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ASSESSMENT OF
PROGRAM IMPACT

MOZAMBIQUE

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ASSESSMENT OF PROGRAM IMPACT

I. Special Factors Affecting the USAID Program

Mozambique continues to engage in an intensive, complex process of political and economic liberalization. The past six months have witnessed the drafting of a new constitution intended to take Mozambique from a single party state to a multiparty democracy. Constitutional reform has run parallel, moreover, with tentative steps toward peace. The evolution of both political and security conditions directly affects the USAID Program.

A. Constitutional Reform

Preparation of the new draft constitution has in itself proved an important step toward democratic participation. Public debates have been held in workplaces and rural areas throughout the country. Although there has been widespread skepticism concerning the Government's commitment to democratization, criticism has been freely expressed and published in the press. The constitutional process has culminated in a protracted special session of the People's Assembly, Mozambique's highest legislative body. The Assembly's deliberations have not been fully public, but the extent of self-criticism and debate carried in the press would have been inconceivable two years ago.

The substantive changes which the new constitution heralds are generally positive. It provides for multiparty elections and freedom of the press, encourages decentralization of government, and drops the previous constitution's Marxist rhetoric. Although not explicitly part of the constitution, the debates have evidenced growing appreciation for the role which an indigenous nongovernmental sector can play in Mozambique's development. FRELIMO is now allowing indigenous NGOs to emerge outside of party structures to help stimulate community initiative and participation.

The constitutional process has also demonstrated the inevitable tensions between the move toward a market economy and the bureaucratic inertia which stems from 15 years of centralized economic planning. A clear and simple statement in the original draft constitution which recognized and guaranteed private property, for example, has been dropped. Article 37 of the final version retains a commitment to a market economy as the impetus for development, but it is not clear how it is to be reconciled with Article 45 which declares that the State will promote and coordinate economic activity in order to solve the fundamental problems of the people. In another case, the final version drops the draft constitution's provisions for private ownership of land, reverts to the status quo of state ownership, and precludes the creation of land markets.

Overall, one expects that increased political liberty and public participation in the processes of governance will reinforce the free and open participation required in a market economy. The new constitution, even with its faults, clearly reflects a recognition of past failures. Yet the debates have also demonstrated considerable apprehension about where Mozambique is heading. With the disruption and devastation of war, it is hard for Mozambicans to envisage how competitive markets can emerge and generate growth. Given pervasive market failures, the instinct for state intervention is understandable and not incorrect. But formulation of an appropriate regulatory role for government has proved elusive. Nor is it clear that the administrative capacity exists to successfully implement theoretically justifiable state interventions.

In terms of our own strategic objectives, confusion over the appropriate role for government may, most immediately, complicate resolution of tenure security issues associated with state farm divestitures. But a more fundamental question is whether there exists the technical understanding and political will needed to make the transition to a market economy. Mozambique has heretofore made steady progress on the course it has charted with the IMF and World Bank. We must now monitor progress toward the more difficult final steps where reforms at the margin must give way to a relinquishing of controls and the emergence of a market economy. At present, USAID is preparing an analytic agenda with the REDSO political economist and will keep AID/W apprised of developments.

B. Security Conditions

The Government of Mozambique and RENAMO have had direct meetings to discuss preconditions for a ceasefire. The meetings, in themselves, have been encouraging in that they create some framework for negotiation. They have also demonstrated the difficulty in developing an agenda for constructive dialogue.

A key issue in the past few months has been a series of successful Government military initiatives, particularly in Sofala and Zambezia Province. RENAMO has demanded termination of these offensives and withdrawal of supporting Zimbabwean troops as a precondition for further dialogue. The Government of Mozambique has responded that negotiations should lead to agreement on ceasefires and troop withdrawals, and that these are not steps which the Government will unilaterally implement beforehand. Even if the Government and RENAMO successfully overcome this issue, it appears that the incentives to pursue a military strategy are changing for both parties and could affect progress toward peace.

For A.I.D. and other donors, the Government's offensives have presented difficult issues concerning emergency assistance. Many destitute people from newly "liberated" zones have migrated of their own accord to secure centers. It is unclear if others, who could probably feed themselves, have been required to move to these centers for security reasons or to receive food. Such population relocations have strained available food supplies. In Zambezia the number of displaced people has doubled since August. High increases have also been recorded in Tete Province.

Donors are assessing how best to respond to sudden increases in emergency assistance requirements. The topic will be on the agenda at the December Consultative Group meeting, which for the first time will cover both emergency and development assistance issues. The immediate issue for the USAID program is our inability to meet emergency food distribution targets due to new population displacements. This issue is discussed further in Section III below in relation to the Mission's strategic objective of sustaining an effective food safety net. The broader question of how to view the increased requirements, particularly whether food needs would then drop after harvest next April should these people be able to return to their fields, requires extensive additional fieldwork and analysis. USAID will report further on its findings in the coming weeks.

II. Progress Toward Overall Country Program Goals

It would be unrealistic to make a definitive statement on progress toward the Mission's program goal of promoting food security. In part, the problem of assessing progress lies with the rapid changes in the security situation noted above. The problem is compounded by a lack of baseline data and systematic updates which would allow more than an impressionistic judgment of whether things are getting better or worse. In most parts of the country, moreover, exogenously driven and unpredictable population movements make it impossible to draw causal linkages between USAID's assistance and socioeconomic conditions. Target populations are subjected to sudden, often catastrophic, shocks to their personal security and subsistence; whole districts are on the move either to escape being caught in military operations or because they are resettled in Government or RENAMO controlled areas.

Data problems extend to both the Government and donors. As noted in the Mission's CPSP, Mozambique does not have national systems in place for collecting agricultural production, household income, or even population data. The challenge facing USAID is to devise mechanisms to assess changes and impacts in a few accessible areas, while assisting the Government to improve its data collection and analytic capacity. Specific approaches to collecting data on individual benchmarks are discussed in Section III.

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On the surface, it appears little progress has been made on the Mission's first subgoal of meeting the subsistence food and basic health requirements of the absolute poor. World Vision reports high chronic malnutrition rates in two provinces where they are working (56 and 42.7 percent in August 1990), although a decline in acute malnutrition (from 11.5 percent to 3.8 percent over a 12 month period) is attributed to more regular distribution of monthly food rations. Widespread chronic malnutrition (52.9 percent) was also noted by a Ministry of Commerce/EEC survey completed in five northern provinces in 1989 (but published only in August 1990). Acute malnutrition in these provinces (as measured by growth faltering) is estimated at 10 percent compared with a mean of 15 percent (across nine provinces and Maputo City) in the first quarter of 1990 (Ministry of Health Nutrition Bulletin, 1990). Growth faltering data may underestimate the problem, however, as it is drawn from a privileged population with access to hospitals and health centers.

It is difficult to conclude what these numbers mean without comparable baseline and cross-sectional data. However, given the population movements created by the security situation, one would expect decreased access to food and therefore a fall in nutrition indicators, at least in the short term until emergency aid is forthcoming. Even then it appears unlikely that donors will increase food aid levels until the GOM can demonstrate major improvements in management and distribution capacity. Hence the questions arise: how real are the increased numbers requiring emergency food, how would the new additions to the displaced have survived if emergency food were not available, could some displaced people provide for themselves with changes in relocation policy? These are key issues that must be considered in preparation for the Consultative Group meeting.

There is only anecdotal evidence on progress toward achieving the Mission's second subgoal: increasing domestic food supplies to levels that meet domestic consumption requirements. Because Mozambique is not able to collect agricultural production data, food supply estimates are based on quantities marketed through the parastatal Agricom and on food aid imports for commercial sale. Past price incentives in fact resulted in most agricultural commodities moving through Agricom at some stage in the marketing chain. With recent price policy changes, the private sector has greater incentives to purchase and market commodities directly. The impact on commodity availability should be positive. But it has also eroded what credibility could be given to marketed production data, Mozambique's only proxy for total agricultural production.

