the national media organizations are beyond the scope of this strategy.<sup>56</sup> More localized organizations, because they can tailor their presentations to the needs and interests of their local- or topic-oriented audiences, are also an important link in the flow of information between citizens and government at all levels. To the extent that assistance is provided to organizations with broader coverage than these two provinces, emphasis will be put on improving their distribution in Zambezia and Nampula.

Many donors, including those with a comparative advantage in working with this parliamentary system, have stated their intentions to provide support to the National Assembly, and several have already taken steps to provide technical assistance, training, study tours and material support. The focus of USAID assistance to the National Assembly is therefore focused on the research and documentation service discussed in the previous sub-program outcome. Some provision may be made under this sub-program outcome for assistance to enhance the communication between National Assembly deputies and constituents, e.g. through town meetings. Assistance with the establishment of district assemblies is intended to be covered primarily under Program Outcome No. 2.4 as part of the support for the decentralization process.

In implementing these activities, USAID will work through international PVOs and Mozambican NGOs. USAID will also collaborate with USIS which has extensive knowledge and experience working with the national independent media in Mozambique.

This sub-program outcome complements and supports the achievement of objectives in the other two strategic areas--rural income and health--by strengthening communication networks that can also be used for market information and health education. It also supports the achievement of the third program outcome by increasing the avenues for dissemination of information on elections and for debate of electoral issues.

### 3. Program Outcome No. 3: More Sustainable Electoral Process

Indicators:

-- Free and fair municipal and national elections take place

The primary formal mechanism for citizens to hold government accountable is the electoral process. To be an effective instrument for accountability, elections must be held regularly, free and fair, and based on universal adult suffrage. In Mozambique, the 1994 national elections were the first step. They established a precedent for electing leaders and re-enforced the constitutional precept of the sovereignty of the people. The next step is to build sustainability into the process, so politicians and citizens understand that elections will be inevitable, correctly administered and timely.

Despite the focus of this strategic objective on the executive branch, this

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<sup>56</sup> Road improvements under the rural income strategy may help with information flows.

program outcome is also concerned with elections for the national assembly and for the municipal assemblies and presidents. These other elected bodies and officials play a key role in balancing the power and authority of the executive branch. Consequently, establishing and maintaining the link between these elected officials and citizens through the electoral process is as important as the national presidential election.

Sustainability of the electoral process is constrained by finances, institutional capacity and voter understanding. Savings in the cost of the administration of elections are possible as logistical constraints are removed (e.g., as roads are rehabilitated), less expensive materials are used (e.g., use of local instead of imported materials), and voters and officials gain more experience with the process. Elections will continue to be expensive in relation to Mozambique's means, yet their cost will eventually (although probably not during the strategy period) have to be fully absorbed in the government's budgets.

Despite the high voter turnout and the unexpectedly low percentage of spoiled ballots, improvements still need to be made in voter understanding of the voting process and, more importantly, in their understanding of voting as a tool for holding government accountable.

The institutions responsible for implementing the elections--political parties, the STAE<sup>57</sup>, and Mozambican NGOs administering voter education programs--remain quite weak and dependent on external funding and technical assistance. While this dependence will probably continue throughout the strategy period, action must be taken now to reduce this dependency so that the elections become increasingly a Mozambican process and less a donor-driven and donor-mandated one. Strengthening these institutions can also reduce the cost of the elections and lead to improvements in voter understanding.

a. Sub-Program Outcome No. 1: More Capable and Representative Political Parties

Indicators:

- Number of parties winning over 5% of the popular vote
  - in municipal elections in Zambezia and Nampula Provinces
  - in the next national election
- Number of political party poll watchers per voting table
- Number of political parties able to formulate a platform

To achieve sustainability of the electoral process, viable political parties must seriously contend in elections, and thereby provide voters with real options. In addition to fielding candidates and running a campaign, the political parties are also expected to monitor voter registration, voting and ballot counting throughout the country to ensure the process is free and fair. Judging by 1994, they can also be called on to send representatives to numerous meetings with electoral officials to discuss the electoral process.

Most of the parties that competed in the 1994 elections were formed after 1992 and have yet to establish a significant base of popular support. RENAMO--with the second largest popular vote--has come a long way in transforming itself from a military organization into a political party but is still struggling

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<sup>57</sup> or its successor

with how to maintain its viability as a serious contender. And while the FRELIMO party machine continues to be strong, there are clearly many parts of the country where they have lost touch with the people and their needs.

With the possible exception of FRELIMO, all of the political parties are characterized by weak organizational structures, a thin layer of skilled staff and little experience operating as a political party. Constituency building skills and knowledge of how to run a campaign are especially lacking.

Finances are another serious constraint for all the parties, again with the possible exception of FRELIMO. FRELIMO, RENAMO and UD (the three parties with representation in the National Assembly) will receive some financial support through the national budget but this is unlikely to be sufficient for mounting a campaign. This is not a constraint that USAID can or should attempt to address directly, except by providing advice on how to raise campaign funds.

Assistance to the political parties will be provided through training--primarily in-country--and technical assistance to strengthen their constituency building and campaign skills. This assistance will build on the successful political party consultations conducted by the International Republican Institute with USAID funding before and after the 1994 elections.

While keeping in mind USAID's policy to provide assistance to political parties equitably, criteria will be developed for targeting assistance at viable, fiscally responsible parties<sup>58</sup>. This will prevent waste of USAID resources on parties that are not serious contenders or were established solely to benefit from donor funding.

b. Sub-Program Outcome No. 2: STAE<sup>59</sup> More Capable of Sustaining Administration of Elections

Indicators:

- Average cost of elections per registered voter (based on official budgets)
- Percent of professional/skilled staff that are expatriate
  - nationally
  - in Zambezia and Nampula

The STAE, the technical secretariat for election administration, is the key institution for administering the electoral process, from voter registration through voter education to the balloting and counting process. Its viability, efficiency and effectiveness therefore have a direct bearing on the sustainability of the electoral process.

The STAE was heavily dependent on external financing and technical assistance to carry out its functions during the 1994 elections. While this in part reflects the weaknesses of Mozambique's human resource base, it is also due to the political sensitivities of the peace process that required basing staff assignments on a balance between RENAMO and FRELIMO affiliation rather than skills and competence. For future elections to run without advisors playing such an extensive role, the STAE will need to assess what its technical and managerial skill needs are and determine how to fill those positions with the

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<sup>58</sup> Possible criteria might include whether the party accounted for funds provided by the UN Trust Fund in 1994, and whether the party won over 1% of the national popular vote. These criteria are illustrative and some allowance would have to be made for new parties that form during the strategy period and therefore do not have a track record.

<sup>59</sup> or successor

appropriate individuals.

The STAE has developed a large cadre of experienced election workers--for civic education, registration, polling station administration, etc--and will need to develop systems for mobilization and re-training of these temporary workers for each election.

In addition to the human resource constraints, the STAE has other serious organizational constraints (e.g., financial management) that must be addressed. A UNDP team, expected in late March 1995, is supposed to determine priority areas for improvement of the STAE's operations.

Depending on the results of the UNDP study, USAID will coordinate with other donors to strengthen the STAE's human resource base and managerial systems to make it a more effective and sustainable organization. USAID will be particularly attentive to identifying alternative and cheaper ways of implementing elections. Depending on the STAE's needs and other donor projects, the strategy will focus on the provincial and district STAEs in Zambezia and Nampula as well as the national level.

c. Sub-Program Outcome No. 3: More Effective Mozambican  
NGO Voter Education Programs

Indicators:

-- Number of people reached by Mozambican NGO voter education programs funded by USAID

- by location
- by gender

-- Percent of ballots spoiled or blank

To improve their understanding of the electoral process, voters need to hear the messages from multiple sources and particularly from independent sources they believe are impartial. In the 1994 elections, voters learned how to vote and about the significance of the election primarily from STAE's voter education agents. As a government entity (and in the future probably more directly under executive branch control than in 1994), the STAE lacks the independence needed and could have credibility problems with voters in future elections<sup>60</sup>.

Non-STAE voter education campaigns in 1994 were conducted primarily by international NGOs (e.g., the National Democratic Institute and the Friedrich Ebert Foundation) and the Catholic Church. It is difficult, *ex post facto*, to evaluate the effectiveness of these programs, but their coverage of the country was probably significantly more limited than the STAE's<sup>61</sup>. To sustain independent sources for voter education, more Mozambican NGOs must get involved.

Election-related non-governmental organizations face the same problems as other NGOs: lack of financing, lack of organizational and financial

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<sup>60</sup> The UNDP consultants to the government's inter-ministerial working group preparing for the 1994 elections had problems with credibility with some political parties until the independent National Electoral Commission and later the STAE were created.

<sup>61</sup> NDI, under a grant from USAID, fielded 200 voter education trainers (reaching 1.8 million people) while the STAE, operating with funds provided by USAID through the UNDP, fielded 1,600 teams.

management skills, and lack of strong technical skills. They have the additional challenge, as does STAE, of having to remobilize experienced workers each time an election comes around.

To increase the effectiveness of the NGO-administered voter education programs, assistance will be provided to strengthen the skills (technical and managerial) of the participating NGOs. In addition, grants will be provided to finance the campaigns and strengthen the organizations. Since no Mozambican NGOs are yet certified as grant-worthy, additional assistance may have to be provided to address deficiencies identified. These activities will be implemented primarily in Zambezia and Nampula.

#### 4. Program Outcome No. 4: Government Decentralized in Selected Districts

##### Indicators:

-- Number of districts in Nampula and Zambezia Provinces to which authorities have been delegated and in which municipal elections are held

In September 1994, the government proposed and the pre-election FRELIMO National Assembly passed legislation providing for the devolution of government power and authority to elected municipal governments. While the legislation has many powerful detractors and its implementation is still dependent on the Council of Ministers, this was a bold move towards limiting executive branch power and authority. It has the potential to make local governments more accountable to the citizens of their districts and to be a platform for holding the central, executive branch more accountable as well.

There are a number of constraints to the government's plans to devolve power from the central government to some municipalities. First, the Municipal Law leaves to later legislation by the Council of Ministers many of the details of how, where, and when this process will take place. While the intent appears to be an eventual devolution of power to most of the 128 districts, the law restricts its implementation (including the holding of elections) to 11 urban districts--the provincial capitals and Maputo. Based on experiences with these eleven districts, decentralization may extend to other districts that are determined to be able to implement these new responsibilities.

Second, it must be determined that the districts identified will in fact be viable--financially and in human capacity--as municipal governments. The World Bank and the government are studying the viability of the initial eleven municipalities to determine how they need to be strengthened. SIDA is studying the viability of six rural districts in anticipation of future rounds of devolving authority to elected municipal governments. The studies by SIDA are also expected to serve as examples of what should be done in other rural districts.

Third, detailed plans, including budgets, for implementing the legislation are needed. Some of this will come from the World Bank and SIDA studies; other details are still being worked out.

Fourth, implementation of these plans will be dependent on financing available from the government and donors. While several donors have expressed interest in supporting the process, it is not yet clear how much it will cost nor what is fully involved in implementing the legislation in each district.

USAID's role in this decentralization process will be at the national level--through policy dialogue and donor coordination, and targeted technical assistance and training--and at the municipal level--studies of viability, technical assistance and training for planning and implementation of the

legislation. Depending on the financing required and concurrence with government, the strategy will focus on at least two districts<sup>62</sup>, one in Zambezia Province and one in Nampula Province.

USAID has extensive experience (in different regions and over several decades) in supporting decentralization and strengthening local government. USAID/Maputo also has access to in-house expertise in this area from REDSO/ESA which has been involved in local government issues (especially through the former RHUDO office) all over the east and southern Africa region. USAID/Maputo's work in this area will support and be supported by USAID's new local government initiative.

There are still many open questions about when, where and how these activities will be implemented. Some of these answers must come from the Council of Ministers, and others from the studies being undertaken by the World Bank and SIDA. Consequently, support for the decentralization process must be flexible.