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USAID's interviews with traders and farmers suggest that the private sector has indeed taken a more dynamic role in domestic trade. Stories abound of commodity sales from surplus areas in Nampula and Cabo Delgado to deficit areas in Zambezia and Inhambane. In discussions on utilizing local surpluses for the emergency program (see Subtarget 1-1-2), traders say they can tap significant size stocks, although not enough to reduce donated imports. Farmers and traders alike cite transport as an increasingly serious constraint as they struggle to bring commodities to market at prices which an impoverished population can afford.

Knowledge of how domestic markets function is still too thin to interpret price signals with confidence, but the limited information available raises issues for further analysis. Maize prices in some urban areas (e.g. Beira) have dropped below last year's official consumer price. This suggests that supplies have increased since maize demand is fairly inelastic and urban populations continue to increase. More confusing are sharp increases in post-harvest consumer maize prices in areas such as Nampula which had, based on field interviews, relatively good harvests. In part such increases reflect policy changes in June 1990 that eliminated indirect transport subsidies from Agricom. They may also indicate minimal competition in wholesale trade, which limits supplies to retail markets. As discussed below in Section III, extensive attention will be given to market research by Michigan State University to understand and address constraints to creating competitive rural markets.

Mozambique's national food balance sheet, by contrast, presents a growing gap (195,000 MT) of maize for commercial sale, even with food aid. The size of this shortfall (50 percent of estimated requirements), however, leads one to question its credibility. To be sure, chronic malnutrition rates in major cities are high (e.g. 33 percent in Maputo, 38 percent in Nampula), but they do not appear to be deteriorating at a rate that suggests a 50 percent shortfall. A more probable scenario is that domestic food supplies have in fact increased significantly above earlier estimates for marketed domestic production. Individual consumption levels (which are multiplied by population estimates to calculate demand) may also be overstated.

Indirectly, the large gaps in the commercial food balance sheet may be reconfirming the anecdotal evidence of increased production. From a food management perspective, USAID is confident that the handling, processing and distribution system cannot absorb higher maize imports than currently scheduled. Should nutrition indicators for urban centers remain relatively constant, one must assume that domestic production and unrecorded commercial food imports have increased.

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Commercial food needs, along with the emergency assistance topics discussed above, will require close scrutiny from the GOM and donors at the December Consultative Group meeting. From the discussions should evolve consensus to reassess the methodology behind Mozambique's food balance sheet, and to devote greater attention to collecting and analyzing agricultural production and price data.

III. Progress Toward Strategic Objectives and Related Progress Indicators

USAID seeks to establish data collection systems that will allow the Mission to complete this section of the API in a matrix format as suggested in the API guidance, with maximum reliance on quantitative indicators. Presently neither USAID, the Government nor other donors have information systems to collect compatible data on a regular and systematic basis. Two interrelated problems impede monitoring of key targets and benchmarks: (1) security of access to target areas; and (2) massive flux in population size, distribution and well-being. Initially, it will be necessary to establish data collection systems on a pilot basis in selected areas which enjoy relatively good security and with a relatively low level of population movement.

By necessity, the following discussion emphasizes systems being established to collect information on performance benchmarks. Most of the original CPSP benchmarks did not quantify baseline indicators due to data limitations. In cases where it has proved possible, USAID has modified these benchmarks to indicate current status. In other cases we have proposed new benchmarks after reassessing reliable and accessible data. Changes in benchmarks and expected levels of achievement are discussed in this section, rather than in an annex as suggested in the API guidance, to allow for a more cogent presentation of issues related to program impact assessment.

A. Strategic Objective 1: Sustain an effective food safety net for the urban poor and those displaced and severely affected by war and natural disasters.

Benchmarks:

- . National food requirements relative to total supply (domestic production plus total imports).
- . Reduce percentage of children with growth faltering, disaggregated by province and Maputo City, to below an "alarm zone" of 16-30 percent.
- . Avoid further deterioration of national infant mortality rate of 172 (UNICEF, 1988).

Inadequate food consumption is the principal cause of health and nutrition problems in Mozambique. Monitoring of Mozambique's national food balances, although not a good indicator of consumption, indicates whether food supplies could meet consumption requirements if distributional issues were addressed. Table 1 provides a food needs assessment for the 1990/91 agricultural year, utilizing a methodology agreed upon by the Government and the UN. For maize alone it indicates a shortfall of 37 percent, with an unmet requirement of over 50 percent for the commercial food system. The table suggests that food supply is a primary constraint to food consumption. As discussed above, it is also difficult to interpret the levels of shortage shown in the balance sheet. USAID will continue to maintain and update a food balance sheet as shown in Table 1. We will also raise with the Government and other donors the need to reassess the methodology behind the food needs assessment. Until there is greater confidence in the methodology, USAID believes that it would be unrealistic to establish quantitative targets to reduce unmet requirements.

USAID originally planned to monitor urban and rural rates of malnutrition, disaggregated by gender, in conjunction with total food supplies. Further investigation into collection of nutrition data, however, resulted in a decision to monitor the incidence of growth faltering in children. Donors and NGOs finance most nutrition surveys in Mozambique. These surveys are completed sporadically and are expensive and time consuming. Furthermore, it is difficult to extrapolate from the survey results beyond the survey areas. Nor are the same methodologies and standards used by all organizations.

Growth monitoring (weight for age) of children, on the other hand, is well institutionalized in the health sector, being conducted in MOH clinics throughout Mozambique. Growth monitoring is not considered an appropriate indicator for individual nutritional status or for a one-time cross-sectional assessment of community nutritional status. However, by tracking the trend in weight gain among children in a community, it can help describe that community's overall nutritional status.

Table 2 compares the percentage of children with growth faltering in the first quarters of 1989 and 1990. Should donors and the GOM be able to create an effective food safety net, the rate of growth faltering should be able to be brought below an internationally recognized alarm zone of more than 15 percent. Growth monitoring data are likely to understate malnutrition trends since they are drawn from children with access to clinics in 60 districts and Maputo City, representing a range of 2-12 percent of the total child population in those provinces. Although data are disaggregated by province, they are not disaggregated by sex or for rural, peri-urban and urban environments.

TABLE 1

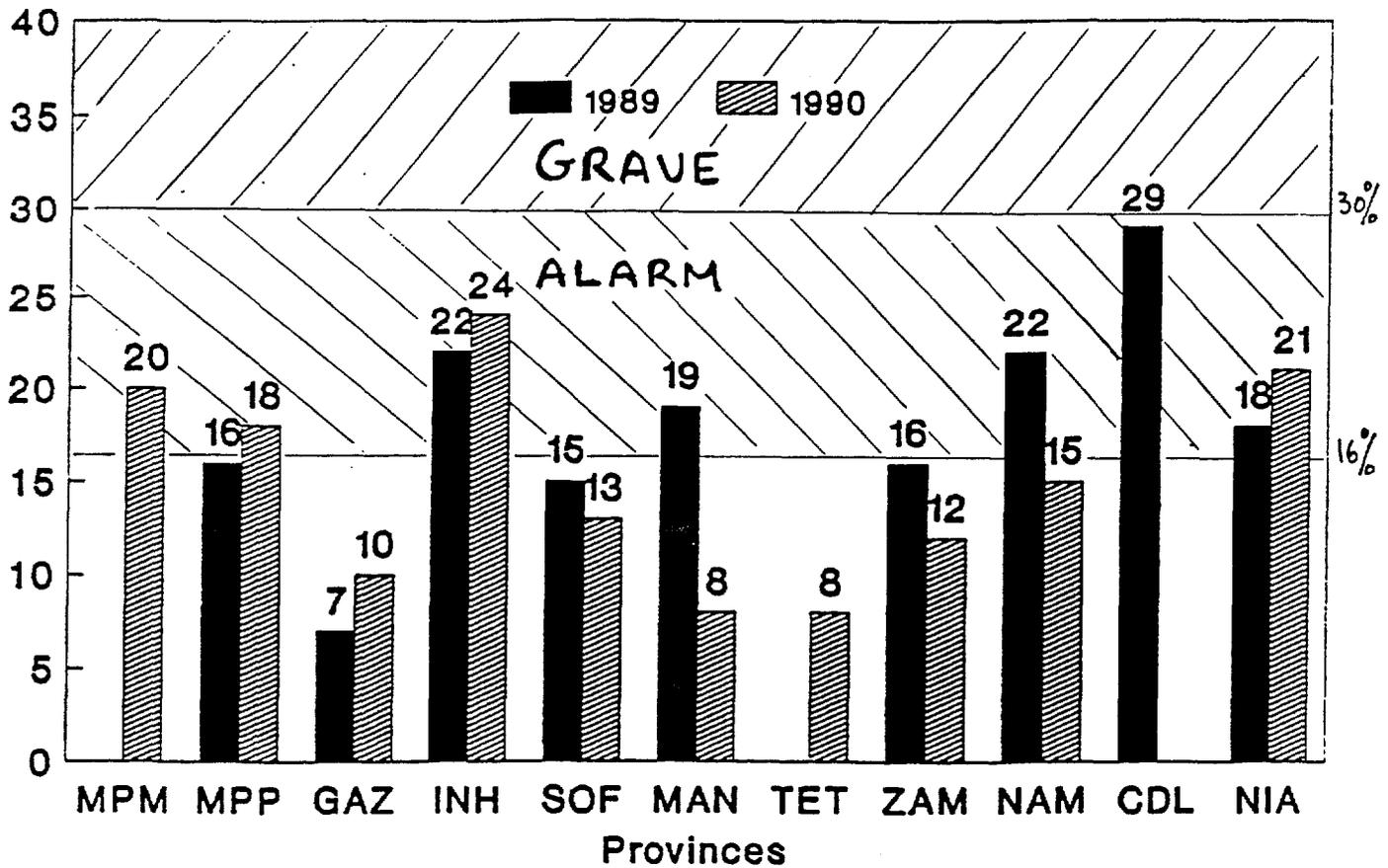
FOOD NEEDS ASSESSMENT FOR EMERGENCY AND COMMERCE
(May 1990 to April 1991 Appeal Year)

	MAIZE*	WHEAT*	RICE*	OIL	BEANS
REQUIREMENTS					
a/ Urban and peri-urban market dependent population	3,072,300	3,072,300	3,072,300	3,072,300	3,072,300
b/ Required ration (kg/year)	65.9	56.1	25.6	3.7	14.6
c/ TOTAL URBAN MARKET REQUIREMENTS MT (a*b)	202,467	172,414	78,497	11,214	44,856
d/ 80% affected market dependent population (affected=2,406,750)	1,925,402	1,925,402	1,925,402	1,925,402	1,925,402
e/ Required ration (kg/year)	77	0	0	0	0
f/ TOTAL RURAL AFFECTED MARKET REQUIREMENTS MT (d*e)	148,256	0	0	0	0
k Urban food bank dependent population	477,074	477,074	477,074	477,074	477,074
l Required ration (kg/year)	127.75	0	0	3.65	14.6
m TOTAL URBAN FOOD BANK REQUIREMENTS MT (k*l)	60,946	0	0	1,741	6,965
g/ TOTAL COMMERCIAL MARKET REQUIREMENT MT (c++m)	411,669	172,414	78,497	12,955	51,821
h/ Displaced (1,400,000) and Returnees (154,000) Emergency food	1,554,000	1,554,000	1,554,000	1,554,000	1,554,000
i/ Required ration (kg/year)	128	0	0	3.65	14.6
j/ TOTAL RURAL DISPLACED & RETURNEE FREE FOOD REQT. MT (h*i)	198,523	0	0	5,672	22,688
n TOTAL FOOD AID REQUIREMENTS MT (g+j)	610,193	172,414	78,497	18,627	74,509
TOTAL FOOD SUPPLY:					
o Projected Marketed Domestic Production	91,200	0	15,000	1,300	16,160
p Opening Stocks (May 1, 1990)	27,549	14,580	14,405	2,081	6,992
q TOTAL DOMESTIC SUPPLY (o+p)	118,749	14,580	29,405	3,381	23,152
r Estimated Commercial Imports	0	0	0	0	0
s TOTAL FOOD SUPPLY (q+r)	118,749	14,580	29,405	3,381	23,152
t TOTAL FOOD DEFICIT (n-s)	491,444	157,834	49,092	15,246	51,357
u Closing Stock Requirements for Commercial Sales (2 months)	68,612	28,736	13,083	2,159	8,637
v TOTAL FOOD AID REQUIREMENT (t+u)	560,055	186,569	62,175	17,406	59,994
w Total 1989-90 pledges (as of July 31, 90) not yet arrived	83,458	25,150	0	8,793	7,639
x Total 1990-91 commercial & emergency pledges (aa+af)	332,368	114,000	46,990	9,903	15,807
y Unmet Food Aid Needs (were all pledges to arrive by April 91)	144,229	47,419	15,185	(1,290)	36,548
z SUB-TOTAL FOOD AID REQUIREMENT FOR COMMERCE	361,532	186,569	62,175	11,733	37,306
aa Summary of Pledges (Oct 1, 90) for Commerce (incl food bank)*	166,180	114,000	46,990	4,866	4,000
ab Change in pledges since August 15, 90	1,260	9,000	(10,667)	(284)	(480)
ac Unmet Commercial market needs	195,352	72,569	15,185	6,867	33,306
ad Percent unmet commercial market needs	54.03%	38.90%	24.42%	58.53%	89.28%
ae U.S. Pledges	140,000	10,000	5,000	0	0
af SUB-TOTAL FOOD AID REQUIREMENT FOR EMERGENCY FREE FOOD	198,523	0	0	5,672	22,688
ag Summary of Pledges (Oct 1, 90) for Emergency Distribution*	166,188	0	0	5,037	11,807
ah Change in pledges since Aug 15, 90	23,500	0	0	400	1,000
ai Unmet Emergency food needs	32,335	0	0	635	10,881
aj Percent unmet emergency food needs	16.29%	0	0	11.20%	47.96%
ak U.S. Pledges	65,454	0	0	2,016	5,991

*Excludes 1989-90 delayed pledges

Sources: July 31, 1990 "Food Aid Pledges and Shipments" (MinCom)
December 1989 "Food Security Bulletin" (MinCom)
Response to Mozambique Emergency Appeal", Aug 15 90 (UN)
Response to Mozambique Emergency Appeal", Oct 1 90 (UN)

Table 2
 % of Children with Growth Faltering
 1st Quarter 1989 and 1st Quarter 1990



USAID, for information purposes, will also monitor infant mortality as reported by UNICEF, but little operational value can be assigned to this indicator. Obtaining mortality information is nearly impossible in Mozambique because of the absence of any vital registration of births and deaths. UNICEF's estimates of infant mortality, generally considered the most "informed" in Mozambique, are extrapolated from the 1980 census and adjusted to reflect findings from selected mortality studies conducted since then. The latest estimate, calculated in 1988, is 172/1,000 live births. Infant mortality is not disaggregated by sex or geographic locale.

Target 1-1: Meet 30 percent of the annual emergency food needs of those displaced and severely affected by war or natural disasters.

Benchmarks:

- . Free food distribution requirements relative to donor pledges.
- . Stability of supply in the emergency food aid pipeline.
- . Percentage of designated beneficiaries in PVO target areas who receive full rations 100 percent of the time.