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<sup>62</sup> The number of districts to be supported will depend on projected costs and agreement with the GRM.

# ***ANNEX III***

## Health Sector

### TABLE OF CONTENTS

I.	Background . . . . .	3
	A. Health Service Delivery Pre-Independence . . . . .	3
	B. Health Service Delivery Post-Independence . . . . .	3
	C. Health Status . . . . .	4
II.	Health Sector Constraints . . . . .	5
	A. Sector Structure for Service Delivery . . . . .	5
	1. Structure of the Health Sector . . . . .	5
	2. Sector Policies . . . . .	6
	B. Inadequate Health Facilities and Care . . . . .	7
	C. Families with Limited Health Knowledge . . . . .	7
	D. Inadequate Institutional, Financial and Human Resources of the Ministry of Health . . . . .	8
	1. Recurrent Costs . . . . .	8
	2. Weak Planning, Budgeting and Management . . . . .	8
	3. Insufficient and Inadequately Trained Personnel . . . . .	9
III.	Mission Approach, Sub-goal, Strategic Objective and Program Outcomes . . . . .	9
	A. Relationship of Maternal and Child Health to Goal: Enhanced Human Productivity . . . . .	9
	B. Approach . . . . .	10
	C. Sub-goal: Improved Health for Women and Children . . . . .	11
	D. Strategic Objective 3 Increased Use of Essential Maternal and Child Health/Family Planning Services in Focus Areas . . . . .	12
	1. Program Outcome 3.1 Increased Supply of Quality MCH/FP Services . . . . .	15
	a. Sub-Program Outcome 3.1.1 Increased Outreach to Communities and Improved Referral at All Levels . . . . .	15
	b. Sub-Program Outcome 3.1.2 More Health Facilities Equipped to Provide Essential Services . . . . .	16
	c. Program Sub-Outcome 3.1.3 More Health Facilities with Trained Staff . . . . .	16
	2. Program Outcome 3.2 Improved Family Health Knowledge and Changed Behavior . . . . .	16
	3. Project Outcome 3.3 Strengthened Provincial Management of MCH/FP Service Delivery . . . . .	17
	a. Program Sub-Outcome 3.3.1 Improved Planning and Budgeting Systems . . . . .	17
	b. Program Sub-Outcome 3.3.2 Improved MCH/FP Data and Information System . . . . .	18
	c. Program Sub-Outcome 3.3.3 Improved Supervisory Systems . . . . .	18
	E. Donor Activities . . . . .	18
	TABLE: OTHER DONOR ACTIVITIES IN THE HEALTH SECTOR . . . . .	20
	F. Summary . . . . .	25
IV.	Indicators and Results . . . . .	25
	A. Sub-goal: Improved Health for Women and Children . . . . .	25
	B. Strategic Objective 3: Increased Use of Essential Maternal and Child Health/Family Services . . . . .	26

		2
C.	Program Outcome 3.1: Increased Supply of Quality MCH/FP Services . . . . .	27
1.	Sub-Program Outcome 3.1.1: Increased Outreach to Communities and Improved Referral at All Levels . . . . .	27
2.	Sub-Program Outcome 3.1.2: More Health Facilities Equipped to Provide Essential Services . . . . .	28
3.	Sub-Program Outcome 3.1.3: More Health Facilities with Trained Staff . . . . .	28
4.	Program Outcome 3.2: Improved Family Health Knowledge and Changed Behavior . . . . .	29
5.	Program Outcome 3.3: Strengthened Provincial Management of MCH/FP Service Delivery . . . . .	29
6.	Sub-Program Outcome 3.3.1: Improved Planning and Budgeting Systems . . . . .	30
7.	Sub-Program Outcome 3.3.2: Improved MCH/FP Data and Information System . . . . .	30
8.	Sub-Program Outcome 3.3.3: Improved Supervisory Systems . . . . .	30

## I. Background

### A. Health Service Delivery Pre-Independence

The colonial government gave low priority to health care for the majority of Mozambicans. Prior to independence in 1975, Mozambique had some of the world's worst social indicators, e.g., an infant mortality rate in 1965 of 179/1000<sup>1</sup> and a life expectancy of 43.

### B. Health Service Delivery Post-Independence

Upon independence, the FRELIMO government delivered on its promises to improve delivery of health and education services, quickly expanding the health system. By the late 1970s, mortality and other health indicators started to improve.<sup>2</sup> Although the GRM was able to bring infant mortality rates down to 137/1000 by 1989<sup>3</sup>, this and other gains were lost as a result of the intensified war.

According to the World Bank,<sup>4</sup> post-independence Mozambique had been in the vanguard of the development of broad-based primary health care and in the implementation of the essential drugs concept. The objectives of this new system were a) expanding the network of primary health care facilities and stressing preventive and rural health, and b) providing preventive services, many curative services, and diagnostic procedures free of charge. This delivery system was established under strong central planning, with all services provided through the government.

Health services of the Ministry of Health are delivered in a pyramidal structure. At the top of the pyramid are the Central Hospital in Maputo (Level IV) and the provincial hospitals (Level III) in each provincial capital. Next are the 22 Level II rural hospitals (not all of which are functional) and then the Level I health centers and posts.<sup>5</sup> During the war, Level I and II facilities were frequently targets of RENAMO attacks, as were the health providers working in those facilities.

Supplementing these facilities within the Ministry of Health (MOH) structure was a community health worker system (APEs) which worked fairly well until the war intensified in the early and mid-1980s. At that time, between the increased targeting of these health workers, mining of roads and facilities and attacks on convoys, supervision and resupply of the APEs became impossible. Like other health and education providers, many APEs either fled to secure urban areas, refugee or displaced-person camps, or ceased functioning.

Intentionally left outside the FRELIMO health delivery system were the traditional healers. In the last six years, the Government of the Republic of Mozambique (GRM) has increasingly recognized the important role that traditional healers play in providing health care, and an effort is being made

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<sup>1</sup> "The Challenge of Development," World Development Report 1991, The World Bank

<sup>2</sup> "Mozambique Population, Health, and Nutrition Sector Report," World Bank, January 1990.

<sup>3</sup> "The Challenge of Development," World Development Report 1991, World Bank.

<sup>4</sup> "Mozambique Population, Health and Nutrition Sector Report," World Bank, January 1990

<sup>5</sup> "Social Soundness Analysis," Annex 6, Primary Health Care Support (656-0226) Project Paper, August 1991.

to incorporate them into a primary and preventive health care service delivery system.

In 1992 a law was enacted that permitted private health care service delivery. The law is fairly restrictive and only a few, urban-based private practitioners have been established. During the latter years of the war, and in response to the 1992 drought, health service delivery by PVOs and NGOs expanded. Until recently, however, the GRM considered their interventions as temporary and emergency-related. More recently, the MOH has expressed an interest in developing longer-term relations with the NGO community.

Despite this initial progress, coverage deteriorated rapidly under the intensified war in the late 1980s and very early 1990s. By the end of the war in October 1992, over a third of the health facilities had been destroyed, with their rehabilitation/replacement seriously constrained by the lack of government resources. (See Annex 4 for the macroeconomic environment and its impact on government expenditures.)

### C. Health Status

The years of war and drought have left most Mozambicans not only poor but also malnourished and often ill. Health status has declined since 1980. Current estimates of infant, child (under five) and maternal mortality suggest that conditions here are among the worst in the world:

- Life expectancy of a newborn in Mozambique is 44/48 (male/female). This is four years less than the average for newborns in the rest of sub-Saharan Africa and almost 30 years lower than in the United States.

- The infant mortality rate (IMR), estimated at between 140 and 173 deaths per thousand births in 1993, is well above the sub-Saharan average of 104 per thousand. It is at least double the level of 70 set as a worldwide target for reduced IMR by the year 2000 at the 1990 World Summit on Children.

- The under-five child mortality rate of 280 is significantly higher than the average of 175 for the rest of sub-Saharan Africa. In 1993 more than 400 children died each day in Mozambique.<sup>6</sup> Mozambique is one of only six countries in sub-Saharan Africa where under-five mortality increased or failed to decline between 1975 and 1990.

- The recorded maternal mortality ratio (MMR) based on mothers dying in health facilities is 300 deaths per 100,000 births. The actual rate is believed to be much higher since approximately 60% of births occur at home without any assistance from a trained provider and women's health and nutrition are poor. UNICEF estimates the ratio at 1,100 per 100,000, based on the Sentinel Community Survey in Mozambique.<sup>8</sup> The corresponding ratio in the U.S. is eight.

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<sup>6</sup> Government of Mozambique and United Nations Children's Fund, Master Plan of Operations, 1994-1998.

<sup>7</sup> The after effects of the war make it extremely difficult to collect national statistics in Mozambique at this time. Estimates vary. For consistency and recency of source the preceding estimates of mortality rates were all taken from the appendix tables in "Better Health in Africa," The World Bank, Washington D.C., 1994. Unless indicated this is the source for other statistics used in the "Overview" section.

<sup>8</sup> Government of Mozambique, "The Situation of Children and Women on Mozambique," Ministry of Cooperation, National Planning Commission and UNICEF/Maputo, Final Draft, May 1993.

In this post-war period, Mozambique is trying to reestablish its rural primary health care network at the mid-1980s level (the time that health care coverage was at its apex for Mozambique). It is doing so with very limited public and private Mozambican resources and a very high degree of donor dependency.

Major obstacles to improving health status include high rates of infectious disease and malnutrition, continuing food and water shortages and limited capacity to deliver and use basic health services. Only an estimated 27% of the population has access to health care. The quality of the care that is available is often poor. Many rural facilities have no staff with any health training. Trained managers, functioning systems and basic equipment and supplies are scarce at all levels.

The "enabling environment for health"<sup>9</sup>--safe water, sanitation, nutrition (at the most basic level of food security) and female literacy--was previously frail in Mozambique and has been made worse by drought and war. Only 22% of the rural population has access to safe water, and only 19% have access to sanitation. Poor nutrition, as measured by both chronic and acute malnutrition, is endemic, and the adult literacy rate for females is only 21%.

## II. Health Sector Constraints

Rebuilding Mozambique and improving the health of its citizens will take time and require significant outside assistance. Much of the government and missionary health infrastructure was destroyed or severely damaged during the war. There are few private health sector providers and few citizens who can afford to pay more than a pittance for health care or medicine. The economy must grow for even the most basic and community-based of health care systems to be sustainable.

### A. Sector Structure for Service Delivery

#### 1. Structure of the Health Sector

At all levels, the health sector lacks the institutional, human and financial resources to deliver quality health services as well as an adequate information base on which make decisions and set priorities. As indicated above, the State until quite recently has provided almost all modern health care (94% in 1985<sup>10</sup>), almost all of it free of charge. Existing cost recovery mechanisms provided less than 10% of the health budget in 1985.<sup>11</sup> Although national accounts are extremely poor and there have been no executed budgets since 1991, there is little reason to expect that the situation has changed significantly in terms of cost recovery. Estimating the share of health services provided by nongovernmental organizations (PVOs, NGOs and for-profit) is extremely difficult if not impossible at this juncture in Mozambique's history.

In the provision of modern health care, however, there have been significant changes in the sector's structure, the permanency of which is still somewhat doubtful. Particularly since the onset of the 1992 southern Africa drought, the number of NGOs providing basic primary health care and curative health

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<sup>9</sup> The "enabling environment" is a useful and meaningful phrase being used by the World Bank in its agenda for improving health in Africa outlined in *Better Health in Africa*.

<sup>10</sup> "Mozambique Population, Health and Nutrition Sector Report," World Bank, January 1990.

<sup>11</sup> *ibid.*

care has increased dramatically. Prior to the drought, NGOs were as constrained by the war as was the GRM.

In general, FRELIMO initially saw no role for organizations other than the State in the provision of health care. However, concurrent with (but not necessarily linked to) the liberalizing of the economy and political environment, the GRM (separate from the FRELIMO party since the 1990 Constitution) loosened its control of the health sector, first by allowing limited private-sector health practitioners and second by *de facto* recognizing that in order to even minimally respond to the drought emergency, it needed the help the NGOs were offering.