As indicated in Table 1, emergency food aid pledges as of October 1, 1990 totaled approximately 183,000 MT out of a 227,000 MT requirement, leaving a shortfall of about 20 percent. USAID's pledge of 73,461 MT is equal to 40 percent of the donor pledges to date and to 32 percent of stated requirements.

For reasons outlined above in Section II, USAID expects emergency food requirements to be revised significantly upwards as the numbers of displaced people increase rapidly, especially in Zambezia province. At current estimated consumption levels, sufficient supplies of maize, beans and oil should be available in all provinces through at least January 1991, and in most cases later. The GOM's Department for the Prevention and Control of Natural Calamities (DPCCN) updates its supply reports weekly and makes them available to donors. The most immediate issue confronting donors is how to respond to the likely increase in emergency food requirements. USAID and other donors are deeply involved in analyzing the emergency food situation; we will report the findings to AID/W in preparation for the December CG.

One impact of the increase of displaced persons is that, given current food supplies, very few people will receive full rations. In the northern part of Inhambane Province, ADRA delivered commodities as scheduled but the number of beneficiaries designated to receive food increased by over 60 percent. In Zambezia, PVOs do not presently have records on percentages receiving full rations, but with the recently reported 100 percent increase in displaced persons, it is unlikely that any beneficiaries received full rations 100 percent of the time. USAID will continue to monitor performance on this benchmark because it provides useful information on nutritional status, but exogenous factors can strongly impede progress.

Subtarget 1-1-1: Improve logistical capacity and efficiency as well as accountability for emergency food aid programs.

Benchmarks:

- . Emergency food transport contracted to the private sector increased from 10,000 MT in 1988 to 75,000 MT in 1992.
- . Percentage of unsigned waybills for commodity deliveries from ports to district warehouses and distribution centers reduced from 60 percent in 1989 to 5 percent in 1992.

The original benchmark for contracts with private transporters by 1992 was 20,000 MT. The GOM has recognized the need to utilize private transporters to maximize transport capacity, and has acted rapidly. CARE reports that commodities transported by private companies reached 27,000 MT in 1989 and are projected at 40,000 MT for 1990. Current statistics, however, include some parastatal and mixed (i.e. government/private) companies; USAID is working with CARE to separate these out.

CARE also reports major improvement in the past six months in the receipt of signed waybills in DPCCN's dispatch office. The original CPSP benchmark anticipated that CARE and DPCCN could reduce unsigned waybills to no less than 40 percent by 1992. The GOM and CARE report that, recently, this figure has been reduced to 1 percent. In part this reflects a reduction of commodity movements in recent months, but also suggests that basic management systems are in place and that progress has been made in implementing them. CARE cannot, however, confirm the validity of the signed waybills, and end-use monitoring — must be expanded before this can become a valid program indicator. At present, only the management tools can be said to be in place to improve monitoring. Other benchmarks will need to be established to address the integrity of the management system.

Subtarget 1-1-2: Increase amounts of locally produced food purchased and utilized for emergency distribution.

Benchmarks:

- . Increased percentage of domestically produced food used for free food distribution.
- . Increase in local currency budgeted (or generated in PVO programs) and expended for domestic food purchases for emergency distribution.

In June 1990 USAID and the GOM signed a PL480 Section 206 agreement which included a self-help measure to develop a strategy to purchase local food surpluses for distribution in the emergency program. The Food Security Department in the Ministry of Commerce has completed a draft of this strategy, and the GOM intends to present it as part of its food security strategy at the December Consultative Group meeting. The strategy would incorporate a local purchase program into the GOM budget and allocate counterpart generations for this purpose.

Some NGOs (non-U.S.) have already experimented with local purchase programs, some using hard currency, others using EEC counterpart funds. Information from these pilot programs is being incorporated into the GOM strategy in order to develop a program that will, to the extent possible, replicate normal market functions.

Target 1-2: Meet 40 percent of the maize requirements (about 25 percent of total food needs) for the market dependent population.

Benchmarks:

- . Total maize supply from all sources (food aid, domestic production, and commercial imports) relative to national market requirements.
- . Stability of yellow maize supply in the Maputo and Beira ration systems and in other urban centers.
- . Decreased percentage of household income required to meet household food needs in lower income groups in Maputo.

As discussed above and illustrated in Table 1, USAID is presently analyzing the implications of the 50 percent shortfall for the commercial food system. This analysis and discussions at the CG should lead to a more realistic methodology for developing a food balance sheet for Mozambique. Current food pledges will ensure adequate maize supplies in Maputo and Beira through July 1991. The United States has pledged to supply in 1990/91 about 39 percent of commercial maize requirements. This is equal to about 85 percent of pledges to date to provide maize.

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The question of the share of household income required to meet household food needs in Maputo is of increasing concern as inflation has outstripped wage increases. Conservatively assuming a per capita daily consumption level of 1,700 calories and an average household size of 5.5 people, a minimum diet in Maputo would cost between 43,000 and 68,000 Meticaais/month, depending on access to the ration system. Presently, the minimum wage in Maputo (considered to apply to most unskilled and semi-skilled workers) is 26,000 Mt/month. This suggests most households must spend the major share of their income on food, and that several household members must engage in some form of income-generating activity. USAID continues to monitor weekly parallel market prices in order to estimate the probable cost range for a minimum diet. In early 1991 the GOM's Department of Statistics will begin a series of household surveys that will give further insights into household income and food security. USAID has provided technical assistance in formulating the food security component of the surveys.

Subtarget 1-2-1: Streamline ration system operations and increase its focus on providing commodities to the urban poor.

Benchmarks:

- . Removal of white maize from the ration system and liberalization of its consumer price.
- . Completion and implementation of an action plan to restructure the food safety net system to increase its focus on the poor, reduce subsidies to upper income groups, and simplify administration.

In compliance with the PL480 Section 206 agreement signed in June 1990, the GOM liberalized the consumer price of white maize later that month and removed it from the ration system. Also as part of this Section 206 agreement, the GOM agreed to evaluate, in collaboration with USAID, its food safety net policies. In September 1990 a team from Cornell University helped the Ministry of Commerce and USAID complete this assessment, and made recommendations to merge the GOM's income transfer and food safety net programs into a self-targeting subsidy program limited to maize. The second benchmark above has been revised to reflect Cornell's preliminary recommendations that deemphasize reform of the ration system and focus on developing a complementary set of safety net policies. USAID received Cornell's draft report in late October; the team will return to Mozambique to review findings with senior GOM officials in November. USAID is preparing a more detailed report for AID/W.

Subtarget 1-2-2: Increase private sector participation in food imports.

Benchmarks:

- . Authorization of the private sector to import food.
- . 100 percent private importation of USAID-financed vegetable oil for commercial sale.
- . Initiate private importation of USAID-financed maize for commercial sale.
- . Reduction in real terms of subsidy levels to parastatals involved in food imports and processing.

Extensive progress has been made in increasing the private sector's role in commercial food imports. On October 30, 1990 the GOM established a secondary foreign exchange market in which the exchange rate is determined by supply and demand. With the new secondary market, the GOM has allowed the private sector to use foreign exchange for food imports.

In the June 1990 Section 206 agreement the GOM and USAID agreed to analyze the potential for private sector imports of edible oil. USAID provided technical assistance through the Agricultural Cooperative Development Institute. A proposal is currently under consideration for private imports of edible oil that would also lead to deregulation of wholesale and retail trade for edible oil and a liberalization of its price.

USAID has also taken preliminary steps toward private maize imports for commercial sale. The June 1990 Section 206 Agreement eliminated IMBEC's (an import/export parastatal) exclusive control over maize imports and consigned all maize intended for milling directly to the mills. Unfortunately, all the maize mills are also state-owned, but this has cut out an unnecessary intermediary that received commissions simply for receiving imports. USAID is examining how to build on this new opening in import policy to incorporate the private sector into its commercial food aid program.