This loosening of the sector structure has been haphazard, with little serious consultation between the various participants as to the cost-effectiveness of different modalities, the cost to either the MOH or the economy, or the sustainability of the different service delivery mechanisms. Coordination between the various actors in the health sector about their respective roles, coverage of the population, flow of resources (and the cost of possibly duplicative or redundant systems), accountability, and cost-effectiveness in different provincial or sub-provincial environments has been lacking. Because of the GRM's philosophy that the State should provide all health services (and despite its loosening of the sector, there are still many government employees who still so believe), there is no real experience in developing partnerships with the NGOs and for-profit organizations. FRELIMO's highly centralized (autocratic) and largely unsuccessful attempts, in the past, to create communal villages and cooperatives as means to deliver and implement central services and programs have discouraged community initiative to take responsibility for their own health care. RENAMO's targeting of health workers further discouraged people from assuming responsibility for health services.

Coordination has also been lacking between the various ministries that provide health-related services (e.g., Public Works and Housing--rural water and urban sanitation, National Institute for Rural Development--rural sanitation, Commerce--food aid, Agriculture--food production, and Social Action--cash income subsidy for narrow safety net for the destitute). Weak human resources and institutions also make coordination between the ministries difficult, but not impossible. In producing the 1994-2000 National Plan for Action for Children, what was then the Ministry of Plan pulled together all of the ministries providing services that affect the well-being of children in order to generate and try to coordinate sector plans for the post-war reconstruction period. But there is not yet a structure for regular consultations and monitoring of the sector programs to ensure that the plan's goals and objectives are met.

## 2. Sector Policies

The structural constraints make it difficult for the MOH (as well as concerned NGOs) to translate health care policies into operational provincial or district programs or services. Although the Ministry adopted a public health sector plan, it has never developed a sector-wide health policy document. The following principles and strategies have, however, been stated in numerous documents and are regarded as *de facto* policies:

- access to primary health care as a basic right of every Mozambican;
- nationwide coverage of health care to be achieved through an expanded network of Level I primary health care facilities;
- preventive primary health care to be emphasized over curative care, particularly at the lower levels of the delivery system;

- primary health care to be emphasized over tertiary and quaternary level care;
- program planning, budgeting, and health care delivery to be decentralized;
- a national drug policy to be formulated to give priority to the importation and availability of essential drugs within the health context of Mozambique; and
- Family planning, principally through an active program of child spacing, to be included within the broader MCH program.

The GRM's *de facto* policies move in the right direction, but do not go far enough to empower communities in the definition and resolution of their own health care problems. Only by empowering communities, organized under their traditional systems, to take responsibility for identifying their critical primary health care, education, water and sanitation problems and by supporting with financial and human resources the communities' own solutions to those problems will the GRM's objective of universal primary health care have a chance of being met. Resources will not grow enough to expand coverage in a sustainable manner without a radically different approach that will necessarily involve empowerment of communities, mobilization of nongovernmental resources and participation by communities in supporting systems for health care delivery. While our focus will be on the health of mothers and children, the service delivery approach will be community-based, with special attention to reducing costs and dependency on government.

The Mission intends to engage the GRM in a policy dialogue on least-cost, participatory approaches as a model for social service delivery in general. As Mozambique begins to rebuild its economy, new service delivery approaches are absolutely vital if the country is to improve the health status of its population.

#### B. Inadequate Health Facilities and Care

Access to health information and services, safe water, adequate food, and basic sanitation remains a major constraint within the health sector. Access to health information and services has two important dimensions: supply and quality. During the war, many health facilities were destroyed, looted or abandoned. Between 1982 and 1988, 822 of 1373 facilities were rendered inoperable. Even where facilities still operate, services are limited and often inadequate. Many are without trained staff, basic amenities (e.g., safe water, electricity or staff housing, essential equipment, transport, and medicine and other supplies). Like health facilities, health workers were targeted during the war. It is estimated that as many as 40% of the facilities have no staff with any health training. It is difficult for people to reach facilities because of land mines and the destruction of transport and communication systems. Travel to and supervision of service delivery in many facilities is very risky. Lack of supplies and other support has essentially ended most outreach programs through community health workers. Many communities lack safe water, latrines and other basic water and sanitation facilities.

#### C. Families with Limited Health Knowledge

In addition to their lack of income, families that are absolutely poor or destitute (an estimated 60% of the general population, and perhaps as high as 80% in rural areas)<sup>12</sup> are further constrained by their lack of knowledge and,

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<sup>12</sup> Absolute poverty is defined by the World Bank in two ways: a) the cutoff point of monthly household income per person below which growth faltering in children is very common, or b) the cost of a basic monthly food ration (supplying 60-70% of caloric requirements) is 50% of income per person.

in some cases, traditional practices from being able to protect from themselves, care for sick members and take advantage of facilities and health care. Thus families fail to adopt rudimentary health and sanitary practices which would prevent illness and death; they either fail to seek health care in life-threatening situations or seek it too late. In some areas, traditions exist that do not support good health practices and, in some instances, are contrary to those practices.

#### D. Inadequate Institutional, Financial and Human Resources of the Ministry of Health

##### 1. Recurrent Costs

The health sector also suffers from a critical recurrent expenditures gap for ensuring the institutional strength in the delivery of health services. State budgetary constraints have severely limited the MOH's capacity to maintain the delivery of health care services. Extremely low salaries for MOH staff, minimal funding for restocking and re-equipping health facilities, inconsistent supplies for drugs, and limited maintenance of infrastructure and management systems have undermined the ability of the MOH to financially sustain the delivery of health care. It has been estimated, for example, that 98% of pharmaceuticals are provided through donors.<sup>13</sup>

Overall health expenditures, including provincial expenditures, accounted for 5.7% of total expenditures in 1994. Health expenditures increased 24.8% in 1994 in nominal terms. The GRM announced a major reorientation of current expenditures in 1995 with a real increase of over 40% in health and education combined. This will increase total current expenditures for health and education to 22.4% in 1995. The 1995 health budget envisions real increases in salaries of 22% and 63% in goods and services. Donors fund about 65% of current expenditures in the health sector. In 1994, health received 16% of total investment expenditures, of which donors financed over 90%. The identified financing requirements for social sector current expenditures for the period 1993-2003 were identified under the ongoing Social Sector Public Expenditure Review. In the health sector, the financing gap is projected to be more than \$20-24 million per year.

The high level of donor dependency to meet current (and investment) costs has long-range implications for the ability of the MOH to effectively and efficiently deliver health services in Mozambique. Given relatively low levels of human and financial resources, the overwhelming needs of the health sector cannot be met by the MOH alone. Under an economic program of fiscal austerity, the reorientation of current expenditures is a step in the right direction but is minor compared to the requirements. Innovative community-based health units will have to develop and implement community-based health programs. The GRM is not, and will not be, in a position to meet the health requirements of the Mozambican population for years to come. This means that the private sector must take a more active role in health care delivery and that the GRM must focus only on areas that it can realistically afford to address, in both human and financial terms.

##### 2. Weak Planning, Budgeting and Management

Another major constraint is the weak planning, budgeting and management capacity within the MOH. Although the health sector is one of only two sectors with a comprehensive sector plan, the MOH faces serious implementation

<sup>13</sup> Quoted from p. 20 of "Recommended USAID Health and Family Planning Sectorial Strategy for Mozambique, 1995-2000," First Draft, BASICS Project, May 13, 1994.

constraints from, among other factors, the lack of adequate budget, inadequate human resources, relatively weak institutional capacity, a strong history of central planning, and a disconnect between planning and budgeting at all levels. The number and tremendous variations in size of programs of NGOs and donors, with their consequent implications for budgeting and planning, puts the MOH into a reactionary position with respect to the implementing the sector plan.

The MOH is hampered in its ability to plan by the lack of population data and health statistics. Major populations were displaced during the war and are just beginning to migrate back to their homes and resettle. Not only was the MOH health information system disrupted during the war but also many of those who knew how to report or use the data left. Thus, while there is ample evidence from selected sites of high mortality, illness, malnutrition and disease, it is difficult to generate the information needed for planning, priority setting, resource allocation and monitoring and evaluation.

The situation is equally problematic at the provincial level. The Provincial Department of Health (DPS) is charged with overall program and resource planning for health care, but due to the limited planning and budgeting capacity of the DPS planning staff, this generally consists of adding a 5% increase to the previous year's budget and arranging for the distribution of very limited supplies. The concept of assessing needs, identifying problems, and selecting priorities is alien to the present system.

On the operational side, all of the support systems require significant rehabilitation and/or upgrading in such areas as transportation, logistics, supply management, management information systems, and personnel management and supervision. As the MOH enters into partnerships with NGOs, private providers of health services and communities for the delivery of health care services, the operational support systems will be further stressed in trying to coordinate the sector.

### 3. Insufficient and Inadequately Trained Personnel

A final constraint is insufficient and inadequately trained personnel. Despite the MOH's extraordinary efforts after independence to train large numbers of medical and paramedical personnel, there has been an overall decline in health workers since 1980. In particular, the number of preventive health workers and doctors has declined by 28% and 14%, respectively. These declines have mostly occurred in rural areas due to security risks in the countryside, leading to an increasing concentration of health personnel in urban areas. Moreover, severe budgetary limitations within the health sector have prohibited the hiring of qualified health personnel to fill existing vacancies. The shortage of trained personnel is and will continue to be aggravated by competition from the NGOs and private sector. In forging innovative service delivery systems, all participants in providing health care services need to be aware of the negative impacts of such competition and the need for recruiting and training new health workers for all the participants in the system.

The above constraints translate into tasks that must be carried out if Mozambique is going to reverse the trend of recent years and begin major improvements in maternal and child health.

## III. Mission Approach, Sub-goal, Strategic Objective and Program Outcomes

### A. Relationship of Maternal and Child Health to Goal: Enhanced Human Productivity

The deaths and illnesses of so many women and children are unacceptable in human terms. They also have high social and economic costs. Poor health limits the productivity of individuals and families; few families can work

productively and invest in the future when the survival of their children is in doubt. In addition, ill health of children removes workers (most often mothers and older siblings) from the labor force to tend to the needs of the child. Prolonged illness and malnutrition produce long-term and often permanent learning and functional difficulties, reducing future production capability. School enrollment and completion rates are reduced. Illness consumes scarce family and national resources. For example, "cough and cold remedies are the single largest drug expenditure in most countries around the world...most are largely ineffective and unnecessary in respiratory infections, and sometimes can even be toxic in children."<sup>14</sup>

The burden of illness most often falls on women as the principal care givers. Women are very important in Mozambique's economy: 60% of those working in the smallholder (family) sector in Mozambique are women, and 97% of all women work in agriculture.<sup>15</sup> Further, "the economic gains from good health are relatively greater for poor people, who are typically most handicapped by ill health and who stand to gain the most."<sup>16</sup>

Premature deaths and the decreased functional capabilities of individuals surviving diseases create what the World Bank calls the "burden of disease." In Mozambique this burden is very heavy and affects not only the well-being of individuals and families but also the prospects for national recovery and economic growth.

#### B. Approach

Among the important lessons learned by USAID with its successful assistance to Mozambique during the transition period was the value of concentrated, coordinated, flexible assistance. The mission's health sector assistance strategy, therefore reflects not only

- the severity and magnitude of the problem--too many Mozambican women and children sicken and die from preventable treatable conditions;

but also

- the necessity to work collaboratively and closely with our development partners in the government, NGO, donor community, and the private sector;
- the need to define problems and delivery solutions from the bottom up, starting by empowering communities and not just providing assistance;
- the importance of decentralization and providing assistance at the provincial, district and community levels;
- the need to learn from experience and share this information so that lessons learned can be built into on-going program implementation;
- the severe post-war operational and resource constraints;

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<sup>14</sup> UNICEF, "Children and Development in the 1990s," p.84.

<sup>15</sup> UNICEF, "The Situation of Children and Women in Mozambique," 1993

<sup>16</sup> The World Development Report, 1993, p. 18.

- the imperative to provide focused, targeted assistance to save as many lives as possible with available resources.

USAID will also have to maintain a flexible approach which builds upon opportunities and uses U.S. resources to influence policy, increase effective use of resources and leverage results. Things are evolving rapidly in Mozambique as citizens return to rural areas and government, donors and NGOs focus on development rather than emergency relief. Most of the key players in both the donor and NGO community are in the process of developing new strategies and assistance plans.

Sustainability is a long-term prospect in Mozambique in view of the extraordinary levels of poverty. USAID/Maputo's response, therefore, is pragmatic, resource-conscious and multifaceted. Essential foci and elements are those interventions that are most essential and doable; draw effectively upon community and family resources; and offer the best prospects for long-term sustainability (such as broadening the health care delivery system by encouraging policy and program approaches that facilitate community and private sector--NGO and commercial--involvement).

### C. Sub-goal: Improved Health for Women and Children

Although there remain important curative and rehabilitative health problems for the total population, USAID has focused on the health of women and children and set an intermediate goal of improved health for women and children. The mission is focusing its resources on those most at risk, on the basic productive unit, the family, and in those areas of maternal and child health care (including family planning) where the U.S. has a comparative advantage.

It is not an overstatement to say that the well-being and health of the women in families is an essential factor in family survival and productivity. In fact some studies have shown that when the mother dies, the family dies. Especially in rural areas, women are the hub of the productive unit. They the key family member responsible not only for feeding, supporting, and nursing family workers, but also for caring for (or overseeing caring of) new family members, educating the children, and, at the same time, contributing a significant amount of the total physical family productive labor outside of the home.

Unfortunately, Mozambican women are at terrible risk when they become pregnant. Many were poorly nourished as children because of the long years of war and drought, so that they are stunted and will have difficulty giving birth. Many are also in poor health, anemic and thin. Only about half will receive any prenatal care. Less than a third will be immunized against tetanus. The prenatal care these mothers receive may be poor and too late or inadequate to resolve early pregnancy complications. And finally, few will deliver in safe, clean facilities with a trained attendant. Still fewer will have access to timely, effective emergency obstetrical care when complications occur during or after delivery. Many pregnancies will occur to women who are too young, too old, have too many children and have had other children too recently. The average family size per woman is 6.5, twice the world average. Those women who survive pregnancy and childbearing may become seriously ill or be left with chronic, debilitating conditions such as severe anemia and urinary and fecal incontinence. Studies in other countries have suggested that the number of women who suffer chronic and acute complications in pregnancy, labor and delivery is 100 times the number of maternal deaths.

The health of children is tied directly to the health of the mothers or is highly dependent upon mothers. It has been estimated that for every woman who dies as a result of her pregnancy, there are an additional undocumented 14 stillbirths or neonatal deaths substantially attributable to other women who

suffer her poor health and the poor care she receives. Spacing of pregnancies and births and appropriate pre-natal care are two of the simplest measures both for reducing the risk of morbidity and death for women and for ensuring a healthy baby.

Once the baby is born, its health is dependent upon its mother for breastfeeding and for playing the role of chief care provider. Since both biological and cultural bonds tie a young child and its mother together, they are treated as a single unit within public health. When a woman comes to service centers for care, her youngest children also come for care; when a mother brings her children for care, she receives basic care.

**D. Strategic Objective 3 Increased Use of Essential Maternal and Child Health/Family Planning Services in Focus Areas**

In Mozambique where health status is so poor and existing systems and resources so inadequate, saving women and children's lives requires focusing on the basics: enabling Mozambicans to have access to essential maternal and child health/family planning (MCH/F) services, helping them to use these appropriately and empowering them to practice important home health behavior. It means focusing on service delivery systems and those behaviors, conditions, and illnesses that pose the most serious risks and that respond best to doable, affordable interventions. It means working across sectors to increase incomes and education so that families will have the knowledge and resources to nourish, protect, and heal themselves. And, most important, it means devising community-based service delivery systems that maximize nongovernmental inputs and participation.

The causes of death and illness in Mozambique are generally known, preventable or treatable, and similar to those in other sub-Saharan African countries. In children, "the main causes of death are malnutrition, diarrhea, malaria, pneumonia, and measles and other vaccine preventable diseases. Diarrhea is particularly deadly in rural areas with limited sanitation, access to clean water and knowledge of home and emergency care. Maternal mortality is primarily due to obstructed labor, eclampsia, malaria, anemia, blood loss and infections, puerperal and post-abortion sepsis influenced by the frequency and number of pregnancies, as well as inadequate referral and surgical support for complications of pregnancy and delivery."<sup>17</sup>

Using resources effectively in Mozambique also means targeting available resources so that a critical mass of assistance can be provided and can have significant measurable impact on human lives. It means focusing on model(s) of service delivery at the provincial, district and community levels and on health centers, health outposts and community-based outreach. It means working with communities, government, NGOs and for-profit private sectors to assure and expand cost-effective service delivery to the greatest number of beneficiaries and increase community responsibility for and family knowledge of essential health behaviors and interventions.

The mission's strategic objective reflects all these imperatives. While the program will be implemented flexibly and will build on gains in knowledge, the intent is to focus on delivery of basic essential maternal and child health services and practices such as diarrheal disease prevention and treatment, maternal and child feeding, vaccination, child spacing, prenatal care and improved care during labor and delivery. These are important life saving interventions which can be delivered in rural areas, which are important to people in rural communities, and for which rural communities can take responsibility for assuring an affordable level of care.

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<sup>17</sup> World Health Organization, "Current Status of Health Services on Mozambique," January 1994, p. 5.

Enabling Mozambicans to use these services effectively requires human, institutional, financial and community resources that are currently lacking. Amassing these resources requires close collaboration and coordination with our development partners, focusing at the provincial level on a finite set of focus areas and providing assistance at the national level, in some cases, to ensure that the most effective service delivery systems, essential supplies, personnel or management systems are in place at the provincial or district levels.

The Mission has identified three provinces where it plans to concentrate its assistance: Gaza, Niassa and Zambezia. While these are the provinces where the government has asked for USAID health assistance, they also require different service delivery models to assure efficient, cost-effective health care to their populations. In addition, they are provinces that generally receive less assistance from other donors. Together, they include approximately one-third of Mozambique's population. They are diverse in need and (see following table) provide an important opportunity to both save lives and develop approaches that can be shared and used elsewhere in the country.

1993 Health Data  
(000)

	National		Niassa		Zambezia		Gaza	
BCG	426.3	66%	21.0	7%	70.2	56%	28.2	55%
DPT/3rd dose	293.2	49%	9.7	32%	38.3	33%	22.9	48%
MCH Visits:								
Pre-natal	462.3	57%	26.1	67%	59.5	56%	38.2	60%
0-11 mos	595.7	92%	21.7	68%	16.7	13%	37.3	73%
0-4 years	1016.4	36%	29.9	22%	233.1	43%	60.6	27%
Pop est.	15,583		366.4		722.8		823.8	
(WB)	16,222							
No. Doctors	406		7		12		12	
No. MCH tech. workers	730		32		70		98	
No. Level 1 health units	863		79		144		45	
% dirt roads	76%		95%		77%		74%	
% access to well water	18.5%		7.5%		5.1%		45%	

Sources: National Planning Commission and World Bank

Reaching this strategic objective will require increasing the supply of quality MCH/FP services; improving family and individual knowledge of key health practices; increasing community involvement in and responsibility for their own health care; and strengthening provincial management of MCH/FP service delivery.

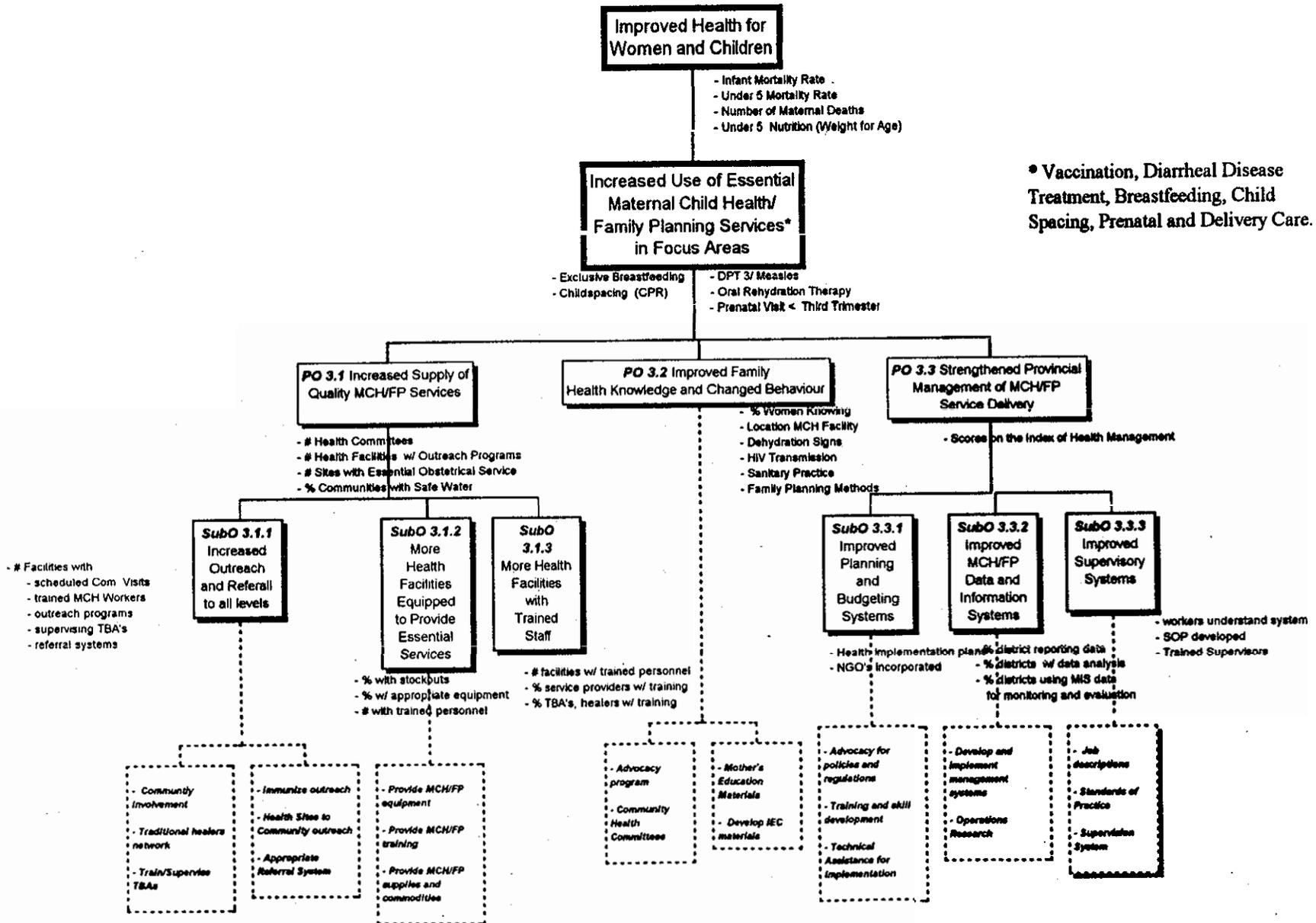
# Health Sector Objective Tree

Sub-Goal

Strategic Objective

Program Outcomes

Illustrative Activities



**1. Program Outcome 3.1 Increased Supply of Quality MCH/FP Services**

Poor access to health services is the overriding constraint within the health sector. This has two important dimensions: the number and location of facilities and the quality of services offered at facilities. USAID/Maputo will focus on increasing and improving the communities' role and responsibilities in the delivery of quality MCH/FP services while still assisting the GRM in devising new approaches to service delivery which require community participation and involvement. The program may assist in facility rehabilitation (to the extent that this is not being provided by other donors or the GRM) and service improvement directly, but only as part of a broad-based community approach that maximizes nongovernment inputs. The Mission's assistance will also include helping communities develop water and sanitation facilities, strong outreach programs, and a referral system that maximizes the use of all health resources in the province for MCH/FP.