USAID has not been able to obtain statistics on subsidies broken down to the level of parastatals involved in food imports and processing. However, USAID and the Government have agreed to undertake a systems analysis of physical and financial management of food imports. This study will identify types of direct and indirect subsidies given to parastatals importing and processing food, and will provide a basis for specific policy reforms. Proposals have been requested and received to undertake the systems analysis; it should be completed in February 1991.

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B. Strategic Objective 2: Reduce, among target population groups, dependence on external food aid to meet subsistence requirements.

Benchmarks:

- . Increased reliance on local production and markets rather than emergency food aid to meet food requirements.
- . Reduction in growth faltering rates.

The main mechanism for meeting this objective, and the targets and subtargets under it, is the PVO Support Project, which provides funding to PVOs which are undertaking projects designed to facilitate a transition from dependence on external assistance to some form of rehabilitation and self-provisioning. Five PVOs are currently being funded to undertake programs encompassing preventive health care, agricultural recovery, provision of water and sanitation and community development in five provinces. At present, almost no information is available with regard to the success of meeting these benchmarks, as the PVO grants were only made in July and August, and, given the emergency mode under which most PVOs were previously operating, they are only now beginning to work on designing or refining baseline data collection and progress monitoring mechanisms. Even when these are in place, the constraints to collecting accurate information are tremendous, although it should be possible to indicate general trends in specific areas.

Under the PVO Support Project, specific programmatic benchmarks which correlate with the benchmarks established for Strategic Objective 2 have been written into each grant. Funds have been included under each grant to enable PVOs to obtain technical assistance to design mechanisms to collect baseline data and measure progress towards meeting benchmarks. In addition, the Mission has hosted round table sessions with PVOs to discuss monitoring and evaluation, constraints to obtaining accurate information, data collection methodology, and impact indicators. A rural sociologist has been contracted on a short term consultancy basis to provide technical assistance to both the Mission and PVOs to establish mechanisms to better collect and analyze data. We have also bought into the Genesys project to provide assistance to PVOs to take gender issues into account when analyzing program impact. Analysis of information received from PVOs and discussion of progress towards meeting benchmarks will be a specific function of one of the PVO Support Project staff members, who should be in place early in 1991.

Target 2-1: Increase rural employment, production capacity and cash income among target groups.

Benchmarks:

- . Increased number of households with cash income in target areas.
- . Increased number of households with full- or part-time wage earning family members in target areas.
- . Increased total household agricultural production for own consumption or sale in target areas.

As indicated earlier, information is not yet available, as PVO projects have only just begun. However, data collected through baseline surveys to be undertaken over the next few months in PVO project areas will provide basic information against which progress towards meeting these benchmarks can be measured. At present, four PVOs are involved in agricultural recovery programs with displaced or otherwise war-affected populations, and will be able to obtain limited information with regard to crop yields and sale of produce in the areas in which they work in the future. Although no PVOs are currently receiving funds for non-agricultural income or employment generating activities, information regarding income and employment will be collected along with other data. Over the next six months two PVOs plan to undertake employment/income generating feasibility studies which will contribute more specific information in target areas.

Target 2-2: Increased coverage of preventive health care and availability of basic services among target groups.

Benchmarks:

- . Percentage increase in immunization coverage.
- . Percentage increase in number of women able to use ORT.
- . Higher ratio of latrines and/or clean water per number of families.

Currently, two PVOs funded under the project are supporting the Ministry of Health's immunization program and are including ORT information in preventive health activities being implemented among target communities in three provinces, while three PVO programs have water and sanitation components. Baseline information on these and other indicators is currently being collected among target populations, and although health delivery and education programs are already underway, no accurate information is as yet available to assess progress towards meeting these benchmarks.

C. Strategic Objective 3: Establish a policy environment conducive to private agricultural production and marketing.

Benchmarks:

- . Increased share of marketed output channeled through private traders and transporters.
- . Increased marketing of both food and cash crops.

As previously noted, no data collection mechanisms exist for private trade. The only available current and historical marketing data are based on actual purchases made by the parastatal marketing agency and are per se unreliable. Nonetheless, these data have been used in the past as indicators of both levels and trends of marketed production, since it was assumed that overwhelming disincentives to any sizeable private marketing transactions existed under the former pricing and marketing controls. In Mozambique's liberalizing policy environment, as the volume of agricultural marketing increases, and as an increasing share of the marketing occurs entirely through private agents, the utility of these data as an indication (much less a measure) of marketed production will cease. Therefore, to measure progress toward and achievement of the benchmarks, USAID will work on several fronts.

Data reported by the parastatal marketing agency will continue to be monitored. Table 3 shows the monitoring format, providing two comparison years: 1986/87, the year before the economic rehabilitation program began; and 1988/89, the year before the policy reform agenda under the Private Sector Support Program (656-0208) began. Volumes marketed by the parastatal are expected to remain stable or decrease over the next few years; taken together with other data as described below, such changes would indicate a decreasing parastatal role in agricultural marketing.

In the context of the research program just beginning by Michigan State University and the Ministry of Agriculture, systematic production and marketing data will be obtained over time, in a few key agricultural districts and markets, from both small-scale producers and traders. While these data will be geographically limited and unlikely to permit extrapolation, they will provide indications of changes in actual volumes and market shares handled by private agents. Table 4 shows a tentative monitoring format; this is subject to revision as the baseline is established during initial field work in late 1990.

Table 3

Quantities Marketed Through Agricom

(Metric Tons)

Commodity	Harvest Year	Cabo Delgado	Nampula	Zambezia	Niassa	Tete	Manica	Sofala	Inhambane	Gaza	Maputo	Total
Maize	1987	7,769	7,366	582	1,858	268	6,105	806	322	1,726	529	27,331
	1989	18,363	17,600	6,630	6,427	4,007	15,769	1,651	1,188	1,358	6,774	79,767
	Prev 1990	20,000	20,000	9,500	6,500	7,000	18,000	2,000	1,200	2,000	5,000	91,200
Rice	1987	258	3,099	372	9		1	121	9	27,000	718	31,587
	1989	420	4,000	2,660	348		23	280	2	12,868	1,726	22,327
	Prev 1990	600	4,500	3,000	250			300	10	12,500	1,800	22,960
Sorghum	1987	272	195	11	6	1	22	5				512
	1989	1,614	800	105	39	197	69	123				2,947
	Prev 1990	1,300	900	100	20	150	100	150				2,720
Cassava (Dry)	1987	1,637	4,971	345	113		100		104			7,270
	1989	420	4,100	1,500	76	45						6,141
	Prev 1990	4,500	8,000	2,000	200	50						14,750
Beans	1987	1,588	6,141	80	1,129	12	17	3	33	151	51	9,205
	1989	4,335	7,000	655	1,764	733	60	2	13	307	10	14,879
	Prev 1990	4,500	7,500	1,000	1,650	800	80		30	500	100	16,160
Groundnuts	1987	150	1,961	1		1			13		4	2,130
	1989	10	2,050								1	2,061
	Prev 1990	365	2,400								10	2,775
Sunflower	1987	65	833		35		124	5				1,062
	1989	19	1,100	8	87		252	1	177			1,644
	Prev 1990	50	1,200		100		300		200			1,850
Copra	1987			23,919					1,614			25,533
	1989	2,971	30,500	2,015				74	2,300	4,170	48	42,078
	Prev 1990	500	20,000	2,000				50	3,000	2,500	50	28,100
Cashew	1987	742	23400	1141				297	5170	6480	305	37,535
	1989											
	Prev 1990											

SOURCE: Various AGRICOM Reports

Table 4
Marketing of Agricultural Products in Selected Districts

District	Info Source*	Period	Product	Quantity Sold To:		Quantity Bought From:	
				Private Agent	Agricom	Private Agent	Agricom
-----	-----	-----	-----	-----	-----	-----	-----

*Sources: (1) MSU/Min. Ag. collaborative research
(2) USAID site visits and interviews

To monitor impact of policy reforms on agriculture, USAID conducts regularly repeated site visits to selected small to medium scale commercial farms. These interviews include inter alia questions on volumes marketed by crop and by buyer. Marketing data gathered through these interviews, while also geographically limited, will provide a complement and a cross-check to the MSU data, and also will be reported in Table 4.