**a. Sub-Program Outcome 3.1.1 Increased Outreach to Communities and Improved Referral at All Levels**

It will take a number of peaceful, stable years for the health system to repair itself to where it was 15 years ago. To achieve basic MCH/FP health coverage during these years, an aggressive outreach program to communities is essential. To the extent that outreach has occurred and gaps in health delivery were filled during the civil disruption and purposeful destruction of health facilities, was by nongovernmental organizations (NGOs and PVOs). This will continue to be the case for some time, and, as the health system becomes reestablished, it is anticipated that nongovernmental entities will continue to play an important role in the delivery of health services, particularly primary and preventive care.

The Mission's health program will support the development of a strong outreach program in the focus provinces through

- supporting NGOs (which already are one of the stronger partners in delivery of health services);
- supporting selected communities in defining their needs and resources for a community-based outreach program;
- supporting social marketing activities where possible;
- training TBAs, traditional healers and other community-based health providers; and
- supporting outreach from fixed facilities, regardless of which delivery system provides the facility, for IEC and immunization programs.

Because most births are at home, it is essential that the entire adult population develop an awareness of proper nutrition, avoidance of harmful practices, recognition of complications, and where and how to access services in the case of actual complications. Information from other countries indicates that husbands, mothers, and mothers-in-law may be more influential in the decision to seek professional care when needed than a TBA.

The Mission will also support the development of functional referral systems in the focus provinces to achieve the best use of existing facilities, ranging from home and community efforts to mobile service providers (e.g., TBAs and traditional healers) to health centers, clinics, and hospitals. Even though district hospital resources are scarce, they are frequently overused by clients whose needs should be treated at lower levels in the system.

The design of referral systems will be consistent with the severe transportation and mobility constraints of both health providers and clients. Neither the donors, the

government, NGOS, other private sector providers, or communities are likely to have sufficient resources to provide patient transport in the near or medium term. Operations research can support exploration into alternative designs for establishing acceptable referral systems. Because sustainability and cost are important issues and families have few resources, care will be taken to develop systems that have the potential for long-term sustainability as the country recovers and the economy grows.

**b. Sub-Program Outcome 3.1.2 More Health Facilities Equipped to Provide Essential Services**

Although, it is not a major element of the strategy, the Mission's program will help ensure that basic MCH/FP equipment is available at key health delivery sites within the focus provinces. In general, this will mean ensuring that the MOH or other donors are providing such things as essential drug kits and storage cabinets or areas for securing supplies and equipment. While the Mission's program will also help support the development of functional logistics and informational systems within the focus provinces for the management of MCH/FP supplies/commodities, a basic concern of the strategy is to help the MOH establish such logistic information management systems on a national level. The intent is to improve information for management of and guidance for the rational use of scarce resources. To specifically improve services focused on maternal mortality, the Program will carefully target selected health centers, district hospitals and mid-level providers with physical upgrading of the lamps/flashlights, providing basic supplies such as suture materials, antibiotics, sedatives and oxcitocis, and training in life-saving skills).

**c. Program Sub-Outcome 3.1.3 More Health Facilities with Trained Staff**

The only staff in as many as 40% of the health facilities may be cleaning personnel or servants without any health or medical training. Health personnel were specifically targeted during the war and many were killed, fled to the cities or left the country.

Getting personnel out to rural sites where physical security and basic amenities are lacking will require special incentives, training and support systems. While there are training facilities at both the national and provincial level, these too have suffered. USAID/Maputo will assist with the development of appropriate standards of practice; the training of government and nongovernment providers and supervisors in the focus provinces, to ensure that they can use the appropriate standards of practice; and the provision of manuals and other supporting materials.

**2. Program Outcome 3.2 Improved Family Health Knowledge and Changed Behavior**

With health resources so scarce, it is essential that families and communities themselves take appropriate actions to improve their environment, practice preventive health care, and provide, both within the home and at health facilities, basic curative health care.

Most disease is prevented, identified, and managed in the home. Therefore, improving the knowledge, access, practices, and resources of the family and especially mothers to prevent and manage health is the single most cost-effective component of health care systems. There are two parallel aspects to this approach. One is to increase the capacity in the home to prevent and manage disease. The other is to enable the mother to recognize diseases that are beyond the competency of home care and seek assistance, as opposed to accepting and tolerating these diseases as beyond intervention. Well-informed and organized communities can assist in educating and supporting parents to access health assistance, beyond the home.

Through the service delivery model that is appropriate for each of the three provinces, USAID/Maputo will support a range of informational, educational, communication (IEC) and outreach activities to strengthen and motivate appropriate community and home

health behavior and to change inappropriate behavior by educating communities. This IEC will be provided through clinic-based outreach programs that support community education and training and motivating mothers in appropriate preventive health and prenatal care. Of particular concern will be proper nutrition during pregnancy, use of traditional birth attendants (TBAs) or other trained persons during delivery, exclusive breastfeeding for the first six months of an infant's life, both prevention and recognition of diarrhea and malaria and how to deliver appropriate home treatment, and, importantly, recognize when to seek more professional health care. The need for childhood immunizations must be a key message recognized by communities and home health care providers.

An essential corollary of this Program Outcome is that health assistance outside of the home is actually available. The Mission's program provides for this through training of TBAs, outreach activities, increasing the capacity of local health facilities, and supporting immunization programs, as discussed below.

### 3. Project Outcome 3.3 Strengthened Provincial Management of MCH/FP Service Delivery

Improved management skills and capacity in all of the vehicles for delivering health care services are essential, especially as Mozambique moves through the transition from operating with emergency aid to reestablishing its own systems to respond to the health needs of its population. The resources are so meager and the needs so great, yet basic, that the Mission is focusing its program on areas large enough to have national impact but still close to service delivery. The preventive and basic curative delivery system from home to district hospital is the focus of the Mission's program. Currently, coordination of the various health care providers and management of MOH resources for most district activities is taking place primarily at the provincial level. Over time the coordination between health care providers, including communities, is expected to devolve to the district level.

By the end of the strategy period, the Mission expects improved coordination of programs, resources, and personnel at the provincial level and in selected districts within the three provinces. This coordination will include an effective consultation and coordination process with communities in selected districts in planning, budgeting, delivery of commodities, training of health care providers at fixed facilities, and training of home health care providers.

#### a. Program Sub-Outcome 3.3.1 Improved Planning and Budgeting Systems

The Mission Program will support training for provincial and district leaders in planning, including taking into account services and resources provided by nongovernment providers, budgeting and the use of information for problem identification and solving. In each of the focus provinces, USAID/Maputo will continue to support the multidonor activities to strengthen primary health care decentralization, rehabilitate the provincial network of health services and training institutions and improve provincial management through the development and use of Provincial Management Plans.

Through its existing Primary Health Care Support Project (656-0226) and support to NGOs (through the existing PVO Support Project, 656-0217), USAID/Maputo is already a participant in the provincial planning process initiated by UNICEF working with the MOH and assisted by the Swiss Development Cooperation, DANIDA and Save the Children-U.K. The Mission will help emphasize practical work-with-what-we-have plans in which objectives and targets are set, worked for, and reported. An important part of these exercises will be the involvement of the full NGO sector, to assist the government in perceiving the NGOs (and, as it emerges, the private sector) as part of the total health delivery system. This will help the government realistically establish priorities for its health delivery efforts and plan for the inclusion of nongovernment elements. The Mission's program will also support initial exploration of cost-recovery activities (through operations research) with such things

as out-patient fees, costs for laboratory procedures, and essential drugs and other pharmaceuticals.

**b. Program Sub-Outcome 3.3.2 Improved MCH/FP Data and Information System**

The lack of good information upon which to base management decisions is probably worse in Mozambique than in any other sub-Saharan African country. Because of scarce resources now and for many years to come, it is very important to have a simple, flexible, cost-effective health information (HIS) and logistics management information system (LMIS) to provide good information for managing and making the best use of resources.

The Mission's strategy is to assist with the development of a practical MCH/FP database and HIS. This system will build upon the work done in connection with provincial planning on reactivating health information systems which were in place before the war. In years two and three of the program, this information system will provide much of the data upon which the annual implementation plans are based. Along with the regularly reported information, the Mission's program will support operations research in order to answer managerial questions not answered by the regular reporting system. Information from the nongovernment organizations will gradually be incorporated into the HIS. A similar process will be followed in developing a LMIS.

USAID/Maputo will also support two national demographic and health surveys to provide a baseline for decision-making about health priorities and against which to measure results. The first survey will draw upon a UNICEF survey for 1995 to measure child health and related behaviors. The Mission will continue to work with the World Bank, other donors, the MOH, and NGOs on common approaches to setting objectives and measuring results.

**c. Program Sub-Outcome 3.3.3 Improved Supervisory Systems**

Mozambique faces severe health workforce constraints. Many of those who work within the health sector have limited training. They, as well as TBAs and community health workers, need supervision and help to carry out their responsibilities. Developing protocols, setting standards, and providing regular supervision are extremely important. More than any of its neighboring countries, Mozambique can ill afford to pay for unnecessary personnel, inappropriately use the personnel it has, or otherwise waste resources.

Thus the Mission's health program will focus on improving health worker supervision at the provincial level. This assistance will include, as needed, helping define health worker roles and standards of performance, developing doable supervisory systems and training both supervisors and more senior managers in how to use the system and the information it generates.

**E. Donor Activities**

The World Bank estimates that 100% of the development and 60% or more of the recurrent budget in health are funded by donors. As can be seen in the table following this section, many donors (and the NGOs they fund), are integrally involved in ensuring the provision of health care in Mozambique. The coordination of donors is a major challenge that the MOH earlier asked the Swiss to oversee. More recently, the World Bank has assumed an increased role in assisting the MOH with coordination through efforts at creating a sector framework for strategy, planning and coordination.

In those areas associated with the Mission's health strategy, there is a mixture of donor and significant NGO assistance, some focused nationally and some on or within specific provinces. In the area of MCH with a nationwide focus, most prominent are the

World Bank, UNICEF, USAID, DANNIDA, CIDA, and Swiss Development. The World Bank and the Swiss have been critical in the development of the sector plan and in establishing and maintaining a functional GRM/Donor Working Group. Beyond that, however, the World Bank, the sector's largest donor, is suffering from slow implementation.

Key donors in the general area of decentralization are the World Bank, Swiss Development, UNICEF and WHO. Again, the slow implementation of the World Bank projects have left the Bank in a weak leadership role. The Swiss have had the lead in framing and pushing decentralization of planning and budgeting from the central ministry level to the provincial level. USAID/Maputo's efforts began with the arrival of a technical assistance team in April 1994 and are focusing on decentralization from the provincial to district levels in three provinces. The other donors involved in this aspect of the sector are relatively minor actors.

Although most NGOs involved in service delivery to rural areas have some sort of outreach component, only two other donors have community outreach as an important element of their programs. Both the Swiss and ODA (through Save the Children/UK) have geographically focused community health strengthening programs--the Swiss in six provinces (Inhambane, Manica, Nampula, Niassa, Sofala and Zambezia) and ODA in Zambezia--achieved largely through training of workers.

Most donors' programs include facility rehabilitation, frequently for selected districts in one to six provinces. In regard to the GRM policy expostulated in the National Reconstruction Plan, no new facilities are being built--only old ones rehabilitated--by the donors (including NGOs).

Other donors active in the areas of essential drugs, EPI and contraceptives are UNICEF (largely funded by other donors), NORAD, CIDA, UNFPA, Italian Corporation, Swiss Development Corporation and MSF-Holland.<sup>18</sup> At one time the major financier of the essential drug program, Italian Cooperation has not been a major provider since 1991, at which time USAID/Maputo agreed to fill the gap for a short period. Serious financing gaps in the program continue, with UNICEF just beginning to seek other financing than USAID's. The other above-named donors are involved in supporting pharmaceuticals other than the essential drug program. Providing pharmaceuticals is not a central element for any of them. Additional support for pharmaceuticals is provided through various donors' commodity import support programs. Regardless of which mechanism is used, the supply of pharmaceuticals other than the essential drug program is irregular.

Several donors are involved in health information systems (UNICEF, WHO, Swiss Development, SCF/UK). All have modest programs, none of which has yet to be transformed into a national system. No donor is providing assistance for the development of an effective and cost-effective logistics management information system. MEDIMOC (the parastatal drug purchasing enterprise) and the MOH have a tracking system that functions tardily and questionably.

Most donors have capacity-building components in their programs (World Bank, UNICEF, WHO, ASDI, Italian Cooperation). On-the-job (OTJ) training is characteristic of all of the NGO programs, although severely delimited by districts and skill areas. Much of the donor focus is on training mid-level health workers through combinations of seminars, workshops, in-service and OTJ.

Very few donors have wholly national programs. Most focus on one or more provinces (the most common including Manica, Sofala, Cabo Delgado, Nampula, Zambezia, Niassa, and Tete), and frequently on six or fewer districts in the province. The current pattern of assistance is an artifact of the extreme insecurity of the war.

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<sup>18</sup> Ricky A. Weiss, "Donor-Funded Primary Health Care Activities in Mozambique," a USAID-funded report, March 29, 1994.

TABLE: OTHER DONOR ACTIVITIES IN THE HEALTH SECTOR

DONOR	ACTIVITIES (value in \$)	NATURE OF ACTIVITY
World Bank	Health Services Development (\$76,700,000) Institutional Development (\$16,600,000) Capacity Building (\$18,800,000)	Nationwide
UNICEF	1994-1998 Health and Nutrition Programme (\$30,200,000)	MCH/PNC, essential drugs (largely other donor financing), health education, human resource development, decentralization, strengthening PNC, nutrition, rehabilitation, health emergencies/disaster preparedness-- Nationwide
UNFPA	Support to MCH/RP national program of MOH (\$2,035,000 for 1991/94; to be extended for 3 more years for \$422,000)	
WHO	National Program (1994-95) (\$2,190,300)	Institutional development, health information system, PNC organization/strengthening, micronutrients, general program development, human resource development, strengthening of management process for national health development-- Nationwide
DANIDA/ Denmark	DANIDA (\$11,600,000) Danish Embassy (\$1,300,000)	DANIDA--strengthen national MCH/EPI program thru increasing availability of and capacity to deliver integrated MCH/EPI Danish Embassy--Water project in Tete Province, esp. Tete City and surroundings; malaria research in Maputo City; maternal assistance project in Cabo Delgado
FINNIDA	Manica Integrate Health (\$8,900,000) Sofala Water Project Nacala Urban Development Project	Strengthening management capacity and human resources in Provincial Health Directorate
NORAD	National Program Against Tuberculosis (\$7,500,000) Drugs and Medicines Import (\$3,000,000) Norwegian Nurses Association (thru an NGO) IA	5-year program 1994-99 Support of one advisor to work with MEDHOC to increase institutional capacity in planning/management

DONOR	ACTIVITIES (value in \$)	NATURE OF ACTIVITY
SIDA/ASDI	<p>ARO (Swedish NGO) (\$4,300,000) and Mozambican Red Cross (CVM) (\$1,000,000)</p> <p>Emergency Health Services (\$1,470,000)</p> <p>Project Mecufi (\$385,000)</p> <p>Primary Health Care Support (\$80,000)</p> <p>House Construction for Nurses--Phase II (\$80,000)</p> <p>Rehabilitation of Health Facilities (\$965,000-- 'til end of 1995)</p> <p>Support to Medical School in Maputo--Phase II (\$26,000); anticipate Phase III in 1995</p> <p>Health Science Institute Library (\$39,000)</p> <p>Health Services to Demobilized Soldiers and Refugees (\$495,000)</p>	<p>Nine projects (8 run by ARO) in Cabo Delgado, Nampula, Niassa, Sofala, Tete, Zambezia, and Maputo supporting: rehabilitation and refurbishment of health facilities, provision of medical supplies, training mid-level personnel; CVM participates in national AIDS program</p> <p>Health facilities rehabilitation, equipment for rehab'd facilities, on-the-job and formal training in Niassa, Cabo Delgado, Nampula, and Zambezia provinces</p> <p>Mecufi District of Cabo Delgado for health center construction (material support)</p> <p>Reconstruction of health facilities, budgetary support in several districts of Cabo Delgado</p> <p>Finance provision of material for construction in Beira; third phase anticipated in 1995</p> <p>Finance provision of materials and transportation for facilities in several districts of Sofala</p> <p>Finance support to medical students to complete their internships in provinces Finance cooperation between medical schools (Maputo and Stockholm)</p> <p>Budgetary support to Institute of Health Sciences (Maputo City)</p> <p>Medical assistance in northern provinces</p>
The Netherlands	<p>Three projects ending in Dec. 1994: Cholera, Maintenance, Salaries (\$722,000)</p> <p>Integrated Rural Development Project (\$1,260,000)</p>	<p>Combatting cholera in Niassa, Cabo Delgado and Nampula Provinces</p> <p>Financing maintenance in Maputo</p> <p>Finance salaries of medical personnel in Central Hospital and provincial hospitals</p> <p>Improve PHC delivery and implementation in Nampula Province; increase availability of medicines in district and provincial hospitals</p>
Canada/CIDA	<p>Oral Health Care Project</p> <p>Social Sector Support 1995-96</p> <p>Pharmaceutical Support (Can\$9,000,000)</p>	<p>Nationwide</p> <p>Nationwide</p>

DONOR	ACTIVITIES (value in \$)	NATURE OF ACTIVITY
Italy	<p>(\$24,900,000) for package of health interventions</p> <p>Project (\$2,700,000)</p> <p>Mental Health Project (\$1,480,000)</p> <p>DISVI (NGO) (\$1,300,000)</p> <p>Progetto Sviluppo (NGO) (\$3,450,000)</p> <p>COSV (NGO) (\$3,000,000)</p> <p>CUAMM (NGO) (\$1,180,000)</p> <p>MOLISV (NGO) (\$2,200,000)</p> <p>Progetto Sud (NGO) (485,000)</p> <p>Instituto Superior de Saude (NGO) (\$3,700,000)</p>	<p>Prior to USAID financing the EDP, Italian Cooperation financed \$5.6 million; remainder of funding was used for rehabilitation of health posts and rural hospitals in Sofala province, construction of a training center in Cabo Delgado, training technical and mid-level personnel, and strengthening management capacity</p> <p>Training Technical health workers, institutional strengthening, budgetary support to training institutes in Maputo City, Beira, Quelimane, Pemba</p> <p>Training mental health workers, providing TA to MOH Community Health Department, rehabilitating community health infrastructure--Nationwide, although it appears that assistance is only being provided in Maputo</p> <p>Socio-health project in 2 districts in Manica</p> <p>Health facilities rehabilitation, training mid-level personnel (OTJ), budgetary support to the Institute of Health Services in Quelimane, Zambezia</p> <p>Construction of a training center for health workers and provision of TA in the training in Pemba, Cabo Delgado</p> <p>Rehabilitation of health facilities, OTJ training and TA to health workers in those facilities in 5 districts in Sofala</p> <p>Budgetary support to the Dept. of Environmental Health in Maputo at the MOH Central level</p> <p>Rehabilitation of Quelimane Hospital</p> <p>Study and implementation of a methodology for the Maintenance Center for MOH, institutional</p> <p>strengthening and supplies in Maputo City (MOH-Mavalane area), Beira and Nampula City</p>
Swiss Development	<p>Recurrent Cost Support</p> <p>Institutional Strengthening</p> <p>Community Health Workers Training</p> <p>Salary Support</p> <p>(\$3,700,000)</p>	<p>Rehabilitation and construction of training centers; community health activities (nationwide); institutional strengthening and integration of provincial directorates, with donors, for integrated planning and management and decentralization from MOH to provinces; institutional strengthening in the area of pharmaceuticals and community health in Inhambane, Manica, Nampula, Niassa, Sofala, and Zambezia</p>
French Cooperation	<p>AIDS (\$300,000)</p> <p>Cabo Delgado TA (\$50,000)</p> <p>Community Infrastructure</p>	<p>Support HIV testing--Nationwide</p> <p>Rehabilitation of health clinics and posts in Cabo Delgado, Zambezia and Nampula provinces</p>
African Development Bank	<p>Health Support (UA7,790,000)</p>	<p>Rehabilitate and upgrade health infrastructure and train related (MOH) health staff along Beira Corridor</p>

DONOR	ACTIVITIES (value in \$)	NATURE OF ACTIVITY
European Union	Funding MSF-Belgium, France, Netherlands, and Spain Handicap International (\$1,420,000 plus)  AIDS (\$1,000,000)	Prosthesis support in Cabo Delgado (\$200,000), Niassa (\$120,000), Inhambane (\$800,000) and Maputo; rehabilitate physio-therapy wards in Namputa and Cabo Delgado (\$300,000) IEC Support to national AIDS program
Spanish Cooperation	Thru MSF-Spain and Medicos Mundi   Cabo Delgado Integrated Health Project (\$1,500,000)	Rehabilitate one health post and provide health education in one district in Zambezia and provide MCH to another district in same province; TA to Maputo Central Hospital; reconstruction, refurbishment, and training of health personnel and health facilities of Maputo Province; Health education, training and TA
USAID	Primary Health Care Support Project (\$29,500,000)  Prosthetics Project (\$5,530,000) ICRC (\$1,025,000) HI (\$885,000) HVO (\$883,200) SCF (\$1,242,800)	Increase availability of essential drugs and contraceptives, planning, management, training, institutional strengthening, capacity building in Gaza, Niassa and Zambezia provinces, and policy studies Production and fitting of prosthetic devices, improve management and quality of orthopedic cases, training, and increase access to rehabilitation services for war-disabled
ODA	Ophthalmology (\$340,000)	Rebuild ophthalmological area in Tete Hospital, salaries of an ophthalmologist and an ophthalmological nurse
Action Internationale contre la faim (AICF)	USAID-funded integrated health, water and sanitation (\$1,130,000)	Rehabilitation of health facilities and implementation of a MCH nutrition program in Sofala
Africare	Water and Sanitation (\$2,450,000)	Waste and sanitation in peri-urban area of Beira and Chibabava district in Sofala, health post rehab in Chibabava, community mobilization and health education in the same areas, limited commodities
CARE	Machaze Water (\$1,100,000)	Related to provision of potable water in drought affected Machaze district, Manica; rehab health facilities, nutrition, food security, health education
MCDI	Water and Sanitation (\$1,200,000)	Water and Sanitation in the periphery of Cuamba, Niassa related to returnees

DONOR	ACTIVITIES (value in \$)	NATURE OF ACTIVITY
Save the Children (US) (SCF-US)	Gaza Health (\$2,800,000)  Prosthetics (1,241,800)	Support community development, child survival, MCH/EPI, supplementary feeding, health facilities rehabilitation, community mobilization for creation of Health and Agricultural Committees, empowerment of communities in Kai-Kai and Bilene districts in Gaza Hostel rehabilitation, services support
Lutheran World Federation (LWF)	Health (\$3,600,000)	Rehabilitation of health posts in Inhambane, Sofala, and Tete Provinces
Food for the Hungry International (FHI)	Sofala (\$1,500,000)	Rehabilitate health facilities in 4 districts in Sofala Province, MCH
Handicap International (HI)	See European Union above USAID-funded Prosthetics Project (\$885,000)	Prosthetics rehabilitation of health facilities, prosthetics, orthotics, training, management, TA
OXFAM (UK)		Rehabilitation of Health Training Center in Lichinga, Niassa; training of community health workers in Cabo Delgado Province
SCF (UK)	Zambezia (\$877,000)  (\$525,000)	Institutional strengthening (MOH), training mid-level personnel (Zambezia), and food security/nutrition (Zambezia) Two advisors in Provincial Directorate of Health (one in Community Health Unit and other in planning/statistics/health information systems), training of mid-level health workers and TBAs
Mozambican Health Committee	USAID-funded (\$2,040,000)	Strengthen community organization and provincial health services capacity to plan and deliver PHC, develop alternative replicable low-cost MCH strategies, training of TBAs--Manica Province

## F. Summary

It is clear that the resources for health in Mozambique are now and for the next ten to fifteen years will be very sparse. Yet the health needs of the population, and in particular of mothers and children, are equal to or greater than those of the populations in neighboring countries. It is clear that the population of Mozambique requires better health as one condition to being a more productive population, but the challenge for significantly improving health is enormous. Sustainability and cost are important issues in Mozambique where families have few resources, and care will be taken and communities involved in the process to develop delivery systems with the potential for long-term sustainability as the country recovers and the economy grows.