Impressionistic or "snapshot" information on changes in marketing volumes or patterns will be gathered during field trips in areas of the country not covered by the monitoring efforts described above. This information will be obtained through interviews with farmers, traders, transporters, and local officials of the parastatal marketing agency, and will permit USAID to explore the extent to which we can reasonably generalize from the site-specific monitoring data. Such data will be consolidated in trip reports and cables (when relevant) to AID/W. USAID will review such evidence and incorporate it as appropriate into the annual API.

Target 3-1: Increase the role of the market in determining producer prices.

Note: The benchmarks for this target have been revised to be consistent with the updated policy reform agenda described in the July 1990 PAAD Amendment No. 2 to the Private Sector Support Program (656-0208). The discussion of price policy reforms appears on pages 32-37 of that document.

Benchmarks:

- . For cash crops, producer floor prices adjusted regularly to maintain border parity base.
- . White maize and rice moved to parity-based producer floor price system, and thereafter floor prices adjusted regularly to maintain parity base.
- . For beans, parity-based producer floor prices adjusted regularly.

New prices and related policy changes are normally announced each September, in time for farmers to take prices into account as they make planting decisions for the following agricultural cycle. However, the 1990 announcement has not yet been made, reportedly due to indecision on new prices and policies for rice and cashew. This year there was a separate announcement in June on maize price policy changes, which moved domestically produced (white) maize to a producer floor price system and lifted all other price controls on this commodity, responding to both the consumer price benchmark referred to in Subtarget 1-2-1 above and this producer price benchmark.

USAID is gathering the information to complete Table 5, which will describe changes in pricing policy for key agricultural crops since 1987, the year Mozambique's Economic Rehabilitation Program was introduced under IMF-IBRD supervision. This table will be updated as additional policy changes are announced, thereby summarizing pricing policy reform progress over time.

Documenting the extent to which changes in actual marketing practice follow the policy changes will be more problematic. Table 6 shows a format for describing, based on field visits and interviews, the contrast between official price policy and actual practice for key crops in various provinces. The information available for the 1990 marketing cycle is sketchy, so the table for this year is blank. A complete Table 6 will be presented in subsequent years, as comparisons of policy and practice for all the crops monitored will be prepared during the 1990/91 agricultural year and again in 1991/92.

Target 3-2: Allow market incentives and local entrepreneurial initiative to play a more dynamic role in domestic agricultural trade.

Note: Benchmarks for this target have been revised to be consistent with the updated policy reform agenda described in the July 1990 PAAD Amendment No. 2 to the Private Sector Support Program (656-0208) (see discussion, pages 29-42). A key concern in revising these benchmarks was the need to develop a reform package that minimizes administrative demands on government and allows the market to set prices and determine production and marketing incentives. The revised benchmarks represent a less administratively burdensome approach to market liberalization than that presented in the CPSP.

Benchmarks:

- . Rescindment of regulatory restrictions on interdistrict and interprovincial movement of agricultural commodities.
- . Opening of district wholesaling opportunities to any licensed trader desiring to compete.

Tables will be prepared (similar to those done for Target 3-1) to summarize policy reform announcements and to compare the changes in policy with changes in actual practice.

D. Strategic Objective 4: Increase the role of the market in allocating productive resources to private producers.

Benchmarks:

- . Number of state farms and total hectareage divested to private commercial and family farmers.
- . Reduction of real subsidies and credit to state farms.
- . Increased private sector share of "free" foreign exchange allocations.

Table 5

AGRICULTURAL PRICING POLICY REFORM IN MOZAMBIQUE

Crops	(Month) 1987	(Month) 1988	(Month) 1989	(Month) 1990
Maize				
Rice				
Beans				
Groundnuts				
Sunflower				
Cotton				
Cashew				

Comparison of Pricing Policy and Practices
for Key Crops by Province
(1990)

Table 6

Crops	Cabo Delgado	Nampua	Zambezia	Niassa	Tete	Manica	Sofala	Inhambane	Gaza	Maputo
Maize										
Rice										
Beans										
Groundnuts										
Sunflower										
Cashew										
Cotton										

For the reasons cited in Maputo cable 1336, dated April 17, 1990 (paragraphs 16-18), information on the status of restructurings and divestitures of state farms has been impossible to obtain. Table 7 lists the 109 state agricultural enterprises (including state farms but also a range of other ag-related activities) included in the Ministry of Agriculture's 1988 draft "Action Plan." That document brought together information prepared by provincial authorities, but in 61 cases out of the 109 did not even include information on hectarage. We know from subsequent Ministry reports that all or parts of some of these enterprises have been or are being divested in various ways, but again with no indication of the size in hectares of the areas no longer under state operation. Beginning in November 1990 and continuing in 1991 and 1992, in the context of the planned assistance from the Land Tenure Center and also through interviews and field trips, USAID will acquire the information to fill in Table 7, thereby documenting progress on this benchmark.

USAID has been unable to obtain hard data on progress in meeting IMF-negotiated targets for reductions in subsidies and credit to state and parastatal entities, although there is no question that many parastatal operations have been closed or restructured, reportedly because these resources have dried up. (See below, Target 4-2.)

A variety of sources indicate that donor balance of payments support resources in 1990 are being increasingly channeled away from the public sector and toward the private sector. Data are not yet organized in a manner that permits verification of these indications, but our discussions with donor community representatives suggest that they believe that increased private sector access to import support programs and the like is increasing. For example, donors have asked USAID how we are able to move our CIP through private sector channels and have stated that they would like to move in this direction. In addition, the establishment of the SNAAD (see below) has been a success in terms of providing the private sector with access to foreign exchange, in that 90 percent of the enterprises using the SNAAD are private sector firms.

Target 4-1: Promote the divestiture of state farms to private commercial and family farmers.

Note: Benchmarks for this target have been revised to be consistent with the updated policy reform agenda described in the July 1990 PAAD Amendment No. 2 to the Private Sector Support Program (656-0208).

Table 7 Summary

Progress on Restructuring/Divestiture of State Agricultural Enterprises

	September 1988	October 1990	Remarks
Number of enterprises	109	90	
Hectares (known)	326510	473947	
Number of enterprises of unknown hectarage (% of total)	61 (56%)	27 (30%)	
Number of employees (known)	52601	54085	
Number of enterprises of unknown workforce size (% of total)	53 (48%)	38 (42%)	

No.	Province	District	Enterprise Name	9/88 Ha	10/90 Ha	Remarks
1	C. Delgado	Mueda	M'Guri Agriculture	816	816	
2	C. Delgado		Chipembe Agriculture	1551		Not on 10/90 list; status unknown.
3	C. Delgado		C. Delgado Cotton	4251		Lonrho-GOM joint venture.
4	C. Delgado	Pemba	C. Delgado Timber	Unknown	Unknown	
5	C. Delgado	Pemba	C. Delgado Poultry	Unknown	Unknown	
7	Niassa	Sanga	Unango Agriculture	1411	20000	
8	Niassa	Lichinga	Luissa Ag/Livestock	368	18900	
9	Niassa	Mandimba	Mandimba Cotton	Unknown	Unknown	
10	Niassa	Cuamba	Cuamba Timber	Unknown	3600	
11	Niassa		M'Sawize Ag/Livestock	Unknown		Not on 10/90 list; status unknown.
12	Niassa	Cuamba	Cuamba Cotton	Unknown	Unknown	
13	Niassa		Lichinga Poultry	Unknown		Not on 10/90 list; status unknown.
14	Nampula		Nampula Cotton	28000		JFS-GOM joint venture (SODAN).
15	Nampula	Malema	Nampula Tobacco	50837	37404	
16	Nampula	Moma/Magovolas	Nampula Livestock	2174	19841	2761ha ag land; 17080 pasturage.
17	Nampula	Nampula City	Nampula Poultry	Unknown	0	
18	Nampula		Nampula Timber	Unknown	Unknown	
19	Nampula		Angoche Agriculture	Unknown		Not on 10/90 list; status unknown.
20	Nampula		Fruits and Vegetables	Unknown		Not on 10/90 list; status unknown.