It is estimated by the MOH and the World Bank that, as rehabilitation of the health system proceeds, the demands on the system will increase dramatically. Even with increased government resources going to health, a continuing heavy demand will be placed on donor/creditor assistance. Thus it is imperative that sustainable, cost-effective alternative models to the "State does it all" model be tested and implemented. It is equally important that these alternative models be integrated into and coordinated within an overall framework for the health sector. This objective will be central to USAID/Maputo's assistance program.

The Mission's Health Program responds to this challenge by focusing on service delivery models that can most cost-effectively provide sustainable primary and preventive health care to mothers and children in the selected three provinces. This provides an area of focus that is both manageable and of national significance. "Significance" comes from the size of the population included; the breadth of the health systems, yet their relevance for service delivery; and the potential for sharing learning from the program with other significant components (other provinces) of Mozambique's health delivery system.

The Mission's health strategy is to marshal all resources from home and community to the NGOs and static health facilities and to assist with services that are important and doable. In coordination with other donors, the Mission's Health Strategy will support the purchase and management of basic equipment and MCH/FP supplies. The Mission anticipates that it might take the lead with a) developing alternative ways to involve communities in health care delivery; b) particular interventions like diarrheal disease prevention and treatment, child spacing including breastfeeding promotion, and/or maternal care; c) particular systems like commodity logistics or supervision; or d) particular activities like applied research to test, for example, the effectiveness of alternative community-based approaches. The MOH will be strengthened at the provincial and district levels to plan and make use of all health resources including the nongovernment sector. To facilitate this process and assist Mozambique's provincial and district leadership the program will provide training and the development and integration of the necessary information systems.

Clearly Mozambique needs to ensure close donor and government coordination. However, when it comes to developing a whole provincial system to deliver basic MCH/FP, as proposed in this strategy, none of the donors has USAID's broad focus and technical and practical experience. One of the significant contributions of the Mission's Health Strategy will be a comprehensive approach to basic MCH/FP health care that knits together communities, government, donor, NGOs and, when possible, private sector resources. This is the direction that the health system must move, and an area in which USAID/Maputo can play a leading role.

## IV. Indicators and Results

### A. Sub-goal: Improved Health for Women and Children

#### 1. Indicators

1. Infant Mortality Rate
2. Under Five Child Mortality Rate
3. Under Five Child Nutrition Status (Weight/Age)
4. Number of Maternal Deaths

While it may be possible to get some limited sense of trends from the deaths reported at facilities, for the first two indicators only national surveys or census can provide the basis for estimating rates and changes in levels. Population-based, high-quality data from which to develop the preceding indicators will only be collected for the focus provinces at the beginning of the Health Program and approximately five years into program implementation. **One of the procedures to be used in the interim, when assessing progress towards program outcomes, is to conduct smaller sample surveys. These will provide interim indicators as to whether or not the program is on track for achieving the particular program outcome.**

The Mission anticipates that the Demographic Health Survey (DHS) will oversample in selected areas and that annual samples will be redrawn from these areas and short surveys conducted. These will provide interim population-based indicators for program assessments until the more comprehensive and representative, but complex and expensive, DHS can be conducted.

For a few of the objectives in the Mission's health strategy, "proxy" indicators will be used during the interim. These will not necessarily be population-based or representative, but are considered useful approximations.

● **2. Source of Indicators**

- 1, 2, 3 Demographic and Health Surveys (one for baseline and another five years later)

**B. Strategic Objective 3: Increased Use of Essential Maternal and Child Health/Family Services in Focus Areas**

**1. Indicators**

1. Percentage Children Receiving DPT3 Immunization  
 2. Percentage Children Receiving ORT Most Recent Episode Diarrhea  
 3. Percentage Women in Focus Areas Receiving at Least One Antenatal Check at Health Facilities Before Third Trimester  
 4. Modern Method Contraceptive Prevalence Rate  
 5. Percentage Mothers Breastfeeding Exclusively First Six Months of Infant's Life

In refining its monitoring, evaluation and reporting (MER) system, the Mission will also consider the following alternative indicators:

- Percentage pregnant women/births in focus areas receiving assistance with delivery/attended by trained provider
- Proportion of mothers practicing exclusive breast feeding for the first six months
- Proportion of mothers practicing correct oral rehydration therapy (ORT)
- Proportion of mothers correctly recognizing and treating malaria

**2. Source of Indicators**

- 1,2,3,4 Demographic and Health Surveys (one for baseline and another five years later)

**a. Proxy Indicators**

Since two different DHS will be conducted approximately five years apart (the first providing base-line measurements and the second assessing what changes have taken place), it is necessary to identify proxy indicators that can be used during the interim.

1. For CPR, couple years of protection (CYP) will be used

2. For vaccination coverage, the number of vaccinations for each appropriate age group will be used
3. For proportion of women in focus areas receiving antenatal checks, the numbers of women receiving antenatal checks will be used
4. For proportion of pregnant women receiving assistance with delivery, the numbers of women receiving assistance reported by all outreach and stationary health workers will be used

**b. Source for Proxy Indicators**

- 1 The CYP will be based on the total modern contraceptives provided through government and non government health delivery in the focus provinces, i.e., data will come from NGO reports and service information.
- 2,3,4 The source for the three other proxy indicators will also come from basic service statistics provided from NGOs and the provincial data/information system

**C. Program Outcome 3.1: Increased Supply of Quality MCH/FP Services**

**a. Indicators**

1. Number of Communities with Health Committees
2. Number of Health Facilities Meeting Basic Quality Standards
3. Proportion of Health Facilities with Outreach Programs
4. Number of Health Sites Offering Essential Obstetrical Services
5. Percentage Communities with Safe Water

**b. Sources of Indicators**

- 1,2, from project reports
- 3,4 from MOH, NGO records

1. **Sub-Program Outcome 3.1.1: Increased Outreach to Communities and Improved Referral at All Levels**

**a. Indicators**

Outreach

1. Number of health delivery facilities with outreach programs
2. Increased number of person days spent in outreach activities
3. Increased number of births assisted by traditional birth attendants (TBAs) or other persons trained in providing assistance with delivery.

Referral

1. Existence of a functional system, including both government and non-government service provision, for making referrals from community-based providers of health services to provincial hospitals
2. Number of clients that are being appropriately referred and are attending the next level within the referral system

**b. Source of Indicators**

Outreach

- 1,2 Situational Analyses (includes review of site records and observations)
- 1,2 NGO reports, technical assistance reports
- 3 Community (home) sample surveys (interim indicator)
- 3 Demographic and Health Surveys (one for baseline and another five years later)

Referral

1,2 Situational Analyses (includes review of site records, observations, and interviews with staff and clients) NOTE: It will be necessary to include samples of community-based services, as well as more conventional clinics, but this can be easily incorporated into a situational analysis.

3 Situational Analyses (includes review of site records, observations, and staff and client-exit interviews)

**c. Activities**

Outreach

- Develop Models of Community Involvement in Outreach
- Develop Traditional Healers Network (concentrate on herbalists)
- Train Traditional Birth Attendants in Basic Prenatal Care, Delivery, and, to the extent appropriate, Basic MCH/FP
- Immunization Days (outreach) at Health Posts, Health Centers, and in Communities
- Develop Health Sites to Communities outreach networks

Referral

- Develop appropriate (what works best) referral system
  - Resolve appropriate communication and transportation linkages for the referral system
  - Determine whether chit system, penalty charges for "jumping the queue" in the referral system, are necessary, etc.
  - Link NGOs as part of the referral system

2. **Sub-Program Outcome 3.1.2: More Health Facilities Equipped to Provide Essential Services**

**a. Indicators**

1. Number of facilities with appropriate equipment for providing basic MCH/FP services
2. Number of facilities with monthly stock outs of supplies and commodities for providing basic MCH/FP services
3. Number of facilities with personnel trained to provide quality MCH/FP services

**b. Source of Indicators**

- 1,2,3 Situational Analyses (includes review of site records, observations, and interviews with staff and clients)  
 1,2,3 NGO and contractor reports

**c. Activities**

- Provide basic MCH/FP equipment to appropriate health centers and health posts
- Provide basic MCH/FP training to all appropriate cadres of health workers
- Provide supplies and commodities

3. **Sub-Program Outcome 3.1.3: More Health Facilities with Trained Staff**

**a. Indicators**

1. Number of facilities with personnel trained to provide quality MCH/FP services
2. Percentage of service providers with training/retraining meeting MOH guidelines
3. Percentage of active traditional birth attendants, healers, and community workers with training/retraining

**b. Source of Indicators**

1,2,3 MOH and NGO health facilities' records

**c. Activities**

- Development of standards of practice (SOP)
- Training health care providers and their supervisors in use of SOPs
- Development/provision of manuals

**4. Program Outcome 3.2: Improved Family Health Knowledge and Changed Behavior**

**a. Indicators**

1. Percentage who know where MCH/FP Services Can Be obtained
2. Percentage who know the signs of dehydration
3. Percentage who know how HIV/AIDS is transmitted
4. Percentage who know at least \_\_\_ family planning methods
5. Percentage who know key sanitary practice
6. Proportion of pregnant women in focus areas attending health facilities for pre-natal checks and counseling
7. Proportion of mothers in focus areas bringing their under-five children for checks and treatment

High-quality data on which to base the preceding indicators will only be collected for the focus provinces at the beginning of the program and approximately five years into program implementation. For the interim, small sample surveys will be used to provide information as to whether the program is on track for achieving the Sub-Program Outcome.

**b. Source of Indicators**

- 1 - 5 Demographic and Health Surveys (one for baseline and another five years later)
- 1 - 5 Community (home) sample surveys will provide interim indicators with the DHS confirming the interim measurements
- 6,7 Demographic and Health Surveys (one for baseline and another five years later)
- 6,7 Community (home) sample surveys will provide interim indicators with the DHS confirming the interim measurements

**c. Activities**

- Advocacy program at district and community levels
- Establish community health committees and community health workers with advisory and education roles
- Initiate district and community mothers education program, including mobile outreach activities
- Develop IEC materials - includes drama, songs, puppeteers, etc., for community-level education

**5. Program Outcome 3.3: Strengthened Provincial Management of MCH/FP Service Delivery**

**a. Indicators**

1. Scores on the Index of Health Management.

**b. Source of Indicators**

- 1 At the beginning of project activities, MOH at provincial and district levels, NGOs, USAID project implementation staff, USAID, and possibly other donor representatives in the focus provinces will participate in

a workshop to develop a practical index for assessing overall management of health delivery activities.

The workshop and the ensuing index (targeted to contain no more than 15 principal indicators) will serve as a focusing activity for developing shared responsibility, and will be used by all participants as a guide and assessment tool. At the same time the index scores of the index become a measurement of the PO 2.3 indicator.

**6. Sub-Program Outcome 3.3.1: Improved Planning and Budgeting Systems**

**a. Indicators**

1. Annual provincial and district health implementation plans are developed that include MCH/FP for each of the focus provinces
2. The annual implementation plans incorporate activities of the nongovernment providers of health services.