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No.	Province	District	Enterprise Name	9/88 Ha	10/90 Ha	Remarks
21	Zambezia	Gurue/Milange	Knochha	Unknown	Unknown	
22	Zambezia	Gurue	Capel - UDAR Lioma	Unknown	5000	
23	Zambezia	(various)	Boror	25598	25600	
24	Zambezia		Zambezia Cotton	Unknown	Unknown	
25	Zambezia	Mocuba	Mocuba-Namagoa Cotton	Unknown	33400	
26	Zambezia	Nicoadala	Quelimane Livestock	150	15890	Pasture land.
27	Zambezia	Nicoadala	Licuari Agriculture	150	891	
28	Zambezia		M'Ziva Agriculture	Unknown	Unknown	
29	Zambezia	Alto Molocue	Mauela Agriculture	20000	20000	
30	Zambezia	Maganja da Costa	Nante Agriculture	700	1700	
31	Zambezia	Chinde/Marromeu	Sena Sugar (Luabo)	12000	Unknown	No hectarage shown on 10/90 list.
32	Zambezia		Chinde Livestock	Unknown		Not on 10/90 list; status unknown.
33	Tete		Angonia	Unknown		Not on 10/90 list; status unknown.
34	Tete		Gapecom	Unknown		Not on 10/90 list; status unknown.
35	Tete		Tete Cotton (Moatize + Mutara)	Unknown		Not on 10/90 list; status unknown.
36	Tete		Tete Poultry	Unknown		Not on 10/90 list; status unknown.
37	Manica	Manica	Ifloma (timber)	36078	36078	
38	Manica		Manica Timber	Unknown	Unknown	
39	Manica	Gondola	Manica Citrus	Unknown	6950	
40	Manica	Gondola	Manica Livestock	Unknown	18836	
41	Manica	Manica	Manica Dairy	Unknown	Unknown	
42	Manica	Gondola	Gondola Ag/Livestock	Unknown	Unknown	
43	Manica		Chimoio Mill	Unknown	Unknown	Not on 10/90 list; status unknown.
44	Manica		Mutambarico Ag.	Unknown	1500	
45	Manica	Manica	Manica Vineyard	61	61	
46	Manica		Fruit & Vegetables	Unknown		Not on 10/90 list; status unknown.
47	Manica	Chimoio City	Manica Mill	Unknown	0	
48	Manica		Manica Poultry	250	250	
49	Manica		Manica Tobacco	408		Not on 10/90 list; status unknown.
50	Manica	Sussundenga	Sussundenga Ag.	6000	1700	
51	Manica	Gondola	Vanduzi Agriculture	4000	4000	
52	Sofala	Buzi	Buzi Sugar	5500	5500	
53	Sofala	Dondo	Mocambique Sugar	10950	10950	
54	Sofala	Marromeu	Sena Sugar/Marromeu	15000	15000	
55	Sofala	Nhamatanda	Lamego Agriculture	3726	1011	
56	Sofala	Nhamatanda	Muda Ag/Livestock	Unknown	Unknown	
57	Sofala	Beira City	Swines & Sausages	Unknown	0	
58	Sofala	Beira City	Inemprema	Unknown	0	
59	Sofala	Beira City	Pacop	Unknown	0	
60	Sofala	Beira City	Serbeira	Unknown	0	
61	Sofala	Beira City	Beira Rice Mill	Unknown	0	
62	Sofala	Buzi/Beira	Sofala Livestock	Unknown	Unknown	
63	Sofala		Mecanica Unit	Unknown		Not on 10/90 list; status unknown.

64a	Inhambane	Homoine	Inhambane Cotton	Unknown	Unknown	
64b	Inhambane	Panda	Inhassune Rama Cotton	1820	1820	
65	Inhambane		Inhambane Timber	Unknown	Unknown	
66	Inhambane		Palmary/Fruits/Veges	5255	255	
67	Inhambane		Inhambane Livestock	Unknown		Not on 10/90 list; status unknown.
68	Inhambane	Inhambane City	Inhambane Poultry	Unknown	0	
69	Gaza	Xai-Xai	Chirrame Agriculture	30	30	
70	Gaza	Xai-Xai	Xai-Xai Livestock	700	700	
71	Gaza	Xai-Xai	Magula Agriculture	2168	2168	
72	Gaza	Chokwe	SRBL	Unknown	Unknown	
73	Gaza	Bilene	Macia Agriculture	5623	5623	
74	Gaza	Chokwe	Massavasse Ag.	Unknown	1382	
75	Gaza	Chokwe	Conhane Agriculture	Unknown	870	
76	Gaza	Chokwe	Nwachicoluane Ag.	809	809	
77	Gaza	Chokwe	Chilebene Ag.	1570	1570	
78	Gaza	Chokwe	Hokwe Agriculture	700	700	
79	Gaza	Chokwe	Mapapa Agriculture	400	400	
80	Gaza	Chokwe	Swines & Sausages	40	40	
81	Gaza	Chokwe	Chokwe Livestock	Unknown	Unknown	
82	Gaza	Chokwe	Chokwe Dairy	196	1192	
83	Gaza	Chokwe	Chokwe Rice Mill/Silos	Unknown	Unknown	
84	Gaza	Chokwe	Siremo	Unknown	Unknown	
85	Gaza	Chokwe	Gapecom	Unknown	Unknown	
86	Gaza		Gaza Cotton	Unknown	Unknown	
87	Gaza	Chibuto	Chibuto Agriculture	Unknown	Unknown	
88	Gaza		Macuacua Sawmill	Unknown		Not on 10/90 list; status unknown.
89	Maputo	Moamba	Moamba Agriculture	150	150	
90	Maputo	Magude	Magude Agriculture	200	200	
91	Maputo	Magude	Magude Ag/Livestock	100	71399	
92	Maputo	Matutuine	Catuane Ag/Livestock	60000	60000	
93	Maputo	Matutuine	Salamanga Ag.	4000	4000	
94	Maputo	Matola/Boane	Matola Dairy	554	554	
95	Maputo	Boane	Boane Ag/Livestock	280	280	
96	Maputo	Marracuene	Marracuene Ag.	300	300	
97	Maputo	Boane/Magude	Maputo Citrus	740	1140	
98	Maputo		25th of June Ag.	450		Not on 10/90 list; status unknown.
99	Maputo	Boane	First of Nov. Ag.	Unknown	Unknown	
100	Maputo	Namaacha	Namaacha Vineyards	Unknown	Unknown	
101	Maputo	Namaacha	Namaacha Poultry	208	1008	
102	Maputo	Maputo City	Poultry Feed	Unknown	0	
103	Maputo	Maputo City	Maputo Poultry	Unknown	0	
104	Maputo	Maputo City	Gapecom	Unknown	0	
105	Maputo		Fruit & Vegetables	Unknown		Not on 10/90 list; status unknown.
106	Maputo	Manhica	Maragra	7279	7279	
107	Maputo	Maputo City	Maputo Timber	Unknown	0	
108	Maputo	Maputo City	Swines & Sausages	Unknown	0	
109	Maputo	(nationwide)	Emofauna (ivory)	Unknown	0	

Benchmarks:

- . Continuation of case-by-case divestitures of state farms.
- . Identification and analysis of issues and policies to be addressed in divestiture program.
- . Design of a general divestiture program and continuation of divestitures in accordance with general program.
- . Design and implementation of USAID-specific program for pilot divestiture(s).
- . Refinement of divestiture program and tenure policies, as needed, based on pilot divestiture(s).