**b. Source of Indicators**

- 1,2 Reports and documents provided by the project(s) designed by USAID to implement activities

**c. Activities**

- Develop advocacy activities to ensure that policies and regulations associated with the delivery of MCH/FP services are understood and supported at the provincial level
- Provide training and skill development - decentralization, finance, management, management information systems, supervision, planning, etc.
- Provide Technical Assistance to assist in setting up and implementing management systems

**7. Sub-Program Outcome 3.3.2: Improved MCH/FP Data and Information System**

**a. Indicators**

1. Information provided by the provincial MCH/FP data and information system is regularly used in reports and planning
2. Operational research is used to provide guidance in the planning process

**b. Source for Indicators**

- 1,2 Reports and documents provided by the project(s) designed by USAID to implement activities

**c. Activities**

- Provide Technical Assistance in developing and implementing an appropriate management information system, including logistics system for commodities and supplies
- Provide Training and Technical Assistance in designing and implementing Operations Research and using the results in management and program decisions

**8. Sub-Program Outcome 3.3.3: Improved Supervisory Systems**

**a. Indicators**

1. Within the health system the job descriptions for the person above and below is understood by each person in the system, as well as his/her own job description.
2. Standards of Practice (SOP) for MCH/FP are developed, taught, and distributed to all service providers in each focus province

3. An operational functional supervision system is in place and implemented from provincial headquarters to community-based service delivery.

**b. Source of Indicators**

- 1,3 Situational Analysis - expanded to ensure data for above indicators are collected
- 2 Reports and documents provided by the project(s) designed by USAID to implement activities

**c. Activities**

- Provide TA in developing, writing, publishing and disseminating job descriptions for all cadres in the health system
- Develop MCH/FP Standards of Practice (SOP) and publish and disseminate them in focus provinces
- Develop and implement a functional supervision system

# *ANNEX IV*

## ANNEX 4

## Monitoring and Evaluation Reporting Forms

## Country Program Strategic Plan - Rural Household Income Strategic Objective

Performance Indicators	Data Sources	Baseline			Actual	Performance Targets				
		Year	Unit	Value	1995	1995	1996	1997	1998	1999
<b>Strategic Objective: Increased rural household income in targeted areas</b>										
<b>Performance Indicators:</b> 1. Percent increase in average rural household income - female-headed households - male-headed households - Both male- and female-headed households 2. Off-farm income as a percent of total household income	Household surveys									
<b>Program Outcome No. 1: Increased access to markets</b>										
<b>Performance Indicators:</b> 1. Percent increase in volume of marketed goods 2. Percent decrease in transportation costs: - cost per ton/km - cost per passenger/km	DNEP, MOA, surveys									
<b>Program Outcome No. 2: Expansion of rural enterprises</b>										
<b>Performance Indicators:</b> 1. Increase in the number of small and micro enterprises 2. Percent increase in the value of small and micro enterprises: - investment - sales	Surveys, CIP monitoring									
<b>Program Outcome No. 3: Increased agricultural outputs</b>										



## Country Program Strategic Plan - Democracy/Governance Strategic Objective

Performance Indicators	Data Sources	Baseline			Actual	Performance Targets				
		Year	Unit	Value	1995	1995	1996	1997	1998	1999
<b>Strategic Objective: <i>Government More Accountable to Citizens</i></b>										
<b>Performance Indicators:</b> 1. Citizen perceptions of influence on government policies and actions - at the national level - at the district level	Focus group research and site monitoring	1996								
<b>Program Outcome No. 1: <i>Role of Government in Social Sectors and in Economic Management Publicly Debated</i></b>										
<b>Performance Indicators:</b> 1. Working groups studying the role of government convene 2. Working groups agree to action plans for aligning government's role with government's resources and Mozambique's needs	GRM GRM									
<b>Program Outcome No. 2: <i>Sustained Informed Public Debate on Public Policy</i></b>										
<b>Performance Indicators:</b> Increased citizen awareness and understanding of budget and land allocation issues, including alternative opinions -- deputies in national and district assemblies -- educated professionals -- illiterate urban and rural population	focus group research and site monitoring	1996								
<b>Sub-Program Outcome No. 2.1: <i>Increased Transparency of the Budget Process and Land Allocation Process</i></b>										
<b>Performance Indicators:</b> 1. Number of months before beginning of new fiscal year national budget available for public review. 2. Number of months after the end of the fiscal year expenditure report on the budget made public. 3. Clear procedures announced and implemented for land use allocations. 4. Active public debate nation-wide on land policy and on any proposed changes to land law regulations or to constitutional provisions affecting land ownership or use rights.	Bureau of Public Information Bureau of Public Information Boletim da Republica Independent media		months months	-3 -3	-3					2 6
<b>Sub-Program Outcome No. 2.2: <i>Improved Independent Analysis of Government Policies</i></b>										

Performance Indicators	Data Sources	Baseline		Performance Targets						
		Year	Unit	Value	Actual 1995	1995	1996	1997	1998	1999
<b>Sub-Program Outcome No. 2.3: Broadened Exchange of Information, Analyses and Opinions</b>										
<b>Performance Indicators:</b> 1. Quality and timeliness of analysis available to decision makers, especially National Assembly deputies 2. Extent of non-governmental involvement in open policy debates	Survey of National Assembly deputies Independent media									
<b>Performance Indicators:</b> 1. Number of people in Nampula and Zambezia Provinces reached by independent information sources, by type of source, gender disaggregated -- radio -- small press -- national press -- alternative sources 2. Number and variety of information sources consulted by: -- National Assembly and municipal assembly deputies -- citizens in Nampula and Zambezia Provinces	Survey of information sources Survey and/or focus group research									
<b>Program Outcome No. 3: More Sustainable Electoral Process</b>										
<b>Performance Indicators:</b> Free and fair municipal and national elections take place	National Electoral Commission									
<b>Sub-Program Outcome No. 3.1: More Capable and Representative Political Parties</b>										

Performance Indicators	Data Sources	Baseline			Actual	Performance Targets				
		Year	Unit	Value	1995	1995	1996	1997	1998	1999
<b>Performance Indicators:</b> 1. Number of parties winning over 5% of the popular vote - of national vote for presidential and National Assembly elections - of municipal vote in municipalities holding elections in Zambezia and Nampula Provinces  2. Average number of political party poll watchers per voting table  3. Number of political parties able to formulate a platform	National Electoral Commission  National Electoral Commission  National Electoral Commission  Political parties; media						3			5
<b>Sub-Program Outcome No. 3.3: STAE More Capable of Sustaining Administration of Elections</b>										
<b>Performance Indicators:</b> 1. Cost of elections per registered voter (based on official budgets)  2. Percent of professional/skilled staff that are expatriate - nationally - in Zambezia and in Nampula	National Electoral Commission  STAE	1994  1994	U.S. Dollars  percent	\$10						
<b>Sub-Program Outcome No. 3.3: More Effective Mozambican NGO Voter Education Programs</b>										
<b>Performance Indicators:</b> 1. Number of people reached by Mozambican NGO voter education programs funded by USAID - by location - by gender  2. Percent of invalid ballots - spoiled (null) - blank	Participating NGOs  National Electoral Commission									
<b>Program Outcome No. 4: Government Decentralized in Selected Districts</b>										



Country Program Strategic Plan - Maternal and Child Health Strategic Objective

Performance Indicators		Data Sources	Year	Unit	Value	1995	1996	1997	1998	1999
			Baseline					Actual		
Performance Targets										
Sub-Goal: Improved health for women and children										
Performance Indicators:		1. Maternal mortality	Baseline and demographic endline surveys							
		2. Infant mortality								
		3. Under-five mortality								
		4. Under-five nutrition status, weight-for-age								
Strategic Objective: Increased use of essential maternal and child health and family planning services in focus areas										
Performance Indicators:		1. Percent of children receiving DPT3 immunization	Baseline (year 1) and endline (year 5) demographic and health surveys							
		2. Percent of children receiving ORT in most recent diarrhea episode								
		3. Percent of women receiving at least one antenatal check at health facility before third trimester								
		4. Prevalence rate of modern-method contraceptive use								
		5. Percent of mothers breastfeeding exclusively during first six months of infant's life								
Program Outcome No. 1: Increased supply of quality MCH/FP services										
Performance Indicators:		1. Number of communities with health committees	MOH and NGO health facilities' records, project reports							
		2. Number of health facilities meeting basic quality standards								
		3. Percent of health facilities with active outreach programs								
		4. Number of health sites offering essential obstetrical services								
		5. Percent of communities with safe water								
Sub-Program (Outcome No. 1.1): Increased outreach to communities and improved referral at all levels										

Performance Indicators	Data Sources	Baseline			Actual	Performance Targets				
		Year	Unit	Value	1995	1995	1996	1997	1998	1999
<b>Performance Indicators:</b> 1. Number of health delivery facilities with outreach programs 2. Number of service provider person-days spent in outreach activities 3. Number of births assisted by traditional birth attendants (TBAs) or other persons trained to provide assistance with delivery 4. Percent of facilities with established and functioning procedures for referrals to/from community based providers and provincial hospitals 5. Number of clients appropriately referred and attending next-level health service facility	MOH and NGO health facilities' records and reports  Baseline/endline DHS and household surveys MOH and NGO facilities' records, observations, interviews									
<b>Sub-Program Outcome No. 1.2: <i>More health facilities equipped to provide essential services</i></b>										
<b>Performance Indicators:</b> 1. Number of facilities with appropriate equipment for providing basic MCH/FP services 2. Number of facilities with monthly stock-outs of supplies and commodities for providing basic MCH/FP services	MOH and NGO health facilities' records, observations, interviews									
<b>Sub-Program Outcome No. 1.3: <i>More health facilities with trained staff</i></b>										
<b>Performance Indicators:</b> 1. Number of facilities with personnel trained to provide quality MCH/FP services 2. Percent of service providers with training/retraining meeting MOH guidelines 3. Percent of active traditional birth attendants, healers, and community health workers with training/retraining	MOH and NGO health facilities' records, interviews									
<b>Program Outcome No. 2: <i>Improved family health knowledge and changed behavior</i></b>										

Performance Indicators	Data Sources	Baseline			Actual	Performance Targets				
		Year	Unit	Value	1995	1995	1996	1997	1998	1999
<b>Performance Indicators:</b> 1. Percent of households who know where MCH/FP services can be obtained 2. Percent who know the signs of dehydration 3. Percent who know how HIV/AIDS is transmitted 4. Percent who know at least two modern family planning method 5. Percent of households using key sanitation practices 2. Percent of households using safe water sources 3. Maternal and child vaccination coverage rates 4. Percent of women using antenatal services and trained birth attendants 5. Percent of mothers using FP services	Baseline/endline DHS and household surveys									
<b>Program Outcome No. 3: Strengthened provincial management of MCH/FP service delivery</b>										
<b>Performance Indicators:</b> 1. Regular, effective coordination between provincial health authorities and service providers in rural facilities and communities 2. Regular, effective, two-way consultation between community health committees and provincial/district health authorities 3. Scores on an "Index of Health Management"	MOH plans, health facilities' records, NGO reports and evaluations, observations and interviews									
<b>Sub-Program Outcome No. 3.1: Improved planning and budgeting systems</b>										
<b>Performance Indicators:</b> 1. Number of annual provincial and district health implementation plans developed that include MCH/FP 2. Number of provincial and district annual implementation plans incorporating activities of the nongovernment providers of health services.	MOH provincial plans, other donor reports/evaluations, NGO reports, interviews									
<b>Sub-Program Outcome No. 3.2: Improved MCH/FP data and information system</b>										
<b>Performance Indicators:</b> 1. Data from provincial-level MCH/FP health information system (HIS) and logistics management information system (LMIS) are regularly used in reports and planning 2. Operational research results are used to provide guidance in provincial and district planning process	MOH provincial plans and reports, other donor reports/evaluations, NGO reports, project reports, interviews									
<b>Sub-Program Outcome No. 3.3: Improved supervisory systems</b>										

206



# *ANNEX V*

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