USAID is aware that these benchmarks may be closer to "management steps" than impact indicators. Ideally, quantitative benchmarks would be set delineating the scope and pace of divestitures. The lack of specific information currently available on state farms, however, precludes USAID and the GOM from developing a practical action plan that could realistically be implemented. As a second best alternative, we have formulated a set of benchmarks that define a process for effective state farm divestitures. The process itself will allow, over time, better articulation of quantitative benchmarks.

The above benchmarks will be monitored through policy dialogue and technical assistance. The Land Tenure Center (University of Wisconsin) has now made two visits to Mozambique (December 1989 and March 1990) to work with Ministry of Agriculture and other agencies on land tenure issues in connection with state farm divestitures. LTC's next visit, in November 1990, will result in (i) identification of a site and initial planning (including budget and implementation schedule) for a pilot divestiture of state farm land to private and family farmers, and (ii) terms of reference for continuing general assistance, through technical advice and training activities, to develop land tenure policies that will promote divestiture and increased agricultural productivity.

Target 4-2: Institutionalize market-based allocation of foreign exchange for agricultural inputs.

Benchmarks:

- . Eligibility for SNAAD financing expanded to the agricultural sector.
- . Full GOM compliance with IMF ceilings on credit and subsidies to parastatals.
- . Exchange rate devalued to reflect increased demand for foreign exchange under the SNAAD and thereby bring the real effective exchange rate closer to equilibrium.

Initially SNAAD funds were available only for imports of parts for cargo and mass transit transport equipment and for inputs to the shoe and garment industries; the cargo subsector in fact included agriculture. In April 1990, commodity eligibility under the SNAAD was expanded to include parts for agricultural equipment. Thus, although the agriculture sector is far from being fully served by the SNAAD, the GOM clearly is acting on its policy statements regarding the importance of agriculture by bringing such commodities into the eligibility list. USAID will continue to impress on the GOM the importance of bringing additional imports critical to the agriculture sector into the SNAAD, and will provide AID/W with quantitative information on agriculture-related use of the SNAAD when sufficient time has passed from the recent expansion announcement to make the data informative.

In the absence of IMF reports at this stage on the likely outcome of its 1990 program, it is too early to comment on the GOM's compliance with IMF ceilings on credit and subsidies to parastatals, at least in terms of 1990 performance. In addition, credit data on the split between parastatal and private recipients of loans in the non-government sector are currently unavailable, according to our discussions with IMF staff. As to subsidies, the picture is somewhat more clear. Total subsidies to loss-making components of the parastatal sector were held constant in nominal terms in 1989, compared with 1988, suggesting that their real level (deflated by the official CPI) declined by approximately one-third in 1989. The only parastatal sector that received an increase in subsidies during 1989 appears to be the electricity sector, which gained a two-thirds increase in subsidies in real terms. We would venture a guess that the continued effects of the security situation, with regular and successful attempts to sabotage power supply to Maputo, more than warrant subsidized support. For 1990, data on subsidies are yet incomplete. GOM targets, as portrayed in IMF documentation, suggest that the GOM will attempt to "straight-line" subsidies in nominal terms, resulting in a decline in real terms.

*SNAAD = Sistema Nao-Administrativo de Afectacao de Divisas, Mozambique's version of an Open General License system for foreign exchange, established within the GOM-IMF-IBRD Policy Framework Paper.

The Mission is reconsidering the benchmark on exchange rate devaluation, in light of the rapidly changing details of Mozambique's economic policy framework. With respect to the SNAAD, despite some expansion of the commodity eligibility list and despite the removal of ceilings on use, the supply of foreign exchange at the window still exceeds demand by a significant margin. Consequently, there is no pressure on the exchange rate from the standpoint of the SNAAD. We understand from local IBRD officials that SNAAD objectives have not altered, that the IBRD at this stage intends to place more funds into the SNAAD, and that they encourage other donors to consider supporting the SNAAD. Somewhat complicating matters, the GOM announced at the end of October, as we ~~were~~ were preparing this API, the establishment of a secondary foreign exchange market in the financial system, in order to meet IMF ESAF conditionality. This market is supposed to operate at a completely uncontrolled exchange rate, determined by supply and demand, and one objective of the system is presumably to attract transactions currently being carried out in the parallel market. Although regulations were published and the market formally opened, there is little activity yet. If the market works as intended, it should act to put pressure on the exchange rate and in fact should guide GOM management of the overvalued official rate. The establishment of this market is clearly a positive move, at least in principle. It serves as an indication that the GOM is indeed taking steps to move sources and uses of foreign exchange increasingly into a market-determined, as opposed to administratively determined, allocation system.

Table 8 presents official and parallel exchange rate information from January through October 1990. These will continue to be monitored.

Table 8

MOZAMBIQUE EXCHANGE RATE INFORMATION 1990

Date	MT/US\$			MT/Rand			Rand/US\$	
	US Office RAMC Paris	Parallel	Ratio	Official	Parallel	Ratio	US Office RAMC Paris	Cross * Rate
02-Jan	840.00	1,900.00	2.3	330.84	500.00	1.5	2.54	3.8
15-Jan	840.00	1,900.00	2.3	328.07	500.00	1.5	2.56	3.8
05-Feb	845.00	1,950.00	2.3	331.08	600.00	1.8	2.55	3.3
20-Feb	845.00	1,950.00	2.3	331.29	600.00	1.8	2.54	3.3
05-Mar	886.50	2,000.00	2.3	343.21	700.00	2.0	2.57	2.9
19-Mar	888.91	2,000.00	2.2	341.36	700.00	2.1	2.60	2.9
02-Apr	895.77	2,050.00	2.3	345.91	750.00	2.2	2.67	2.7
17-Apr	911.89	2,050.00	2.2	344.59	750.00	2.2	2.65	2.7
07-May	926.58	2,250.00	2.4	348.27	750.00	2.2	2.65	3.0
21-May	911.63	2,400.00	2.6	346.16	800.00	2.3	2.64	3.0
04-Jun	941.34	2,350.00	2.5	360.92	750.00	2.1	2.67	3.1
18-Jun	941.45	2,350.00	2.5	339.40	850.00	2.5	2.66	2.8
02-Jul	934.13	2,400.00	2.6	366.01	850.00	2.3	2.65	2.8
16-Jul	945.68	2,450.00	2.6	364.26	850.00	2.3	2.64	2.9
06-Aug	919.90	2,500.00	2.7	365.13	850.00	2.3	2.56	2.9
20-Aug	929.47	2,400.00	2.6	357.06	800.00	2.2	2.58	3.0
03-Sep	917.24	2,400.00	2.6	365.23	850.00	2.3	2.58	2.8
17-Sep	942.61	2,400.00	2.5	364.62	850.00	2.3	2.59	2.8
01-Oct	940.21	2,450.00	2.6	373.14	850.00	2.3	2.57	2.9
15-Oct	919.26	2,300.00	2.5	369.06	750.00	2.0	2.20	3.1

* Represents rate given by: (Parallel MT/US\$) : (Parallel MT/Rand).

SOURCE: USAID Survey

MT/US\$ - US Embassy (US Office RAMC Paris)
 RAND/US\$ - US Embassy (US Office RAMC Paris)
 MT/Rand - Mozambique Daily Newspaper "Noticias"